Message from Acting Oregon Insurance Division Administrator

February 2009

As session moves into full swing and budget discussions take center stage (for both the current biennium as well as the next biennium), I want to provide stakeholders another update discussing some of the recent activities of the Insurance Division as well as some of the issues facing the division. I hope you find the information helpful.

Capital and Surplus Requirements

As some of you know, the American Council of Life Insurers recently asked the National Association of Insurance Commissioners (NAIC) for relief from capital and surplus requirements. Although the industry's proposal failed to make it out of the NAIC's Executive Committee, many companies are now approaching individual states requesting permission to change the way they measure and report their financial strength.

I have concerns about allowing an insurer to report an increase in capital and surplus simply by implementing accounting-related changes. Given the current state of the economy, this does not seem like the time for such a move – and our Oregon domestic life insurers have adequate capital and surplus without these changes. Therefore, I would not expect Oregon to be receptive to requests from insurers to make such accounting changes at this time.

Insurance Division Budget

As you can imagine, the condition of the Oregon economy is having an impact on our parent agency, the Department of Consumer and Business Services (DCBS). Many DCBS programs are funded by a variety of fees and assessments paid by those we regulate, and as our economy shrinks, many of those revenue sources have shrunk as well. The department has implemented several actions to address the decline in revenue. The agency will be using funds from our reserves, reducing expenditures in the programs with shortfalls, cutting or holding vacant positions where workload has declined or where program efficiencies will allow us to accomplish our needs without filling positions. The department has also implemented a hiring "frost", which will require a heightened level of review before any vacancy is filled. Additionally, in areas in which the department's revenue has been most severely affected, there will be a limited number of lay offs. Finally, going forward and through the next biennium, we are expecting some furlough days for state government as a whole, which will include DCBS.

As most of you know, the Insurance Division is funded through producer licensing fees and insurer assessments. At this point in time, given that our workload has not declined and our revenues are relatively stable, we are not losing positions in the division.

However, recognizing the volatility of the economy and the uncertainty of the future, the division is reducing travel, training and supply costs, eliminating most overtime, and holding a few positions vacant. Please know that although these actions will have an impact on the division, we will strive to continue providing excellent service to consumers, producers and insurers through these difficult times.

HB 2213 (Cost estimates)

As the July 2009 deadline for making medical cost estimates available to consumers approaches, the division has been in conversations with individual carriers to ensure compliance with the new law. Additionally, the division recently issued an e-notify detailing the requirements of the law, including a Q&A addressing some of the issues that have been raised.

Carriers must provide consumers reasonable cost estimates for specific in-network and out-of-network procedures and services in advance of receiving the services. The information must be available through an interactive website and by toll-free telephone by July 2009. The purpose of the disclosure requirements is to give consumers information in advance about how much they can expect to pay out-of-pocket, so that they can make informed financial decisions about their health care choices. If anyone has questions about this legislation or the expectations of the department, please feel free to contact our health policy analyst, Mary Ann Evans, at 947-7216.

Legislature

In January, I provided testimony to the House Health Care Committee on the proposal in HB 2009 to transfer the health insurance regulatory functions of the department to the Oregon Health Authority, which has been suggested as part of the larger health care reform proposal. I pointed out some of the difficulties with moving regulation of health insurance to the Oregon Health Authority, including the fact that most of the division's staff deal with multiple lines of business. Because the division's structure is one based upon function rather than line of business, it would be difficult to separate health regulation from other regulation. Although it is unclear exactly how the committee plans to proceed on this issue, the testimony seems to have been well received.

We look forward to further conversations with the House Health Care Committee on this important legislation and expect to provide additional comments on the other insurance-related issues in the bill in the next few weeks.

Meanwhile, we are awaiting opportunities to testify on proposed changes to our health insurance rate review process and expect that discussion to take place in the House Consumer Protection Committee in the coming weeks.

HB 2190, the division's bill addressing motor vehicle "total loss" claims, was approved by the House Consumer Protection Committee February 16. HB 2190 attempts to ease the pressure facing consumers in a total loss situation in a few different ways. First, it requires insurers to provide consumers with information explaining the total loss process and how the insurer has valued the insured vehicle. Second, it requires insurers to pay the undisputed amount of the vehicle to consumers upfront, so that consumers are able to purchase replacement transportation. Finally, it encourages insurers to give fair and accurate settlement offers upfront by requiring insurers that have appraisal provisions in their policies, to reimburse consumers' appraisal costs when the final appraisal decision is greater than the insurer's last offer.

Finally, the bill proposing to limit insurer investments in common stock should be printed shortly. I look forward to your feedback when you have had a chance to review the language of the bill.

Don't forget that you can track Insurance Division bills and testimony online at: http://insurance.oregon.gov/orleg.html

COBRA

The economic stimulus package approved by Congress and signed by the president creates a nine month, 65 percent federal subsidy of COBRA premiums for qualified people who are unemployed. The subsidy is for employees (and qualifying dependents) who lost jobs involuntarily between Sept. 1, 2008, and Dec. 31, 2009, and are eligible for COBRA.

This program requires ***employers*** to notify employees of their eligibility and to pay 65 percent of the cost (eligible employees pay 35 percent). Employers then get their money from the federal government – either by claiming a credit against their federal payroll taxes or through a direct payment. Individuals could be covered under this program as soon as March 1, 2009.

Military Personnel

With the Oregon National Guard preparing to mobilize its largest deployment of citizen soldiers since World War II, we posted information on insurance related issues of particular interest to military personnel on our Web page. You can find this information at: www.insurance.oregon.gov**.**

As always, please feel free to contact me anytime. I always appreciate your input!

Teresa Miller
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Insurance Division