

**HB 2056 STAFF MEASURE SUMMARY**

**House Committee On Business and Labor**

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**Prepared By:** Erin Seiler, LPRO Analyst

**Meeting Dates:** 1/30, 2/20

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**WHAT THE MEASURE DOES:**

Clarifies that contributions and reserves of self-insurance programs, established by multiple public bodies to insure against tort liability or property damage, are public entities' funds and can be used for benefit of program's public bodies.

**ISSUES DISCUSSED:**

- Statutory history of public entity self-insured property and liability programs
- Minimum financial and structural requirements for public entity self-insured property and liability programs
- Recent legal interpretation of meaning of "exclusive benefit of the program."
- How public entities utilize funds for benefit of public bodies

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

Minimum financial requirements for the creation and operation of public entity self-insured property and liability programs were established in 2005 at the request of the Special Districts Association of Oregon (SDAO) and Special Districts Insurance Services Trust (SDIS). These requirements are outlined in ORS 30.282.

ORS 30.282(6)(c) states that "Program contributions and reserves must be held in separate accounts and used for the exclusive benefit of the program." A recent legal review of ORS 30.282(6)(c) determined that the language is more restrictive than intended when the statute was adopted. A strict interpretation of the phrase "exclusive benefit of the program" will prevent SDIS and other self-insured public entity programs from returning surplus funds to members, keeping rates stable by diversifying risk, and utilizing surplus funds to start or strengthen other self-insurance programs.

House Bill 2056 clarifies that reserves are the public entities' funds and can be used for the benefit of the program's public bodies.