

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: SB 713**Seventy-Sixth Oregon Legislative Assembly – 2011 Regular Session
Legislative Fiscal OfficePrepared by: Robin LaMonte
Reviewed by: Steve Bender
Date: April 7, 2011**Measure Description:**

Requires all mandatory arbitration provisions in insurance policies between insureds in this state and insurers to make State Insurance Arbitration Board arbitrator.

Government Unit(s) Affected:

Department of Consumer and Business Services (DCBS)

Summary of Expenditure Impact

| | 2011-13 Biennium | 2013-15 Biennium |
|--------------------|------------------|------------------|
| Other Funds | 413,488 | 557,042 |
| Total Funds | \$413,488 | \$557,042 |
| Positions | 1 | 1 |
| FTE | 0.38 | 0.50 |

Summary of Revenue Impact - See Comments**Local Government Mandate:**

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

SB 713 requires the Department of Consumer and Business Services to establish a State Insurance Arbitration Board with authority to provide arbitration for all insurance policies between insureds who reside in Oregon and insurers. The Board will be chosen by the Director of DCBS. The bill also provides that Board members will be compensated from the Consumer and Business Services Fund. Arbitration will be available for denial of claims occurring after January 1, 2009.

DCBS regulatory and operational costs are paid by the entities that are regulated. This fiscal impact assumes that costs will be paid in a manner similar to other agency costs, and all costs will be paid out of an Other Funds account.

Based on data from its arbitration process for denied health insurance claims, DCBS estimates that 160 requests for arbitration will be received per year. Arbitration fees will cost \$324,000 in 2011-13 and \$432,000 in 2013-15. Other significant expenses include Attorney General fees of \$20,550 in 2011-13 and \$30,800 in 2013-15, and hearing room costs of \$24,000 in 2011-13 and \$32,000 in 2013-15.

DCBS estimates that it will need to add one half-time Administrative Specialist 1 Board Coordinator position (0.50 FTE for a full biennium), plus allocate 100 hours of a Principal Executive Manager's time for oversight and 100 hours of an Office Specialist 1's time for clerical support. Personal Services will cost \$39,873 in 2011-13 and \$53,166 in 2013-15. There will also be associated office expenses.

The bill does not provide any source of revenue for the arbitration process. DCBS notes that if arbitration is paid out of the current insurance assessment process, the insurance assessment would need to be increased to cover the cost of this program.