

# House Bill 2926

Sponsored by Representative G SMITH

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Requires State Accident Insurance Fund Corporation to notify physician in writing of reduction in premium made from Rural Medical Liability Reinsurance Fund. Removes obsolete provisions. Repeals sunset provisions.

## A BILL FOR AN ACT

1  
2 Relating to reinsurance program for medical professional liability insurance policies; amending ORS  
3 656.632 and sections 1, 2, 7 and 8, chapter 781, Oregon Laws 2003; and repealing sections 12,  
4 14 and 15, chapter 781, Oregon Laws 2003.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1.** Section 1, chapter 781, Oregon Laws 2003, is amended to read:

7 **Sec. 1.** (1) The State Accident Insurance Fund Corporation shall establish a reinsurance pro-  
8 gram for medical professional liability insurance policies issued by authorized insurers [*in the cal-*  
9 *endar years 2004, 2005, 2006 and 2007*] to doctors of medicine and doctors of osteopathy licensed  
10 under ORS chapter 677 who:

11 (a) Have a rural practice according to the criteria established by the Office of Rural Health for  
12 purposes of ORS 315.613;

13 (b) Hold an active, unrestricted license to practice medicine; and

14 (c) Have an in-force policy of medical professional liability insurance with an authorized insurer  
15 with minimum limits of coverage of \$1 million per occurrence and \$1 million aggregate.

16 (2) The reinsurance program established in accordance with this section must be carried out in  
17 accordance with the plan approved under section 2, **chapter 781, Oregon Laws 2003** [*of this 2003*  
18 *Act*].

19 (3) The coverage provided under the reinsurance program shall be priced by the State Accident  
20 Insurance Fund Corporation, in accordance with rate standards or percentage reductions determined  
21 by the Director of the Department of Consumer and Business Services after consultation with the  
22 Office of Rural Health, at rates that will significantly reduce premiums for doctors to whom this  
23 section applies so as to make the medical professional liability insurance reasonably affordable.

24 (4)(a) The State Accident Insurance Fund Corporation may provide coverage as authorized in  
25 this section on such terms and conditions as the State Accident Insurance Fund Corporation deter-  
26 mines to be reasonable, subject to the requirements and other terms of the plan approved under  
27 section 2, **chapter 781, Oregon Laws 2003** [*of this 2003 Act*].

28 (b) Notwithstanding paragraph (a) of this subsection, the State Accident Insurance Fund Cor-  
29 poration must make all reasonable efforts consistent with the goals of sections 1 to 7, 10 **and 11,**  
30 **chapter 781, Oregon Laws 2003,** [*to 12 and 14 of this 2003 Act*] to transfer any assumed reinsurance  
31 liability.

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 (5) The State Accident Insurance Fund Corporation is not required to provide coverage for risks  
 2 under this section that exceed the amount the director is authorized to credit against assessments  
 3 in section 7, **chapter 781, Oregon Laws 2003** [of this 2003 Act], but the State Accident Insurance  
 4 Fund Corporation is liable for all risks that it covers under this section.

5 **SECTION 2.** Section 2, chapter 781, Oregon Laws 2003, is amended to read:

6 **Sec. 2.** (1) The State Accident Insurance Fund Corporation shall submit to the Director of the  
 7 Department of Consumer and Business Services and to the Office of Rural Health a plan for carrying  
 8 out the provisions of section 1, **chapter 781, Oregon Laws 2003** [of this 2003 Act]. The director and  
 9 the office shall approve the plan following a determination that the plan:

10 (a) Satisfies the purposes of sections 1 to 7, **chapter 781, Oregon Laws 2003** [of this 2003  
 11 Act].

12 (b) Obligates the State Accident Insurance Fund Corporation to carry out the reinsurance pro-  
 13 gram established under section 1, **chapter 781, Oregon Laws 2003**, [of this 2003 Act] by any ap-  
 14 propriate coverage, which may consist of financial reinsurance, on an insurer-to-insurer basis.

15 (c) Provides administrative management for the reinsurance program.

16 (d) Is financially sound.

17 (e) Facilitates payments from the Rural Medical Liability Reinsurance Fund established by sec-  
 18 tion 5, **chapter 781, Oregon Laws 2003**, [of this 2003 Act] and is otherwise fair and reasonable to  
 19 the participating primary insurers and their insureds.

20 (f) Establishes appropriate underwriting and rating standards.

21 (g) Minimizes transactional and claim costs for the State Accident Insurance Fund Corporation  
 22 and for primary users.

23 (h) Is appropriate in relation to the insurance market in this state.

24 (i) Effectively reduces premiums for medical professional liability insurance for doctors eligible  
 25 for coverage under the plan.

26 (2)(a) The plan approved under this section must provide, to the extent funds are available from  
 27 the credit provided in section 7, **chapter 781, Oregon Laws 2003**, [of this 2003 Act] for the annual  
 28 assessment owed by the State Accident Insurance Fund Corporation under ORS 656.612, for a re-  
 29 duction in premiums as provided in this subsection for medical professional liability insurance for  
 30 eligible doctors of medicine and doctors of osteopathy. The reduction of premium shall be:

31 (A) Up to 80 percent for doctors specializing in obstetrics;

32 (B) Up to 60 percent for doctors specializing in family or general practice who provide  
 33 obstetrical services; and

34 (C) Up to 40 percent for all other eligible doctors.

35 (b) If the funds available to provide premium reductions are insufficient to provide the maximum  
 36 reduction, the plan shall provide for proportional reductions to all eligible doctors.

37 (c) Premium reductions shall be a percentage of the actual premium charged for medical pro-  
 38 fessional liability insurance in the market of authorized insurers for limits purchased of up to \$1  
 39 million per occurrence and \$3 million annual aggregate.

40 (d) Premium reductions shall be effective beginning with the first premium payment in each  
 41 calendar year under the reinsurance program.

42 (e) **When the State Accident Insurance Fund Corporation provides a premium reduction**  
 43 **for an eligible doctor under this subsection, the corporation shall inform the doctor in writ-**  
 44 **ing of the amount of the reduction and why the reduction was made.**

45 (3) The plan adopted under this section may not obligate the State Accident Insurance Fund

1 Corporation to provide coverage under section 1, **chapter 781, Oregon Laws 2003**, [of this 2003  
2 Act] at a cost to the State Accident Insurance Fund Corporation that exceeds an average of \$10  
3 million for each policy year [for the four years] for which the coverage is provided. The cost to the  
4 State Accident Insurance Fund Corporation shall be the actuarially determined costs of the rein-  
5 surance program.

6 [(4)(a) The State Accident Insurance Fund Corporation shall submit the plan required under this  
7 section to the director and the office not later than September 30, 2003.]

8 [(b) The director and the office shall approve, disapprove or require changes to the plan as  
9 promptly as reasonably possible in order to enable the State Accident Insurance Fund Corporation to  
10 have the plan operational by January 1, 2004. The plan may be implemented only after joint approval  
11 by the director and the office.]

12 **SECTION 3.** Section 7, chapter 781, Oregon Laws 2003, is amended to read:

13 **Sec. 7.** (1) When the State Accident Insurance Fund Corporation provides coverage through the  
14 reinsurance program established under section 1, **chapter 781, Oregon Laws 2003** [of this 2003  
15 Act], the Director of the Department of Consumer and Business Services shall credit the purchase  
16 price or the amount of the payment, net of any income, to the annual assessment owing by the State  
17 Accident Insurance Fund Corporation to the Department of Consumer and Business Services under  
18 ORS 656.612. The amount the director credits under this subsection may not exceed an average of  
19 \$10 million for each policy year [for the four years] that coverage is provided under section 1,  
20 **chapter 781, Oregon Laws 2003** [of this 2003 Act].

21 (2) The director shall establish by rule the accounting procedures and requirements by which  
22 the credit is determined for the assessment under ORS 656.612.

23 **SECTION 4.** Section 8, chapter 781, Oregon Laws 2003, is amended to read:

24 **Sec. 8.** Notwithstanding ORS 656.632 and 656.634, the State Accident Insurance Fund Corpo-  
25 ration may transfer funds from the Industrial Accident Fund to the Rural Medical Liability Rein-  
26 surance Fund for the purposes of sections 1 to 7, **10 and 11, chapter 781, Oregon Laws 2003** [and  
27 10 to 12 of this 2003 Act and the amendments to ORS 656.632 by section 9 of this 2003 Act].

28 **SECTION 5.** ORS 656.632, as amended by section 13, chapter 781, Oregon Laws 2003, is  
29 amended to read:

30 656.632. (1) The Industrial Accident Fund is continued. This fund shall be held by the State  
31 Treasurer and by the State Treasurer deposited in such banks as are authorized to receive deposits  
32 of general funds of the state.

33 (2) All moneys received by the State Accident Insurance Fund Corporation **for workers' com-**  
34 **ensation purposes** under this chapter, shall be paid forthwith to the State Treasurer and shall  
35 become a part of the Industrial Accident Fund. However, any assessments collected for the Director  
36 of the Department of Consumer and Business Services under this chapter and deposited in the In-  
37 dustrial Accident Fund may thereafter be transferred to the director and deposited in the Consumer  
38 and Business Services Fund.

39 (3) All payments authorized to be made by the State Accident Insurance Fund Corporation **for**  
40 **workers' compensation purposes** by this chapter, including all salaries, clerk hire and all other  
41 expenses, shall be made from the Industrial Accident Fund.

42 **SECTION 6. Sections 12, 14 and 15, chapter 781, Oregon Laws 2003, are repealed.**