

## Health reforms increase information, access

**H**ealth insurers must provide consumers with more information and make coverage more accessible under health reform measures passed by the 1997 Oregon Legislature.

Lawmakers adopted Senate Bill 21, which established operational, disclosure, and reporting requirements for health insurance plans, and SB 98, which amended the Oregon Insurance Code to incorporate requirements of the 1997 federal Health Insurance Portability and Accountability Act (HIPAA). Key provisions of each measure were effective Jan. 1, 1998.

The Oregon Insurance Division has adopted administrative rules to implement the legislation.

**Joel Ario**, manager of the Insurance Division's Consumer Protection Section, said SB 21, known as the Patient Protection Act of 1997, established new disclosure requirements and other standards designed to safeguard consumer rights.

Among other provisions, the law requires health insurers to:

- Provide information to enrollees about how their benefit plan works, including what health services are covered, what costs are shared, and how to access services.
- Provide more detailed information to an enrollee upon request, such as treatment policies for a particular condition, and coverage for particular drugs.
- Provide a grievance procedure with two levels of review, and annually report grievance statistics to the Oregon Department of Consumer and Business Services.

- Cover emergency room screening and stabilization services whenever a "prudent layperson" would have considered a situation to be an emergency.

The law also prohibits insurers from penalizing health care providers for communicating openly with their patients on treatment and referral options.

**Ed Niebuurt**, manager of Health Programs in the Oregon Insurance Division, said Oregon already had many of the health reforms in place that eventually were adopted by Congress in HIPAA. Legislators approved SB 98 to "reinforce and enhance our existing standards and to bring Oregon into compliance with federal law."

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### Kitzhaber to appoint new DCBS director to succeed Barnett

Governor **John Kitzhaber** is expected to appoint a new director of the Oregon Department of Consumer & Business Services (DCBS) this spring. The appointment must be confirmed by the Oregon Senate.

The director also holds the titles of state insurance commissioner and superintendent of banks.

**Kerry Barnett**, DCBS director since October 1993, left state service at the end of 1997. Barnett has accepted a position as chief executive officer of HealthFirst Medical Group, P.C.

DCBS is the state's largest regulatory and consumer protection agency, with 1,200 employees and an operating budget of \$150 million. The department regulates insurance, banking, securities, building codes, occupational safety and health, workers' compensation, and real estate appraisers.

DCBS also includes energy conservation, consumer protection and education programs.

### Legislature revises demutualization process; division prepares for Standard's proposal

The 1997 Oregon Legislature revised the process by which mutual insurance companies may convert to stock ownership. A mutual company is owned by its members, who are its policyholders, and does not issue stock.

Four Oregon mutual insurers are subject to the legislation. One of them, Standard Insurance Co., has announced its intent to convert to stock ownership.

Under the legislation, a mutual insurer may submit a plan to "demutualize" by converting directly to stock ownership, or to reorganize by forming a mutual or stock holding company and a stock insurer subsidiary. In either case, the policies of its members are transferred to the stock insurer.

In a straight conversion from mutual to stock ownership or in a reorganization involving formation of a stock holding company, policyholders relinquish their membership interests in the mutual insurer and receive some form of compensation in return. In a reorganization involving for-

mation of a mutual holding company, the membership interests of policyholders in the mutual insurer are converted into membership interests in the mutual holding company.

To demutualize, an insurer must develop a detailed plan explaining its proposal. The plan must be approved by the insurer's board of directors, the director of the Oregon Department of Consumer & Business Services, and the policyholders who are eligible to vote on the matter.

The Insurance Division is determining whether administrative rules are needed to implement the law and is preparing to review the proposal by Standard Insurance Co.

If rulemaking is needed, the division will appoint an advisory committee, composed of representatives of mutual insurers, policyholders, and other interested persons, to discuss and refine draft rules.

A public hearing will be scheduled and any rules will be adopted following a comment period.

## License fees drop from \$60 to \$45

It's not often the cost of anything goes down, but that's what happened with license fees for insurance agents, adjusters, and consultants.

As of Jan. 1, 1998, the fee to apply for or renew a license dropped from \$60 to \$45, a reduction of 25 percent.

Renewal notices will include the new, lower fee. The form in the Oregon Licensing Information Bulletin lists the old fee amount, but insurance professionals may still use the form and send in \$45, instead of \$60, with their applications.

Although the number of insurance agents, adjusters and consultants has increased since 1991, when the old fee was set, costs to administer the licensing program have not increased proportionately. The Insurance Division will conduct periodic studies to make sure the license fee remains in line with administrative costs.

## Home-study exam must be supervised to count

In order to successfully complete a home-study continuing education course, you must pass a closed-book examination supervised by a registered proctor or a librarian, clergyman, licensed accountant, lawyer, or state or community college representative.

Your examination will be given to you in a sealed envelope that can only be opened by the examination proctor. The proctor must mail the answer sheet and examination questions back to the course provider.

The certificate of completion date for home-study courses will be the date the completed examination was received by the course provider—not the date the exam was taken or mailed. If the completion date is after your insurance license expiration date, the course will be considered late and your license will have expired.

## Meagher leaves division

**Joyce Meagher**, manager of Agent Licensing since July 1985, left the Oregon Insurance Division Feb. 27. She has joined Huff, Thomas & Co. of Kansas City, Mo., as an insurance examiner. The company contracts with states to perform financial and market conduct exams.

## Law now requires continuing education on insurance laws, ethics for resident agents

New training requirements for resident agents selling life, health and general lines went into effect Jan. 1. Resident agents licensed in Oregon two years or more must complete:

- Three hours of continuing education about Oregon insurance laws and regulations, and
- Two hours of continuing education about ethics.

This training is included in the 24 or 48 hours of continuing education required for license renewal—not in addition to it.

A list of course providers is available from the Agent Licensing Unit.

The Insurance Division is offering a course that will satisfy the three-hour requirement for training on Oregon insurance laws. Staff

from Agent Licensing and Investigations are presenting the free continuing education course, "Oregon Law and Regulation Review," on May 14, July 9, Sept. 10 and Nov. 12. All sessions will be from 1-4 p.m. in Room 260 of the Labor & Industries Building, 350 Winter St. NE, in Salem.

Pre-registration is encouraged if you plan to attend any of the sessions. The Licensing Unit will include a course registration form with the renewal notice it sends you two months before your renewal date. Please use this form if possible. However, if you'd like to take the course before receiving your renewal notice, you may request a registration form by calling the Licensing Unit, (503) 947-7981.

## Legislature amends continuing education exemption requirements for retired agents

The statutory provision that exempts retired agents from continuing education requirements was amended by the Oregon Legislature in 1997.

An agent may now qualify for the exemption, as provided in ORS 744.119 (3), if the agent:

- Is retired.
- Is authorized to transact life insurance only.
- Is 58 years of age or more.
- Has 10 years' experience as a licensed insurance agent.
- Will be servicing existing insurance policies only.
- Requests the exemption by application to the Insurance Division.

"Servicing existing policies" means performing limited tasks relating to a client's existing policies, such as changing beneficiaries, changing endorsements, increasing policy amounts and accepting premiums. The term doesn't include transacting additional policies for the client or relatives of the client, transacting insurance for others under existing company appointments, or accepting new company appointments.

Agents who are exempt under prior law do not need to reapply.

To apply for the exemption, call the Insurance Division at (503) 947-7981 and ask for **Ruth Johnson** or **Micha Pantle**. The retirement exemption application form number is 440-3154.

## Percentage of courses agents need in each class of insurance is no longer mandated

The administrative rules for continuing education require each agent to complete courses that meet his or her "professional needs." You're no longer required to take at least 25 percent of your courses in each class of insurance in which you're licensed. You should be taking courses in the classes of insurance you are actively selling, but the division is no longer mandating how many hours to take in those classes.

For example, if you are licensed for life, health and general lines but only sell general lines insurance, it would be appropriate for you to only take continuing education classes in general lines.

If you are actively selling all three classes of insurance and need 24 hours of continuing education, you should take courses in all three classes. However, it could be as little as one hour in life insurance, one hour in health insurance, and the remaining hours in general lines (after you have completed the mandated Oregon law and ethics requirements).

If you take courses in lines of insurance for which you are not licensed, you will need to justify that the courses meet your professional needs.

## ADMINISTRATOR'S COLUMN

# Communication more important than ever



**Nancy Ellison**

Welcome to the first issue of the *Oregon Insurance Regulator!*

Some of you may remember our former newsletter, the Oregon Insurance Informer, which was last published in the spring of 1996. For a variety of reasons, we haven't published a newsletter since then, but we feel it's time to revive this important communication tool.

As the insurance marketplace continues to grow and change, opening the lines of communication between the Insurance Division and the industry we regulate is more important than ever.

We plan to publish the newsletter three times this year and quarterly starting in 1999. Each issue will include several regular features:

- A summary of recently-adopted administrative rules.
- A summary of recent Insurance Division bulletins.
- A summary of administrative actions taken against agents and companies.
- Personnel changes within the Insurance Division.

The remainder of each issue will feature information about new laws, rules, programs, procedures, and issues facing consumers, the industry, and our agency.

Publishing an effective newsletter is a major undertaking, so we'd like to get your impressions of our first issue. Is the information useful? Are there other types of articles you'd like to see in the newsletter? Please send your comments and suggestions to:

**John Piper**, Public Information Officer, Oregon Insurance Division, 350 Winter St. NE, Salem, OR 97310, or e-mail him at john.e.piper@state.or.us, or phone (503) 947-7213.

The Internet is another major communication tool. The Insurance Division, along with the entire Department of Consumer and Business Services, is on the Web. Goals for the DCBS Web site include:

- To provide timely, accurate, accessible, and understandable on-line information to our customers.
- To inform consumers, employees and businesses about their rights and responsibilities under Oregon law.
- To educate our customers about DCBS programs that may benefit them.
- To make it easier for our customers to communicate with us.
- To build a high-quality, adaptable Web site that meets the needs of our customers.

The Internet offers an unprecedented opportunity to exchange information and ideas. We hope to use it to help increase your understanding of the Oregon Insurance Division and the insurance marketplace.

Our Web site continues to change and grow. As with the newsletter, we welcome your comments and suggestions.

You can find us on the Web at:  
[www.cbs.state.or.us/external/ins/](http://www.cbs.state.or.us/external/ins/)

Nancy Ellison  
Insurance Division Administrator

## Health reforms increase information, access requirements

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One provision enhances an existing Oregon law requiring insurance carriers to offer continued coverage to eligible individuals who leave the carrier's group health plan. This provision, known as "portability," allows individuals to maintain group-type coverage after they leave a group plan.

To qualify, the individual must have been covered by a group plan for at least six months, apply for portability coverage within 63 days, and not be eligible for Medicare coverage.

SB 98 extends portability rights to qualified individuals who were covered by a non-Oregon group plan while residing in Oregon, and qualified individuals who lose

group coverage in another state and move to Oregon within 63 days.

A second provision of SB 98 expands the number of small employers qualifying for guaranteed insurance coverage for their employees. Since October 1996, Oregon law has prohibited insurers from refusing to issue coverage to small employers with 2-25 workers. To comply with HIPAA, the guaranteed availability of coverage was expanded to companies with up to 50 employees.

SB 98 and HIPAA also extend "guaranteed renewability" protection to large groups with more than 50 employees. Guaranteed renewability means a group's

coverage cannot be canceled by the insurer unless coverage is discontinued for all groups.

Oregon law has required guaranteed renewability for small employer groups and individual policyholders since October of 1996.

Niebuurt said Oregon also was ahead of the federal government in limiting the use of pre-existing condition provisions in health plans. Since October 1996, such provisions can only apply during the first six months of coverage. Credit toward the six-month limit must be given if the individual had other health insurance coverage within 63 days.

## ADMINISTRATIVE ACTIONS

The Oregon Insurance Division took the following actions from September 1997 through January 1998 against agents and companies doing business in Oregon.

**Affordable Insurance Concepts, Inc.**

740 Main St.  
Springfield, OR 97477

*Violation:* Authorized a person to transact insurance who was not licensed as an insurance agent.

*Penalty:* \$500 civil penalty.

**American Bankers Life Assurance Co. of Florida**

American Bankers Insurance Group  
11222 Quail Roost Drive  
Miami FL 33157-6596

*Violation:* Issued a group life insurance policy that did not meet the requirements of ORS 743.303.

*Penalty:* \$20,000 civil penalty.

**Michael J. Cross**

264 Chase Avenue SE  
Rickreall, OR 97371

*Violation:* Being convicted of a felony and being untrustworthy.

*Penalty:* License revoked.

**Michael E. Delanty**

1317 NW Mayfield Road  
Portland, OR 97229

*Violation:* Misrepresented to an insured that he had the authority to change the effective date of an insurance policy.

*Penalty:* \$1,000 civil penalty.

**Grant H. Gilbertson and Gilbertson Insurance**

1815 Center Street  
Salem, OR 97301

*Violation:* Illegally withheld from an insurer money received from applicants or insureds.

*Penalty:* License suspended effective Nov. 12, 1997.

*Suspension lifted:* Jan. 13, 1998.

**Carl L. "Les" Green**

2780 SE Hollyhock Court  
Hillsboro, OR 97123

*Violation:* Misappropriated or converted to his own use funds received for the purchase of an annuity. Misrepresentation.

*Penalty:* License revoked.

**First American Title Insurance Co. of Oregon**

200 SW Market, Suite 250  
Portland, OR 97201

*Violation:* Gave a thing of value to an intermediary.

*Penalty:* \$1,000 civil penalty.

**Roy W. Helgeson and RWH Financial Services**

57435 Bay View Ridge

Warren, OR 97051

*Violation:* Engaged in deceptive acts related to the business of a securities salesperson.

*Penalty:* Licenses revoked; \$2,000 civil penalty.

**Carl D. Ishaq, dba Independent Insurance Associates**

28 Oakway Center  
Eugene, OR 97401

*Violation:* Illegally withheld unearned commissions.

*Penalty:* License revoked.

**Jacob C. Larson**

Mutual of Omaha Insurance Co.  
1200 Executive Parkway, Suite 470  
Eugene, OR 97401

*Violation:* Failed to present a replacement form to an applicant at the time the application was taken.

*Penalty:* \$500 civil penalty.

**National Fraternal Society of the Deaf**

1118 S Sixth Street  
Springfield, IL 62703

*Violation:* Failed to properly submit financial documents.

*Penalty:* \$500 civil penalty.

**Pacific Hospital Association dba Pacificsource Health Plans**

PO Box 7068  
Eugene, OR 97401

*Violation:* Charged premium rates for individual plans that varied from the approved rate.

*Penalty:* \$1,000 civil penalty.

**Barbara L. Purdie and R.E. and Tom Scott Insurance, Inc.**

111 Third Street  
Hood River OR 97031

*Violation:* Misappropriation. Failed to deposit premiums into trust account.

Failed to keep proper trust account records. Engaged in dishonest conduct.

*Penalty:* License revoked.

**Richard K. Scott**

4080 Crater Avenue  
Medford, OR 97504

*Violation:* Failed to comply with a judgment or order to pay monthly child support.

*Penalty:* License suspended.

**Beverly A. Stebbins**

12301 NE 4th St.  
Vancouver, WA 98684

*Violation:* As an agent, made a false statement on an application for insurance.

*Penalty:* \$1,000 civil penalty.

**John L. Stockman**

PO Box 217  
Bingen, WA 98605

*Violation:* Other state revoked the insurance agent license issued by the state.

*Penalty:* License revoked.

**Ali Tajipour**

Provident Mutual  
5026 Commercial Street SE  
Salem, OR 97306

*Violation:* Failed to provide the documents required when replacing deferred annuities.

*Penalty:* \$2,000 civil penalty.

**Ticor Title Insurance Co.**

1629 SW Salmon Street  
Portland, OR 97205

*Violation:* Gave a thing of value to an intermediary.

*Penalty:* \$750 civil penalty.

**United of Omaha Life Insurance Co.**

Mutual of Omaha Plaza  
Omaha, NE 68175

*Violation:* Replaced an existing life insurance policy and failed to provide notice of the replacement.

*Penalty:* \$1,000 civil penalty.

The following companies were each issued a \$1,500 civil penalty for failing to properly submit financial documents to the Oregon Insurance Division:

- Alpine Life Insurance Co.
- American Professionals Insurance Co.
- Assured Investors Life Co.
- Axa Re Life Insurance Co.
- CareAmerica Life Insurance Co.
- Cascade National Insurance Co.
- Chartwell Reinsurance Co.
- Clarendon National Insurance Co.
- Commercial Fishermens Inter-Insurance Exchange
- Congress Life Insurance Co.
- Cumis General Insurance Co.
- Doctors' Company (The)
- Dorinco Reinsurance Co.
- First Pyramid Life Insurance Co. of America (The)
- Golden Rule Insurance Co.
- Great Fidelity Life Insurance Co.
- Highlands Insurance Co.
- Household Insurance Co.
- Household Life Insurance Co.
- Insurance Co. of the Americas
- ITT Hartford Life and Annuity Insurance Co.
- Merrill Lynch Life Insurance Co.
- Milbank Insurance Co.
- National Alliance Insurance Co.
- Pennsylvania Life Insurance Co.
- The Penn Insurance and Annuity Co.

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## INSURANCE DIVISION FOCUS

### Rates and Forms Section is first line of defense for consumers—and companies

*An ounce of prevention is worth a pound of cure.*

That familiar saying might well be the motto of the Oregon Insurance Division's Rates and Forms Section.

Any policy sold in Oregon must be approved by the Insurance Division before it can be marketed. Rates and Forms analysts review all insurance company policies (forms) and rates to make sure they are fair, equitable and comply with the Oregon Insurance Code. They also look at marketing programs and cooperative activities among rating organizations.

**Donna Bleiler**, assistant manager for Rates and Forms, says section employees are the first line of defense for insurance consumers — and companies.

"If we can take care of any substantive issues with a policy before it goes to market," she said, "we can save a lot of time and frustration for everybody. Both the consumer and the company benefit if potential problem areas are resolved before the product is sold."

Rates and Forms Section employees have many years of experience in the insurance industry. For example, analyst **David Bolton** spent 15 years in the industry, including five years as a senior underwriter for Standard Insurance Co., before joining the Insurance Division five years ago.

"When reviewing contract provisions, we try to use our experience to be fair to consumers, agents and the home office," he said.

Bolton was named employee of the month for the Department of Consumer & Business Services (DCBS) in February 1997. Insurance is one of 12 divisions under the DCBS umbrella.

Analyst **Jan Vitus** spent 15 years working in all aspects of the property/casualty industry before coming to the Insurance Division 18 months ago.

"Many companies appreciate our proactive approach to prior approval because it saves them money and headaches in the long-run," she said. "When forms are filed accompanied by the applicable rates and rules, we can do a much more thorough job of catching statutory problems before these products are released to the public."

Bleiler believes most filing problems with new products occur because a company doesn't understand Oregon's insurance laws or doesn't provide all of the information necessary for approval. Companies must satisfy Oregon's requirements to market insurance in the state and shouldn't assume that a generic form will be acceptable just because it has been used elsewhere.

Rates and Forms analysts review insurance policy form filings to make sure:

- Policy provisions comply with the Oregon Insurance Code.
- Underwriting is fair and equitable.
- Benefits are reasonable for the premium charged.
- Policies and advertisements are clear and understandable.
- Policies do not discriminate in regard to availability or benefits.
- Approval of the policy promotes the public welfare and encourages competition among insurers on a sound financial basis.

Rate filings are reviewed with policy filings to ensure that loss ratios give a fair return of benefits for consumers. Some rate changes for certain lines of business also must be approved prior to use.

The changing insurance marketplace has meant an increase in new products and, consequently, more policy forms to review. Total forms received by the Insurance Division (Rates and Forms Section and Health Unit) increased from 27,507 in 1996 to 34,369 in 1997. The number of rate filings requesting an increase or decrease for a block of business grew from 8,468 in 1996 to 8,864 in 1997.

Despite the big jump in form filings, it's taking less time to get policies approved. Average processing time for form filings with no problems was 15 days in 1997, compared with 34 days in 1996. Processing time for form filings with some type of problem also has decreased, going from 56 days in 1996 to 24 days in 1997.

Bleiler credits most of the improvement to the fact insurance companies are being more conscientious about using certification checklists when they file. Filings that don't include the checklist required under OAR 836-010-0011 are automatically sent back.

### Staff has years of industry experience

Five of the six professionals in the Rates and Forms Section have insurance industry backgrounds and all have recognized industry designations. They're able to apply knowledge gained from years of technical training when reviewing filings.

Rates and Forms analysts are:

- **Jan Vitus**, CIC, who reviews personal lines, commercial lines, title and other miscellaneous property and casualty lines.
- **Gail Duncan**, IIA, who reviews commercial lines, workers' compensation and bureau filings.
- **Janice Hart**, CLU, who reviews annuities and variable products.
- **Rolf Junge**, CLU and LUTCF, who reviews all types of life products.
- **David Bolton**, HIA and MHP, who reviews disability income and other miscellaneous health products.

**Donna Bleiler**, assistant manager, is a CLU and holds the regulatory designation of AIE.

Rates and Forms support staff members include **Mary Ellen Hayes**, **Lorna Keyes**, and **Maleeja Pruitt**. They assist in checking on status requests and tracking filings through the process.

### Follow these steps!

Here are some simple steps to speed up the form approval process:

- Submit state-specific forms if Oregon has specific requirements —not generic forms.
- Use the certification statement (checklist) with every filing. (See OAR 836-010-0011 and Insurance Bulletin 97-1 for advertisements).
- Don't make a filing if you know it doesn't conform to Oregon's Insurance Code.
- If you hire someone else to file, make sure they file state-specific forms for Oregon and include a letter of authorization.
- Include the filing form and required information from Insurance Bulletin 92-4.
- Describe the marketing program in your cover letter.

# ADMINISTRATIVE RULES AND BULLETINS

Administrative rules recently adopted by the Oregon Insurance Division, and division bulletins, are summarized below. To request a copy of a rule or bulletin, please call **Sue Munson**, administrative rules coordinator, (503) 947-7272, or write to: Administrative Rules Coordinator, Oregon Insurance Division, 350 Winter St. NE, Salem, OR 97310-0765. Be sure to include the rule ID number or bulletin INS number with your request. There is no charge.

## Administrative Rules

**ID 12-1997** — Amends OAR 836-050-0205, -0215, -0235, -0250. Permanent adoption of temporary amendments, with editorial and clarifying changes, to rules governing application questions, pre-existing conditions and underwriting practices relating to HIV infection, in order to allow use of oral specimen testing and urine testing.  
*Adopted:* Sept. 16, 1997  
*Effective:* Oct. 13, 1997

**ID 13-1997** — Adopts OAR 836-006-0001, -0010. Rule establishes the order for insurers to apply offsets for Oregon guaranty fund assessments against their corporate excise tax as determined under the Oregon tax code, and establishes tax payment procedures, deadlines and requirements.  
*Adopted:* Oct. 10, 1997  
*Effective:* Oct. 14, 1997

**ID 14-1997** — Adopts OAR 836-014-0265, amends OAR 836-014-0250-0260, -0270, -0280, -0290. Relates to life settlement contracts, also known as viatical settlement contracts, and to regulation of life settlement providers and brokers and life insurers in connection with the contracts.  
*Adopted:* Sept. 29, 1997  
*Effective:* Oct. 17, 1997

**ID 15-1997** — Adopts OAR 836-051-0200, -0210, -0220, -0230, -0240 -0250. Amends 836-051-0101. Repeals 836-051-0105, -0120. New annuity mortality table for use in determining reserve liability for annuities.  
*Adopted:* Oct. 22, 1997  
*Effective:* Oct. 29, 1997

**ID 16-1997** — Amends OAR 836-009-0007. Reduces license application and renewal fees for agents, adjusters and insurance consultants from \$60 to \$45, beginning Jan. 1, 1998.  
*Adopted:* Nov. 17, 1997  
*Effective:* Jan. 1, 1998

**ID 17-1997** — Amends OAR 836-043-0110. Temporary amendments to rule are permanently adopted. Amendments reduce nonproductive audits and allow insurers to conduct triennial physical audits for certain larger employers.  
*Adopted:* Nov. 20, 1997  
*Effective:* Nov. 26, 1997

**ID 18-1997** — Amends OAR 836-043-0125, -0130, -0155. Repeals OAR 836-043-0160. Permanently adopts changes made by temporary amendment and suspension of rules governing workers' compensation test audit program. Changes provide that program will evaluate and count only those employers whose annual premium exceeds \$5,000.  
*Adopted:* Nov. 20, 1997  
*Effective:* Nov. 26, 1997

**ID 19-1997 (temporary)** — Amends OAR 836-042-0015 and OAR 836-085-0215. Allows workers' compensation insurers to promulgate their own experience rating modification factors in lieu of NCCI factors.  
*Adopted:* Dec. 18, 1997  
*Effective:* Jan. 1, 1998

**ID 20-1997 (temporary)** — Amends OAR 836-010-000, -0011, -0021. Amends rules governing the filing and review of insurance rates and forms, adding certification forms for new health insurance coverages and adding provisions relating to rates for health insurance.  
*Adopted:* Dec. 22, 1997  
*Effective:* Dec. 30, 1997

**ID 1-1998** — Adopts OAR 836-053-1000, -1010, -1020, -1030, -1040, -1060, -1070, -1080, -1090, -1100, -1110, -1130, -1140, 1170, -1190, -1200. Implements Chapter 343, Oregon Laws 1997, relating to health insurance (The Patient Protection Act of 1997, SB 21).  
*Adopted:* Jan. 14, 1998  
*Effective:* Jan. 15, 1998

**ID 2-1998** — Amends OAR 836-042-0045. The rule adopting by reference the 1983 revision of the Unit Statistical Plan for workers' compensation insurers is amended to incorporate a reference to 1997 Oregon legislation that enables insurers to reserve for expected subrogation recoveries.  
*Adopted:* Feb. 5, 1998  
*Effective:* Applies to statistical reports filed on or after Jan. 1, 1998.

## Bulletins

**INS 97-4 — Sept. 9, 1997**  
1997 Legislative summary.

**INS 97-5 — Oct. 1, 1997**  
Repeal of requirements relating to loss and expense reporting for liability and professional negligence and reporting of liquor liability insurance claims.

**INS 97-6 — December 1997**  
Elimination of premium tax on life insurance and annuities.

## KEY CONTACTS

### Administration

Information ..... (503) 947-7980  
FAX ..... (503) 378-4351  
Internet ..... [www.cbs.state.or.us/external/ins](http://www.cbs.state.or.us/external/ins)

Administrator ..... Nancy Ellison  
Deputy Admin. . Charles Nicoloff

### Admin. Services & Operations

Information ..... (503) 947-7980  
Manager ..... Elaine Day

### Agent Licensing

Information ..... (503) 947-7981

### Consumer Protection/Complaints

Information ..... (503) 947-7984  
Manager ..... Joel Ario

### Company Regulation

Information ..... (503) 947-7982  
Manager ..... Charles Nicoloff

### Health Unit

Information ..... (503) 947-7985  
Manager ..... Ed Nieubuurt

### Rates & Forms

Information ..... (503) 947-7983  
Asst. Manager ..... Donna Bleiler

## Administrative Actions

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- The Penn Mutual Life Insurance Co.
- Philadelphia American Life Insurance Co.
- PMA Reinsurance Corp.
- Providian Auto and Home Insurance Co.
- Provident American Life and Health Insurance Co.
- PXRE Reinsurance Co.
- Qualmed Health & Life Insurance Co.
- Republic-Vanguard Life Insurance Co.
- Tokio Marine & Fire Insurance Co. LTD (The)
- Tokio Marine Management, Inc.
- Union Security Life Insurance Co.
- United Teacher Associates Insurance Co.
- Winterthur Life Reinsurance Co.
- World Service Life Insurance Co. of America

The following companies were each issued a \$5,000 civil penalty for failing to properly submit financial documents:

- Catholic Workman Insurance
- Heritage Life Insurance Co.
- Michigan Mutual Insurance Co.
- Prudential General Insurance Co.
- Prudential Property & Casualty Insurance Co.

## PERSONNEL

**Larry Culbertson** was promoted to manager of the Consumer Assistance Unit. He had been senior compliance officer.

**Fred Lindgren** was promoted to senior compliance officer. He had been a compliance officer.

New Insurance Division employees are:

- **Suk Ghosh**, insurance financial analyst, Company Regulation and Examinations.
- **Piper Jones**, retaliatory tax analyst, Company Regulation and Examinations.
- **John Piper**, public information officer.

Insurance Division Administrator Nancy Ellison assigned **Dick McGavock** as her senior policy advisor. He had been manager of the Rates and Forms Section.

Two employees retired Feb. 27:

- **Milt Britt** worked 15 years as a compliance officer. He was an independent agent and worked for an insurance company before joining the division.
- **Pearl Johnson** was an office specialist in the Health Unit. She also worked for several other sections in her 10.5 years with the division.

## WORKERS' COMPENSATION

Several recent workers' compensation premium audit rulings are summarized below. To request a copy of a final order, please call **Rebecca Osborne**, (503) 947-7264, or write to: Oregon Insurance Division, 350 Winter St. NE, Room 440-6, Salem, OR 97310-0765. Be sure to include the case INS number with your request. There is no charge.

### **RLC Steel Fabrication, Inc.** (INS 95-05-021, Dec. 3, 1997)

The employer questioned if the insurer could retroactively bill the employer pursuant to ORS 737.310 (12) and OAR 836-043-0190. The employer also claimed the insurer incorrectly reclassified payroll reported in a steel fabrication code to a steel erection classification.

The director concluded that the employer was performing structural steel construction work and knew or should have known that employees performing such work were not appropriately classified in a shop code. Therefore, the insurer could retroactively bill for premium under the steel erection class.

### **Madison Personnel, Inc.** (INS 94-12-022, December 18, 1997)

Madison Personnel, an employee leasing company, raised two issues regarding coverage for two clients. Madison questioned if the insurer:

- Should apply a carpentry or cabinet works classification for workers at a manufactured or mobile home factory.
- Could retroactively reclassify payroll for workers at a wood mill facility previously reported to the insurer in the planing mills class to the classification for sawmills.

The director concluded that Code 2812 (Cabinet Works – With Power Machinery)

was appropriate for workers at the manufactured home factory and that class code could be applied prospectively.

The director also concluded that the insurer could retroactively reclassify payroll pursuant to ORS 737.310 (12) and OAR 836-043-0190 from Code 2731 (Planing or Molding Mill) to 2710 (Sawmill) because the employer knew, or should have known, that Code 2731 was not the appropriate class code for employees working at the mill facility.

The director found that the employer had placed workers in the planing mill classification based upon conclusory statements by the employer's manager and a brief "walk through" of the plant. The planing mill code was appropriate for a lumber remanufacturing facility only if the raw material had been purchased from other sources.

### **Cattleman's Steak & Seafood Company** (INS 95-06-009, October 16, 1997)

The employer, Cattleman's Steak & Seafood Co., was engaged in the business of selling pre-cut, frozen and pre-packaged meat. It primarily sold its meat through individuals called dealers, who were recruited from its competitors and through advertising in the newspaper. The employer had a written contract with the dealers that addressed almost every aspect of the dealers' work.

Considering the strong direct evidence of right to control evidenced by the written contract alone, the director found that these individuals were subject to the employer's direction and control and were required to be covered by the employer's workers compensation insurance policy.

## Insurance staffer named DCBS employee of month



**Rosemarie Fipps**

**Rosemarie Fipps**, an office specialist II in the Oregon Insurance Division's Company Regulation and Examination Section, was named December 1997 employee of month for the Department of Consumer & Business Services (DCBS). Insurance is one of 12 divisions that make up DCBS.

Fipps has held a number of positions during her 15 years with the Insurance Division. She's been in the Company Section for the past 10 years, where she's responsible for providing support for the chief financial examiner and seven financial examiners in the field.

Fipps also is the division's computer specialist, providing training and assistance for employees throughout the division.

The nomination praised Fipps for her high-quality work, initiative, positive attitude and good relationships with her coworkers.

## Tax system changes for foreign insurers

Foreign insurance companies will begin paying Oregon corporate excise tax for the first time this year. A foreign insurer is a company not incorporated in Oregon.

Domestic insurers had been paying the state excise tax of 6.6 percent of net profit, but foreign companies instead paid a gross receipts tax of 2.25 percent of premiums for business sold in the state. Some foreign insurers also paid a "retaliatory" tax if their home state assessed higher tax rates than Oregon.

Oregon's premium tax was abolished effective Jan. 1, 1997, after a U.S. Supreme Court ruling that a similar tax in Alabama discriminated against foreign insurers and was unconstitutional.

Beginning with returns filed in April 1998, foreign insurers will pay:

- Corporate excise tax to the Oregon Department of Revenue, and
- Retaliatory tax to the Oregon Insurance Division.

Since Oregon's premium tax rate is zero and the state excise tax is expected to be relatively minor, almost every foreign insurance company will have to pay retaliatory tax.

Because the combined excise and retaliatory taxes will produce less revenue for the state General Fund, a transition tax also will be assessed during a five-year phase-in period.

While the premium tax was easy to collect and monitor, the new system will require the Insurance Division to manually review every tax return filed by foreign insurers. **Piper Jones**, a former Oregon Department of Revenue employee, will audit about 1,600 returns to make sure foreign companies are paying the proper taxes.

"We tried to keep the forms as simple as possible, and we think we've done a good job," said **Charles Nicoloff**, deputy administrator of the Insurance Division. "Comments on the readability and clarity of the new forms have been very favorable."

## Consumer complaints booklet available in two formats

The latest edition of the *Consumer Guide to Oregon Insurance Complaints* is available in print and electronic versions. The annual report ranks insurance companies based on the number of consumer complaints received by the Insurance Division.

To order a free copy, write: *Oregon Insurance Complaints*, Insurance Division, 350 Winter St. NE, Room 440-2, Salem, Oregon 97310.

An electronic version is available on the division's Web page:

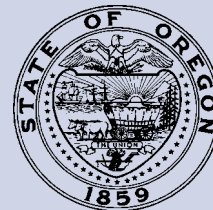
[www.cbs.state.or.us/external/ins](http://www.cbs.state.or.us/external/ins)

A more detailed report (Part II), describing the complaints and how they were resolved, also is available for \$25. Send a check, payable to Department of Consumer & Business Services, to the above address.

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