

SB 419 -1 STAFF MEASURE SUMMARY

Senate Committee On Business and General Government

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Meeting Dates: 3/19, 4/9

WHAT THE MEASURE DOES:

Applies retroactive to January 1, 2009, Oregon Life and Health Insurance Guaranty Association's \$300,000 liability limit for long-term care (LTC) insurance. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Impact of Penn Treaty insolvency on Oregon policyholders who purchased and paid premiums on unlimited LTC policies
- Increase of Guaranty Association liability from \$100,000 to \$300,000 after Penn Treaty insolvency
- Impact of measure on contracts between Guaranty Association, member insurers, and Penn Treaty policyholders, and potential violation of Section 21, Article 1, of the Constitution of the State of Oregon
- Cost of developing new actuarially-sound coverage for Penn Treaty policyholders

EFFECT OF AMENDMENT:

-1 Clarifies that retroactive coverage applies to any coverage the guaranty association provides or provided, regardless of whether coverage has ceased.

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.

Penn Treaty American Insurance Company was found insolvent by state regulators in 2009. The Guaranty Association worked with insurers to create actuarially-sound coverage up the \$100,000 statutory limit for affected LTC policyholders. In 2011, the Legislative Assembly increased the Guaranty Association's liability limits for long-term care (LTC) insurance from \$100,000 to \$300,000.

Senate Bill 419 retroactively applies long-term care insurance protection to any member insurer first placed under an order of rehabilitation or liquidation on or after January 1, 2009. The measure allows Oregon residents who purchased long-term care insurance products from Penn Treaty to receive \$300,000 in liability protection from the Guaranty Association.