



Department of Consumer and Business Services

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Before the

House Business and Labor Committee

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HB 2087

Testimony of
Teresa Miller, Administrator
Insurance Division
Department of Consumer and Business Services

For the record, my name is Teresa Miller. I am the Administrator of the Insurance Division of the Department of Consumer and Business Services. I am here today to talk about HB 2087, which increases coverage limits under the Oregon Life and Health Guaranty Association and allows the association to increase the amount of the assessment on insurers that funds the operations of the association.

Oregon's state guaranty funds protect consumers in the event that an insurer cannot pay its claims, in much the same way that the FDIC insures banks. The Oregon Life and Health Guaranty Association covers annuity contracts and life and health insurance policies, including disability, long-term care, and major medical, surgical and all other health insurance. The Oregon Life and Health Guaranty Association is funded through two assessments on life and health insurers. The first is an annual assessment, currently at \$150, that pays for the day-to-day

operating expenses of the association. The second assessment is only imposed if an insurer cannot pay its claims, at which time the association determines the amount needed to cover the insurer's obligation and assesses other insurers in an amount necessary to cover those obligations.

The association's current limit on protected coverage for health insurance policies is \$100,000 per person and was last increased in 1991. Due to the rapid inflation in the cost of health care over that period, this limit is no longer sufficient to protect Oregon consumers. HB 2087 addresses this potential shortfall.

HB 2087 raises the protected coverage limit for life and health insurance policies from \$100,000 to:

- \$300,000 for disability policies.
- \$200,000 for long-term care policies.
- \$500,000 for major medical, surgical or other health insurance policies.

The aggregate limit for major medical, surgical and all other health insurance would increase to \$500,000.

These coverage increases would bring Oregon in line with other states that have recently updated the benefit limits provided under their guaranty funds.

HB 2087 would also allow the association to raise its assessment on industry from \$150 per year to a maximum of \$300 per year for basic operating expenses. This limit also has not been increased since 1991.

The Oregon Insurance Division believes that this bill is necessary to protect consumers in the event of the financial failure of a life or health insurer. While we do not expect to see any major business failures in these markets, in these economic times it is important not to take anything for granted.

I appreciate the opportunity to be here today and would be happy to answer any questions you might have.