

REVENUE: No revenue impact

FISCAL: No fiscal impact

Action:	Do Pass as Amended and Be Printed Engrossed
Vote:	8 - 0 - 0
Yeas:	Conger, Doherty, Esquivel, Hoyle, Johnson, Matthews, Kennemer, Schaufler
Nays:	0
Exc.:	0
Prepared By:	Theresa Van Winkle, Administrator
Meeting Dates:	2/11, 4/4, 4/6

WHAT THE MEASURE DOES: Clarifies applicability of policies and contracts under the Oregon Life and Health Insurance Guaranty Association. Subdivides the health insurance account administered by the Association into three subaccounts. Clarifies the maximum benefit limits for each subcategory of health insurance and structured settlement annuities, and the maximum aggregate benefit for which the Association is liable. Clarifies the duties and the powers of the Association when a member insurer becomes an insolvent insurer; its organizational structure in regards to a business entity permitted under Oregon statute; the conduct of liquidation, rehabilitation or conservation proceeding involving an impaired or insolvent insurer; and other duties and powers relevant to its operations. Increases the maximum assessment amount for basic operating expenses from \$150 to \$300 per member insurer in any one calendar year. Declares an emergency, effective upon passage.

ISSUES DISCUSSED:

- Definition of “impaired” in regards to a insurance company
- How an insurance company becomes impaired
- Level of support from Oregon Life and Health Insurance Guaranty Association members
- Frequency of the Guaranty Fund being used for policy or contract holders due to insolvent insurers
- Impact to policyholders if the board exercises the right to increase the assessment
- Frequency of the Class A and Class B assessment being charged to Association members

EFFECT OF COMMITTEE AMENDMENT: Replaces the original measure.

BACKGROUND: The Oregon Life and Health Insurance Guaranty Association was created in 1975 when the Legislative Assembly enacted the Oregon Guaranty Association Act, and is comprised of all insurers licensed in the state to sell life, accident, and health insurance, as well as individual annuities. In the event that a member insurer is insolvent and ordered by a court to be liquidated, the Oregon Guaranty Association Act enables the Association to provide protection to Oregon residents who are holders of policies or annuities with the insolvent insurer. The coverage limits vary, depending on the type of insurance, and are established in the Act. For instance, the current coverage for health insurance policies is set at \$100,000 per person and has not increased since 1991, along with the other statutes that govern the Association. The provisions in House Bill 2087-A reflect national model legislation; the primary changes from the measure include dividing the health insurance account into three subaccounts (disability insurance, long term care insurance, and major medical and all other health insurance), increasing the limits for long-term care insurance benefits, and clarifies procedures for the Association to follow when an Oregon-based or multistate insurer becomes insolvent.

The Association’s board has the statutory authority to charge two types of assessments to member insurers: Class A assessments are issued for the purposes of meeting administrative and legal costs and other general expenses; and Class B assessments are made to the extent necessary to carry out the Association’s powers and duties in regards to an impaired or insolvent insurer. The amount of the Class A assessment is determined by the board and may be made on either a pro rata or other basis. House Bill 2087-A also increases the maximum amount of the Class A assessment made on another basis from \$150 per year to \$300 per calendar year, and per member. The maximum amount for the Class A assessment has not been increased since 1991.

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This summary has not been adopted or officially endorsed by action of the committee.