

# Senate Bill 183

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## 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**.

Extends reinsurance program for medical professional liability insurance policies administered by State Accident Insurance Fund Corporation for four years. Requires proposed modifications to plan to be submitted to Director of Department of Consumer and Business Services and Office of Rural Health by September 30, 2007. Reduces corporation's obligation for annual average amount of cost of program. Reduces amount of annual credit corporation may take against assessment by Department of Consumer and Business Services. Requires Director of Department of Consumer and Business Services to report on performance of program to Seventy-fourth and Seventy-fifth Legislative Assemblies.

Declares emergency, effective on passage.

## A BILL FOR AN ACT

1  
2 Relating to reinsurance program for medical professional liability insurance policies provided by  
3 State Accident Insurance Fund Corporation; amending sections 1, 2, 7, 14 and 15, chapter 781,  
4 Oregon Laws 2003; and declaring an emergency.

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, **2008, 2009, 2010 and 2011** to doctors of medicine and  
10 doctors of osteopathy licensed under ORS chapter 677 who:

11 (a) Have a rural practice [*according to*] **that meets** the criteria established by the Office of  
12 Rural Health for [*purposes of ORS 315.613*] **serving the health needs of Oregonians in rural**  
13 **areas of the state;**

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

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

17 (2) The reinsurance program established in accordance with this section must be carried out in  
18 accordance with the plan approved under section 2 [*of this 2003 Act*], **chapter 781, Oregon Laws**  
19 **2003.**

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

25 (4)(a) The State Accident Insurance Fund Corporation may provide coverage as authorized in  
26 this section on such terms and conditions as the State Accident Insurance Fund Corporation deter-

**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 mines to be reasonable, subject to the requirements and other terms of the plan approved under  
2 section 2 [of this 2003 Act], **chapter 781, Oregon Laws 2003**.

3 (b) Notwithstanding paragraph (a) of this subsection, the State Accident Insurance Fund Cor-  
4 poration must make all reasonable efforts consistent with the goals of sections 1 to 7, 10 to 12 and  
5 14 [of this 2003 Act], **chapter 781, Oregon Laws 2003**, to transfer any assumed reinsurance liability.

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

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

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

15 (a) Satisfies the purposes of sections 1 to 7 [of this 2003 Act], **chapter 781, Oregon Laws**  
16 **2003**.

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

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

21 (d) Is financially sound.

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

25 (f) Establishes appropriate underwriting and rating standards.

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

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

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

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

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

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

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

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

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

45 (d) Premium reductions shall be effective beginning with the first premium payment in each

1 calendar year under the reinsurance program.

2 (3) The plan adopted under this section may not obligate the State Accident Insurance Fund  
3 Corporation to provide coverage under section 1 [*of this 2003 Act*], **chapter 781, Oregon Laws 2003**,  
4 at a cost to the State Accident Insurance Fund Corporation that exceeds an average of [*\$10*] **\$5**  
5 million for each policy year for [*the four years for*] which the coverage is provided. The cost to the  
6 State Accident Insurance Fund Corporation shall be the actuarially determined costs of the rein-  
7 surance program.

8 (4)(a) The State Accident Insurance Fund Corporation shall submit **any proposed modifications**  
9 **to** the plan required under this section to the director and the office not later than September 30,  
10 [*2003*] **2007**.

11 (b) The director and the office shall approve, disapprove or require changes to the **plan or to**  
12 **the proposed modifications to the** plan as promptly as reasonably possible in order to enable the  
13 State Accident Insurance Fund Corporation to have the **modified** plan operational by January 1,  
14 [*2004*] **2008**. The **modified** plan may be implemented only after joint approval by the director and the  
15 office.

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

17 **Sec. 7.** (1) When the State Accident Insurance Fund Corporation provides coverage through the  
18 reinsurance program established under section 1 [*of this 2003 Act*], **chapter 781, Oregon Laws**  
19 **2003**, the Director of the Department of Consumer and Business Services shall credit the purchase  
20 price or the amount of the payment, net of any income, to the annual assessment owing by the State  
21 Accident Insurance Fund Corporation to the Department of Consumer and Business Services under  
22 ORS 656.612. The amount the director credits under this subsection may not exceed an average of  
23 [*\$10*] **\$5** million for each policy year for [*the four years that*] **which** coverage is provided under sec-  
24 tion 1 [*of this 2003 Act*], **chapter 781, Oregon Laws 2003**.

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

27 **SECTION 4.** Section 14, chapter 781, Oregon Laws 2003, is amended to read:

28 **Sec. 14.** (1) The State Accident Insurance Fund Corporation shall continue paying reinsurance  
29 claims incurred or made prior to January 1, [*2008,*] **2014**, from the Rural Medical Liability Reinsur-  
30 ance Fund until the State Accident Insurance Fund Corporation has extinguished its liabilities for  
31 reinsurance issued under section 1 [*of this 2003 Act*], **chapter 781, Oregon Laws 2003**, by payment  
32 of claims or by purchase of reinsurance. Purchase of reinsurance under this subsection shall be  
33 subject to approval by the Director of the Department of Consumer and Business Services.

34 (2) Sections 1 to 8 and 10 to 12 [*of this 2003 Act*], **chapter 781, Oregon Laws 2003**, are repealed  
35 January 2, 2014.

36 (3) The amendments to ORS 656.632 by section 13 [*of this 2003 Act*], **chapter 781, Oregon Laws**  
37 **2003**, become operative January 2, 2014.

38 **SECTION 5.** Section 15, chapter 781, Oregon Laws 2003, is amended to read:

39 **Sec. 15.** (1) The Director of the Department of Consumer and Business Services shall report in  
40 the manner provided by ORS 192.245 to the [*Seventy-third and*] **Seventy-fourth and Seventy-fifth**  
41 Legislative Assemblies on the performance of the program established under section 1 [*of this 2003*  
42 *Act*], **chapter 781, Oregon Laws 2003**.

43 (2) The State Accident Insurance Fund Corporation shall provide all data and other information  
44 required by the director to prepare the reports required under this section.

45 **SECTION 6.** **This 2007 Act being necessary for the immediate preservation of the public**

1 **peace, health and safety, an emergency is declared to exist, and this 2007 Act takes effect**  
2 **on its passage.**

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