

From the Desk of



April 15, 2019

To: Oregon State Senate

From: John Powell, Oregon Life & Health Insurance Guaranty Association

Subject: Why the Oregon Guaranty Association Opposes SB 419

What does SB 419 do? This measure retroactively increases the long term care benefit when an insurer becomes insolvent from \$100,000 to \$300,000 back to January 1, 2009. The measure affects benefits already paid with respect to three insolvencies.

The Oregon Life & Health Insurance Guaranty Association opposes SB 419 for the following reasons:

1. The Association has already executed resolution of the Penn Treaty, American Network, and National States insolvencies according to Oregon law based on the \$100,000 limit.
2. 460 of the 529 Oregon Penn Treaty/American Network policyholders affected by the insolvency were offered the following options by the Association pursuant to Oregon law, based on the \$100,000 limit:
 - a. A paid up policy worth the total amount of premiums the policyholder paid over the years. The policyholder never makes another premium payment under this option.
 - b. A cash settlement in exchange for cancellation of their policy.
 - c. Continue with a \$100,000 policy at rates approved by the Oregon Division of Financial Regulation and 28 other state insurance regulators.
 - d. Modifications of benefits under the policy.
3. 132 policyholders chose cash, benefit modifications or a paid up policy. 328 elected to accept the premium rate adjustment.
4. Contracts with other insurance divisions, a reinsurer, member insurance companies, guaranty associations from other states, and policyholders are in effect with millions of dollars paid by the Association to date and future payments scheduled and are final.
5. In the National States case, all claims have been paid and the files closed with only one remaining policy in force.

The Oregon Life & Health Insurance Guaranty Association does not believe it is possible to implement and administer SB 419 without extensive legal action against multiple parties and against the Association by policyholders, insurers and others. We feel for those involved in this insolvency, but the concept of a limit to safety net protection is the same for those who hold financial balances above the FDIC limits when financial institutions become insolvent. In this situation the Association followed the letter of the law to implement options for policyholders.