

## Will your clients benefit from rerating?

Since the passage of Senate Bill 377 in the 2009 legislative session, thousands of Oregonians have asked for, and received, rerating of their home and/or auto insurance policies based on their improved credit. According to the results of an industry survey conducted by the Oregon Insurance Division, premium reductions resulted in 8,000 instances.

The law allows consumers to ask their insurer to rerate their auto or homeowner policy once a year if the insurer used the consumer's credit history when pricing the policy.

Eleven insurance companies with the bulk of the Oregon auto/homeowners insurance market provided data for the survey of how the law is working. Based on the numbers, a typical policyholder with good credit and multiple policies (for example, two cars and a home) could potentially save several hundred dollars in premium costs by requesting a rerating.

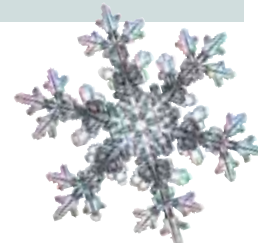


Many insurance companies look at a consumer's credit history to decide whether to issue an auto, home, or other personal insurance policy or how much to charge. Yet, once a policy is purchased, insurers are prohibited from using credit information to raise premiums. However, the new law allows consumers to request a rerating with the potential to lower premiums once per policy line annually.

The law has been in effect for a year. All of the insurance companies surveyed have procedures in place for consumers who request a rerating. Depending on the company, roughly one-third to one-half of Oregonians who requested rerating received a reduction in premiums. ●

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## Administrator's message



Teresa Miller

The new year brings improvements to our process for licensing producer applicants and we couldn't be more excited. Having applicants apply to us after they pass the examination – and not before – makes sense for agents and the division. Please read more about the changes in the Producer Licensing section of this newsletter.

Also, we have drafted proposed new rules that will require more care in selling annuities and make insurance companies responsible to review annuity transactions to ensure they are suitable for clients. The story is on Page 7.

Meanwhile, before I share the proposals we have for the 2011 Legislature, a comment on insurance rates – both for long-term care and health insurance.

### Rates

There is not a lot of good news on the long-term care insurance front these days. MetLife, one of the nation's largest long-term care insurers, announced in late 2010 that it will no longer sell long-term care insurance. Also, long-term care insurers are requesting significant rate increases from insurance regulators across the country.

So, what is going on? Unlike health insurance, long-term care insurance is sold well in advance of the need for the product. In order to accurately price this product, companies must accurately forecast how many policyholders will, in fact, need care, at what point, and how much that care will cost. Because this product is still relatively new – introduced in the 1970s – one significant challenge has been that a number of carriers are finding out that the initial pricing of these products was too low. So, many carriers are seeking considerable rate increases to compensate for this initial under pricing.

This is a huge concern for Oregon, as it is for many states. Oregon has taken steps to address issues surrounding long-term care over the past several years and is continuing to look closely at rate issues, particularly in light of MetLife's recent announcement.

One thing is clear – consumers considering purchasing a long-term care policy should understand that the cost of these policies may go up considerably after

purchasing the policy and should consider not only what they can afford today in terms of premium, but also what they may be able to afford in the future.

In the health insurance arena, we continue to see double-digit rate increases in the small employer and individual markets we regulate. We have pushed back on rates in some recent cases, even when a company wasn't making money in those lines of business. We did so after considering the company's surplus and overall profitability, which improved in 2010. The seven largest insurers managed an average 1 percent profit in 2008 and again in 2009. As of mid-2010, profitability averaged 3 percent. Profits are coming primarily from markets other than the individual and small group markets where the department has rate review authority.

At the same time, we are very careful about using surplus to keep rates artificially low. As medical costs continue to rise by double-digit figures, we know that rates need to keep pace or policyholders down the line will pay the price. In addition to rising medical costs, federal reforms contributed from 0 to 4 percentage points of average rate increases due to new benefits, about what federal officials had estimated.

As you may know, we received a \$1 million federal grant to improve our rate review process. We have hired an additional health/life actuary, bringing our total to three. Additionally, we are working on proposed rules that will require insurers to break down medical claims costs so we have more precise information on the types of expenses that are fueling increases in health care costs. We recently released a request for proposals for a study on ways we can use our rate review authority to address medical costs.

Finally, there is the hope that 2011 brings more attention to how we can lower health care costs, which drive health insurance rates. As our new governor said during his campaign:

*"We certainly need insurance reform — and all Americans need financial access to the health care system. But the cost of health insurance is ultimately a reflection of the underlying cost of health care and unless we can reduce the cost of health care itself we will fail to solve this problem."*

**Gov. John Kitzhaber**

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## Administrator's message, continued

### 2011 proposed legislation

This is the list of the insurance-related legislation that the Department of Consumer and Business Services introduced for the upcoming legislative session.

**Medical retainer practices (SB 56):** This proposal would exempt from the Insurance Code practices where physicians (or other health care providers) offer defined services for a set, periodic fee. To qualify for the exemption, the practices would be required to register with the department and comply with certain disclosure requirements.

**State continuation changes (SB 87):** This proposal would give consumers more options if they work for an employer with fewer than 20 employees and want to continue their coverage for a limited time following a job loss or other qualifying event. The proposal would allow insured spouses and dependents to independently elect to continue health insurance benefits if an employee's health insurance is terminated; clarify that an employee is eligible for continuation coverage as a result of a reduction in work hours; and require notification about state continuation benefits.

**Long-term care (SB 88):** This proposal would create an appeals process (including external review) for people who are denied coverage because they fail to meet the activities of daily living, cognitive impairment, or medical necessity test. It also requires insurers to pay undisputed claims within 30 days of receipt.

**IIPRC (HB 2095):** This proposal would make certain insurance products, including life insurance, more readily available to Oregonians by adding Oregon to the list of 35 states that belong to the Interstate Insurance Product Regulation Commission.

**Guaranty fund (HB 2087):** This proposal would provide greater protection for consumers in the event of insurer insolvency by increasing guaranty fund protection for major medical coverage, disability, and long-term care insurance.

**Rescissions (SB 90):** This proposal would align Oregon law with federal reforms by prohibiting rescissions, cancellations, and non-renewals of health benefit plans except in cases of fraud or *intentional* misrepresentation of material fact. Additionally, it would require insurers to notify the department within 30 days of rescinding a health insurance policy.

**Federal reform (SB 89):** This broad piece of legislation would bring Oregon into compliance with federal law where Oregon law is inconsistent and would specifically authorize the department to enforce federal law.

**Basic health insurance plans (SB 91):** This proposal would require insurance companies to offer a basic health plan with a minimum level of benefits, consistent with federal health reform. It also limits the sale of catastrophic health plans, available to young adults as part of federal health care reform, to the exchange. This proposal would take effect in 2014.

A final comment on something that's not on this list — a proposal for a health insurance exchange in Oregon. The Oregon Health Authority, a separate state agency, is charged with developing this. The authority, working through its Oregon Health Fund Board, will be recommending a plan to the Legislature that calls for an exchange that is operated by a public corporation.

An exchange is a central marketplace where small businesses and individuals who don't have employer-sponsored insurance can more easily compare and purchase health insurance. People who qualify for federal tax credits available in 2014 can buy insurance through the exchange to access those subsidies. All exchange plans will include, at a minimum, basic benefits required by the federal reform law. The exchange will set standards for the plans and select the plans from multiple insurers. It will debut by January 2014. The Oregon Health Fund Board has discussed whether the exchange should be the sole market or whether people could buy insurance outside the exchange. No decision has been made and the board will revisit the issue in 2011. ●

# Three major changes in producer licensing in 2011

By Jim Thompson, producer licensing manager



**Jim Thompson**

## New exam vendor

First, the Insurance Division has contracted with a new exam vendor to administer the licensing exams that are given to our resident applicants. The licensing exam contract was awarded through the competitive bid process, and PSI Services, LLC (PSI) was awarded the contract. PSI began testing

in January 2011. PSI has many years of testing experience, and we look forward to working with this company.

Moving to a new license exam vendor necessitated the Insurance Division to create a new set of license exams. These exams were developed and evaluated over the course of several days by the subject matter experts in the Insurance Division, PSI, and various industry professionals to ensure that the exams are appropriate for use in Oregon. During the exam development meetings, each question went through peer review and was evaluated to ensure that it is appropriate for inclusion in the various exams.

## Fingerprinting

The second major licensing change is in regard to applicant fingerprinting. Applicants can now have their fingerprints taken at the PSI testing centers. PSI uses “live scan” technology, which digitally captures and transmits the fingerprints to the Oregon State Police and Federal Bureau of Investigation for a criminal records check. This will cut down the processing time necessary for the background check, which should be of great benefit to our applicants. Fingerprinting is not required for resident licensees adding a line of authority to an existing license.

## Application processing

Finally, the third change that took place Jan. 1 is a change in the order of application processing. Before, applicants were required to submit the application and background check information prior to being able to take the exams. The applicant was only able

to take the exam after the application was reviewed and approved. Now, the department no longer pre-approves applications. Applicants may schedule and take the exams when it is most convenient for them.

The steps listed below apply for all resident applicants. For those applications that were received prior to Jan. 1, only the examination was required. There is no need to submit a second application or background check packet.

## Process for license types that require passing an examination

### Examples: Resident Producer, Resident Adjuster

1. Register by going online at [psixams.com](http://psixams.com) or by calling 800-733-9267 to schedule an appointment for the license examination. Schedule the appointment and pay the examination fees before arriving at the test center. Submit the DCBS Criminal Records Request Form 4862 to the division, authorizing the background check.
1. After passing the examination, apply online at [NIPR.com](http://NIPR.com) using a kiosk located at the PSI test center.
2. After applying for a license online, have fingerprints taken at the PSI test center. All fingerprinting is done on a walk-in basis; no appointment is necessary.
3. Once these steps have been completed, fingerprint results will be returned to the Oregon Insurance Division, which will evaluate the results of the background check and the license application prior to issuing any license.
4. The applicant will receive an e-mail confirmation that the license application has been processed, with a link to print a copy of the license.

Applicants with criminal convictions should consult Chapter 836, Division 72 of the Oregon Administrative Rules for guidance on convictions and the fitness to receive a license. The Insurance Division is unable to speculate on the outcome of a fitness determination without reviewing the entire file.

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## Three major changes in producer licensing in 2011, continued

### Process for license types that do not require an examination

#### Examples: Resident Limited Lines Producer

1. The applicant must apply for a license prior to being fingerprinted. The applicant may do so online at NIPR shortly before arriving at the test center for fingerprinting or by using a kiosk located at the test center upon arriving for the fingerprinting appointment. After completing the online application, the applicant must print the NIPR confirmation page and fax, mail, or e-mail this form, along with the DCBS Criminal Records Request Form 4862, as proof of completion.
2. Fingerprint results will be returned to the Oregon Insurance Division, which will evaluate the results and the license application prior to issuing any license.
3. The applicant will receive an e-mail confirmation that the license application has been processed, with a link to print a copy of the license.

### Online licensing options

We have expanded the online options that are available through NIPR.com. Resident Oregon adjusters will be able to apply for and renew licenses online. Limited line licenses and renewals are also available online, as well as the option to apply for the class of surplus lines. Electronic transactions take less time to process, require less staff intervention, and essentially remove the potential for data entry errors.

Note: We are transitioning to e-mail for all correspondence with licensees. In order to receive your licensing information, it is important to keep your e-mail address current with our office. If you use an e-mail address associated with your employer and you leave this employer, the e-mail address will no longer be valid.

Renewal notices are now being delivered electronically to your e-mail address. Please make sure that your e-mail address is current with the State of Oregon. You can update your e-mail address by sending an e-mail to [web.insagent@state.or.us](mailto:web.insagent@state.or.us). Please include your name and license number in the message. ●

## Market surveillance relies on complaints/data to monitor insurers

The Insurance Division's Market Surveillance Unit investigates complaints against insurance companies and agents. In the Fall Regulator, we outlined some of the key ways a very small percentage of agents get into trouble and listed ways to avoid these problems. Here's a link: [http://insurance.oregon.gov/publications/regulator/regulator\\_fall2010.pdf](http://insurance.oregon.gov/publications/regulator/regulator_fall2010.pdf).

In addition to complaints, we analyze huge quantities of data to ensure that insurance laws and rules are followed. This article focuses on how our investigators and market analysts monitor insurance companies.

Often, an investigation involving thousands of consumers begins with a single complaint. From 2009 through 2010, for example, the department recovered more than \$3.6 million for health insurance consumers who were incorrectly denied benefits. Some examples:

- » An insurer denied claims from a group plan after the group policy was improperly terminated

- » Two insurers required preauthorization for certain benefits when the policy didn't require preauthorization
- » An insurer based outside of Oregon failed to pay claims for mammograms and pap smears, although Oregon law requires coverage of these services

In these cases, our investigations ensured that consumers received the benefits they should have and that the companies corrected practices so that future consumers wouldn't be harmed.

"The biggest thing is to take care of consumers who are harmed," Market Surveillance Manager Mike Lydon said.

In some cases, the department requires companies to take a series of corrective actions to change how they conduct business. One large insurer has seen a significant reduction in complaints after a division investigation into its annuity sales. The division's

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## Market surveillance relies on complaints/data to monitor . . . , continued

corrections plan requires top-level insurance company officials to review certain annuity sales to ensure they are a fit for the consumer.

Some cases of wrongdoing start with computer programming errors that affect people nationwide. For example, the division found a multi-state auto insurer that was coding accidents as “at fault” when the person responsible was actually “unknown.” Consumers were getting unwarranted rate increases as a result. While Oregon recovered \$38,000 on behalf of its consumers, more than 25 other states recovered a total of \$2.5 million for policyholders.

In addition to complaints, our market analysts increasingly use data to monitor insurance company behavior. They ask such questions as: Are insurers paying legitimate claims in the correct amounts without unreasonable delay? Do they and their agents sell complex types of policies — such as annuities — only after researching whether they are appropriate for the client? Are they advising consumers to replace annuities just to generate commissions, at potential cost to the policyholder? Data can help point to potential problems.

Here are some of the key ways we use data to monitor insurance business:

- » **Complaints:** We generate quarterly reports on the number of confirmed consumer complaints about insurance companies that do business in Oregon. We look for any “spikes” in complaints that might require digging into a particular company’s practices. We also publish an annual report that ranks insurers by complaint volume.
- » **Market conduct reports:** We receive annual market conduct statements through the National Association of Insurance Commissioners. These reports provide large volumes of claims data for auto, homeowner, and annuity insurance policies. Among other things, the data reveal how close companies come to the benchmark of paying claims within 60 days of receipt. They tell us how many lawsuits were filed against a company, and how many policies it canceled. The data show a number of factors about annuities, such as surrender rates, that give us an idea of how often consumers are advised to replace annuities. Oregon was among the eight original states to participate in this national data collection project that began in 2002. Since the data collection is the same for every state, states can compare insurer behavior across lines and see which companies’ numbers are outside the averages.
- » **Data calls:** We have the authority to require insurers to provide specific data, as needed. Often, we will use this tool to see if new laws are being followed. For example, we recently asked for a sampling of claim files to determine whether companies are complying with a new law involving protections for consumers with totaled vehicles. We wanted to know if companies are sending required notices explaining the process for valuing totaled vehicles, if companies are promptly sending consumers the evaluations used to set a vehicle’s worth, and if the companies are paying any undisputed amount up front while they continue to negotiate the value of a wrecked vehicle. Our survey indicated misunderstanding of the new law. (See story on page 8.)
- » **On-site exams:** We have the authority to investigate a company by working on site and reviewing everything from sample claim files to underwriting files. These exams are most likely to be conducted if we see a company with a pattern of problems.
- » **Reports:** Health insurance companies, in particular, must submit more than a dozen reports annually to insurance regulators. Probably the best known are “prompt pay” reports that give us data on whether health insurers are paying claims that require no additional data within 30 days. Carriers pay 90 percent of claims within 30 days; insurers must pay 12 percent interest on claims paid past 30 days if no additional information about the claim is needed. ●

# Proposed rules require more care in annuity sales

The Department of Consumer and Business Services (DCBS) is proposing new rules that spell out what insurers and producers must consider before selling an annuity, make insurance companies responsible to review producer sales of annuities, and require producers to undergo annuity training.

The rules are designed to ensure that these complex insurance policies are only sold if they fit clients' needs. The proposed rules follow a revision to the model adopted by the National Association of Insurance Commissioners (NAIC) and also were reviewed by an advisory committee that included consumers, insurers and producers, and training providers.

Most parts of the bill would take effect July 1, 2011. However, the producer-training requirement would become effective Aug. 1, 2011.

You can find the draft rule at <http://insurance.oregon.gov/rules/attachments/proposed/annuity-suitability-text.pdf>. Comments were due Jan. 12. Here are some highlights of the proposed rules:

## Suitability

- » In recommending the purchase or exchange of an annuity, the producer or insurer must reasonably believe the annuity is a fit for the consumer based on the client's investments and other insurance products and their financial situation.
- » The rule outlines specific issues agents must explain to the client and consider in recommending a sale, including:
  - Surrender charges and potential tax penalties and benefits, as well as limits on interest and investment features and market risk
  - Any surrender charges or fees or loss of benefits resulting from a recommendation to replace an annuity, as well as whether the client had any other replacement within the past 36 months

## Producer training

- » In addition to meeting insurance company training on policies, producers must complete a one-time, four-hour (or four-credit) annuities course.
- » The training must cover the various types of annuities, how they affect consumers, and their tax implications. The class must cover appropriate sales practices, including consumer disclosures about annuities. The course may **not cover marketing or sales techniques**.
- » New agents licensed after the rules take effect Aug. 1, 2011, must undergo the training before selling annuities. Existing agents who are authorized to sell life insurance would have six months from July 1, 2011, to take the class.

## Insurers/producer responsibilities

- » Insurance companies must provide their own training on the specific policies they sell.
- » Insurers must also review each potential annuity sale to determine suitability. This includes establishing procedures – such as confirming client information or sampling a portion of annuity recommendations – to detect unsuitable recommendations.
- » Insurers must verify that a producer has completed the required annuity training.
- » In cases where annuities are found to be inappropriate for the client, insurers as well as agents may be required to make the consumer whole.
- » Insurers (if no agent is involved) and agents must keep records that show what client information was considered in making an annuity sale. Information must be kept for three years after the sale. ●

## Total loss process: Notice and valuation report required

The Insurance Division recently audited total loss claim files from 21 major auto insurers in Oregon to determine compliance with House Bill 2190, the division's total loss bill that the 2009 Oregon Legislature passed.

The law, which took effect Jan. 1, 2010, requires insurers to provide a copy of their valuation and the total loss notice developed by the Insurance Division when an insurer declares a motor vehicle a total loss and offers to make a cash settlement. The bill also requires the insurer, under certain circumstances, to pay the undisputed amount to an insured or third-party owner, and reimburse the insured for reasonable appraisal costs.

Given what we have seen so far, it appears there is some misunderstanding about one of the requirements of the law. We want to reiterate that insurers are required to provide a copy of the total loss notice and valuation when *an initial offer of settlement is made*. The purpose of this requirement is to get information to consumers as soon as reasonably possible to



assist them in navigating the total loss process. We will be contacting individual insurers over the next few weeks to share our findings and make certain insurers are uniformly and consistently implementing the requirements of the law for the benefit of Oregon consumers. ●

## New website can help you find services for clients

As part of a federal grant to improve consumer assistance, the Department of Consumer and Business Services has established a website that lists public programs and services offered by community organizations so that people do not have to try to figure out who does what in different parts of the state.



We just launched the site, [www.oregonhealthconnect.org](http://www.oregonhealthconnect.org), and we will continue to develop the resource directory. Meanwhile, we have some convenient links to various health clinics and health care reform information.

If you have clients that you can't help with commercial insurance, you may be able to use this directory to suggest other programs. Or, if you are working with a client in your office and have questions about a program, you may want to try our new helpline: 1-855-999-3210. Our staff person is establishing contacts with a variety of programs and may be able to help you find an answer quickly.

If you have suggestions for this site, contact Brian Light, the Oregon Insurance Division's consumer services manager, at [brian.light@state.or.us](mailto:brian.light@state.or.us). ●

## Other state programs

### SHIBA: Medicare help

The Senior Health Insurance Benefits Assistance (SHIBA) program has a new website for baby boomers. The first boomers become eligible for Medicare in 2011. An increasing number of boomers will be working when they become Medicare-eligible and need to understand that Medicare still starts at 65 and they have decisions to make to avoid problems or potential penalties later. SHIBA trains volunteers statewide to answer people's Medicare questions. Find the new boomer site at [www.medicarestartsat65.com](http://www.medicarestartsat65.com).



Also, from Jan. 1, 2011, to Feb. 14, 2011, people enrolled in Medicare Advantage plans may drop their coverage (disenroll) and return to Original Medicare (Parts A and B). People who do this have the same 45-day period to enroll in a stand-alone prescription drug plan (Part D). In both cases, the new coverage starts the first day of the month following the date the enrollment request is received. (If the enrollment request is received in January, coverage starts in February.)

The former Medicare Advantage Open Enrollment Period, which extended from Jan. 1 to March 31 and offered the chance to make other insurance changes, no longer exists.

### Oregon Medical Insurance Pool board approves new rates

The Oregon Medical Insurance Pool (OMIP) governing board approved benefit changes and rate increases for 2011. Overall, OMIP premiums will increase an average of 6 percent across all medical plans; the Federal Medical Insurance Pool's (FMIP) 500 plan will increase 10 percent and the 750 plan will increase 12 percent; and OMIP portability premiums for both the 750 and 1,500 plans will increase an average of 16 percent.

For a full breakdown of all benefits changes as well as the rate increases and how they are figured, see the fall edition of the Office of Private Health Partnerships' Producer Connection newsletter located online at [www.oregon.gov/OPHP/publications.shtml](http://www.oregon.gov/OPHP/publications.shtml).

### FHIAP can help clients losing COBRA

Do you have clients who are about to exhaust COBRA benefits? The State of Oregon's Family Health Insurance Assistance Program (FHIAP) may be an option.

COBRA coverage is an exception to FHIAP's two-month period of uninsurance. However, a person must apply to FHIAP, and be enrolled, prior to COBRA benefits expiring. If COBRA benefits expire before an individual is enrolled, the person will be placed on the FHIAP individual waiting list. Currently, the individual waiting list is about 14 to 16 months.

FHIAP subsidies pay a portion of the member's health insurance premium. Subsidies are based on a sliding scale from 50 percent to 95 percent for adults and 100 percent for children up to age 19. Members pay deductibles, co-payments, and other costs of health plans.

If you have a client currently on COBRA whose family income is at or below 200 percent of the federal poverty level, FHIAP may be an option. For more information, contact FHIAP at 503-373-7419 or download a group/COBRA application at [www.fhiap.oregon.gov](http://www.fhiap.oregon.gov).

COBRA is also an exception for the two-month period of uninsurance for the Healthy Kids program. For more information about Healthy Kids, go to [www.oregonhealthykids.gov](http://www.oregonhealthykids.gov).

### Oregon Health Authority

In 2009, the Legislature created the Oregon Health Policy Board (OHPB) and the Oregon Health Authority (OHA)



to address the issues of cost, quality, and access to health care. While the federal government has made new investments in insurance coverage and access, it will be up to the states to take the next steps to lower costs and improve quality.

The Oregon Health Policy Board has created an *Action Plan for Health* that involves actions by all stakeholders — the Legislature, consumers, businesses, health care providers, and others — in a staged plan. Coupled with the dollars federal reform will bring into Oregon, this plan meets the legislative mandate to “provide and fund access to affordable, quality care for all Oregonians by 2015.” Read more about this plan at <http://www.oregon.gov/OHA/action-plan/index.shtml>. ●

## Timeline for supplying commercial loss runs data

In order to provide proposals and/or bind commercial property, commercial liability, and commercial automobile insurance, most property and casualty insurers require the prospective insured to provide official documentation from their prior insurers regarding reported losses on all reported claims (“loss runs”).

If an insurer or its appointed producer of record fails to provide the requested information in a timely manner, the prospective insured is placed in an untenable position – either they must remain with their current insurer or they run the risk of being unable to obtain insurance coverage if their current insurer is canceling or nonrenewing the policy. This proposed rulemaking requires certain property and casualty insurers or

their appointed producers of record to provide loss runs within 15 calendar days upon request by the policyholder.

The Insurance Division conducted an advisory committee meeting on Sept. 27, 2010, and incorporated some stakeholder comments in the proposed rules. A public hearing was held Dec. 10, 2010, and the public comment period closed Dec. 17, 2010. The division heard testimony from one person and seven others submitted written comments. The proposed rules were revised after consideration of the testimony and written comments received.

These rules will be effective March 1, 2011. ●

## Enforcement actions

This Regulator lists key orders that were posted on the Insurance Division website from September 2010 through December 2010. Additional orders are posted at [http://insurance.oregon.gov/admin\\_actions/adminact.html](http://insurance.oregon.gov/admin_actions/adminact.html).

### Insurance companies

#### Marketplace orders

**Allstate Insurance Company et al**  
Northbrook, Ill.

**Violation:** A multistate examination of Allstate’s use of a computer software program, called Colossus, in settling injury claims found deficiencies in Allstate’s management and oversight of the program and recommended that Allstate enhance its management oversight of the program and provide notice to claimants that the software program may be used in the adjustment of their injury claims.

**Penalty:** Allstate provided \$10 million to a fund that will train insurance regulators in ways to monitor the insurance industry’s use of software in claims handling.

**Date of Order:** 9/23/2010

**The Travelers Home and Marine Insurance Company**

Hartford, Conn.

**Violation:** Failed to respond timely to the DCBS director’s inquiry into a claim.

**Penalty:** \$2,000

**Date of Order:** 11/16/2010

**United Schools Insurance Program of Oregon**  
Portland, Ore.

**Violation:** Transacted insurance in Oregon without a license during a period when not exempt from licensing.

**Penalty:** \$5,200

**Date of Order:** 11/16/2010

**United Healthcare Insurance Company**  
Hartford, Conn.

**Violation:** Sent multiple appeal decisions to members over a nearly three-year period that failed to inform them of the opportunity to file a complaint with DCBS; failed to notify members that additional time was needed to accept or deny claims.

**Penalty:** \$20,000

**Date of Order:** 12/20/2010

### Financial Orders

#### Order Extending Supervision

**Preferred Health Plan, Inc.**

Date of Order: 10/14/2010

#### Order Withdrawing Authority and Terminating Supervision

**Preferred Health Plan, Inc.**

Date of Order: 12/14/2010

Continued on next page

## Enforcement actions, continued

### Filing

Several companies omitted information in their prompt pay health claim reports and were penalized. These reports have to do with the timeliness of insurer payments to providers. A number of other companies filed their Oregon Insurance Guaranty Association recoupment assessment certification late and were fined. See the orders for those and other filing violations at [http://insurance.oregon.gov/admin\\_actions/actions\\_2010/filing\\_actions.html](http://insurance.oregon.gov/admin_actions/actions_2010/filing_actions.html).

### Producers

#### Autoland, Inc.

Portland, Ore.

**Violation:** Autoland sold 476 mechanical breakdown insurance policies on behalf of three insurers at a time it wasn't licensed to transact insurance in Oregon.

**Penalty:** \$50,000

**Date of Order:** 6/7/2010

#### Blankenship, Lori C.

Springfield, Ore.

**Violation:** Made unsuitable recommendations in annuity transactions.

**Penalty:** Oregon resident individual insurance producer license revoked.

**Date of Order:** 09/28/2010

#### Hart, Shannon K.

Indianapolis, Ind.

**Violation:** Convicted in 2007 of a felony narcotics charge in California; provided false information on a 2010 application for an Oregon producer license by failing to disclose conviction; California regulators refused to issue nonresident license.

**Penalty:** Nonresident individual insurance producer license revoked. Hart agrees to never to reapply for a license.

**Date of Order:** 10/25/2010

#### Higbee, Landra E.

Central Point, Ore.

**Violation:** Made unsuitable recommendations in annuity transactions.

**Penalty:** Expired Oregon resident insurance producer license revoked; Higbee agrees not to reapply for an insurance license or to work in the industry.

**Date of Order:** 11/29/2010

#### Letendre, Jeffrey M. and Jeffrey M. Letendre dba Jeff Letendre Agency

Grants Pass, Ore.

**Violation:** Accepted insurance paperwork, including

applications, from someone not licensed as an agent; used a dishonest business practice; Letendre and Letendre Agency failed to notify DCBS director of change in address; Letendre Agency knew about the misconduct but did not correct or report it to the DCBS director.

**Penalty:** Letendre's expired Oregon resident individual producer license revoked and Letendre Agency's expired Oregon resident business entity insurance producer license revoked.

**Date of Order:** 11/08/2010

#### Morris Jr., John J.

Portland, Ore.

**Violation:** Convicted of felony theft involving funds from an employee benefit plan, a crime involving dishonesty.

**Penalty:** Expired Oregon resident individual insurance producer license revoked.

**Date of Order:** 09/14/2010

#### Murphy, Eric S.

Portland, Ore.

**Violation:** Misrepresented on insurance producer license application that he had no criminal convictions when he had been convicted in Washington for driving with a suspended license and shoplifting; forged a person's name and submitted false insurance application to an insurance company, receiving commission for fictitious transaction.

**Penalty:** Expired Oregon resident individual insurance producer license revoked.

**Date of Order:** 11/08/2010

#### Taliaferro, Craig K.

Eugene, Ore.

**Violation:** Made unsuitable recommendations in annuity transactions.

**Penalty:** Oregon resident individual insurance producer license suspended 120 days from Nov. 8, 2010, to March 8, 2011.

**Date of Order:** 11/03/2010

#### Tenison, Ronald D

Grants Pass, Ore.

**Violation:** Failed to respond to a DCBS director's inquiry about a complaint; engaged in fraud in financial transactions as found by a civil court.

**Penalty:** Oregon resident individual insurance producer license revoked.

**Date of Order:** 11/30/2010 ●

## Administrative rules and bulletins

- Amend rules for Annual and Supplemental Statements and provides instructions for reporting year 2010 (ID 24-2010): This rulemaking prescribes, for reporting year 2010, the required forms for the annual and supplemental financial statements required of insurers and health care service contractors as well as the necessary instructions for completing the forms.  
**Effective:** Jan. 1, 2011
- Adopts and amends rules involving process of applying for Insurance License (ID 23-2010): These rules restructure the license application process so that certain steps, including examinations and background checks, are conducted before the applicant submits an application to the Insurance Division. The exam fee schedule is amended; fees are either reduced or unchanged.  
**Effective:** Jan. 1, 2011
- Adopts rules relating to insurer provision of commercial loss runs to policyholders (ID 22-2010): These rules require certain property and casualty insurers or their appointed producers of record to provide loss run information on report claims on a timely basis to current and prior commercial policyholders, upon the request of the policyholder.  
**Effective:** March 1, 2011
- Amends rules to change risk-based capital trend test for health care service contractors (ID 21-2010): This rule change allows a company action level event to be triggered if the risk-based capital ratio of a health care service contractor falls between 200 percent and 300 percent and has a combined ratio (underwriting deductions/total revenue) above 105 percent. This provides an additional tool for determining whether a company is maintaining adequate capital and surplus to meet statutory requirements and policyholder obligations.  
**Effective:** Dec. 15, 2010
- Amends rules to clarify portability notice requirement and specify that electronic notice is allowed (ID 20-2010): Requires that individuals losing group coverage receive a notice of their option to elect a portability plan. This rule clarifies the required content of the notice, specifies that the notice must be provided to the individual rather than an employer or plan administrator, and allows the notice to be provided electronically.  
**Effective:** Oct. 29, 2010
- Adopts rules for individual health insurance enrollment periods for persons under age 19 (ID 19-2010-temporary): These rules prohibit insurers from limiting or denying coverage for persons under age 19 for health reasons. The rules also establish uniform open enrollment periods when all insurers must allow persons under age 19 to enroll as a dependent or as the primary policyholder, if eligible. Open enrollment periods must be offered in the months of February and August of each year.  
**Effective:** Sept. 23, 2010, through March 21, 2011.
- Amends rules to clarify that change in prior authorization process requires notice (ID 18-2010): This rule establishes notice requirement for changes in prior authorization procedures. It also address changes to pharmacy prior authorization requirements.  
**Effective:** Sept. 14, 2010
- Adopts rules relating to property and casualty actuarial opinion of reserves (ID 17-2010): This rule makes more transparent the requirement that property and casualty companies submit actuarial opinions.  
**Effective:** Sept. 14, 2010

### 2010 Bulletins

Past bulletins can be found at <http://insurance.oregon.gov/bulletins.html>. ●

## New on Insurance Division website

Updated text on applying for a license: <http://insurance.oregon.gov/producer/procedures/licensingapp-procedures.html>

Health Reform: Oregon Enrollment Periods for Children Under 19: <http://insurance.oregon.gov/consumer/federal-health-reform/092310-enrollment-children.pdf>

Homeowner policies cover wind, tornado damage: [http://insurance.oregon.gov/news\\_releases/2010/1214-10-winddamage.pdf](http://insurance.oregon.gov/news_releases/2010/1214-10-winddamage.pdf)

Administrator's monthly message: [http://insurance.oregon.gov/about\\_us/administrators-message.html](http://insurance.oregon.gov/about_us/administrators-message.html) ●

## Recent rate activity

### TOP 10 OREGON HOMEOWNERS INSURERS BASED ON PREMIUM Domicile, Direct Premium Written, Market Share, Recent Rate Activity

	NAME OF COMPANY	DOM	WRITTEN	SHARE	ACTIVITY	New	Renewal
1	State Farm Fire & Cas Co	IL	157,126,280	25.71%	2.8%	08/15/10	10/01/10
2	Farmers Ins Co Of OR	OR	64,018,245	10.48%	4.6%	03/16/10	03/16/10
3	Safeco Ins Co of OR	OR	37,792,812	6.18%	5.2%	2/12/11 (3)	4/12/11 (3)
4	Farmers Ins Exch	CA	26,008,522	4.26%	3.0%	03/16/10	03/16/10
5	Country Mut Ins Co	IL	25,089,411	4.11%	9.2%	10/17/10	10/17/10
6	Allstate Ins Co	IL	23,517,837	3.85%	0.0%	n.a. (1)	n.a. (1)
7	American Family Mut Ins Co	WI	22,559,297	3.69%	9.8%	10/01/10	10/01/10
8	Foremost Signature Ins Co	MI	19,093,598	3.12%	0.0%	n.a. (1)	n.a. (1)
9	Allstate Ind Co	IL	17,521,198	2.87%	0.0%	n.a. (1)	n.a. (1)
10	Allstate Prop & Cas Ins Co	IL	16,692,888	2.73%	0.0%	n.a. (1)	n.a. (1)
	TOP 10		409,420,088	67.0%	3.6%		
	TOTAL 118 COMPANIES		611,109,760				

Premiums includes renters, condos, manufactured homes, and coverages such as boats, golf carts, and jewelry.

Rate Activity applies to homeowners coverages only unless noted.

† Insurer rankings based on 2009 direct premium written

(1) Company has not filed an overall rate change in the past 12 months.

(2) As of April 1, 2006, new business is written only in Allstate Property and Casualty Insurance Company and Allstate Fire and Casualty Insurance Company

(3) Company's previous change was a 3.9 percent average overall increase effective July 10, 2010.

### TOP 10 OREGON AUTOMOBILE INSURERS BASED ON PREMIUM Domicile, Direct Premium Written, Market Share, Recent Rate Activity

	NAME OF COMPANY	DOM	WRITTEN	SHARE	ACTIVITY	New	Renewal
1	State Farm Mut Auto Ins Co	IL	359,838,605	18.04%	1.9%	10/25/10	10/25/10
2	Farmers Ins Co of OR	OR	257,845,246	12.92%	0.0%	n.a. (1)	n.a. (1)
3	Safeco Ins Co of OR	OR	118,567,841	5.94%	-0.3%	10/09/10	12/07/10
4	Progressive Classic Ins Co	WI	90,025,624	4.51%	2.7%	02/05/10	04/06/10
5	Progressive Universal Ins Co	WI	89,535,936	4.49%	0.4%	03/05/10	05/04/10
6	American Family Mut Ins Co	WI	72,381,789	3.63%	1.7%	10/01/09	10/01/09
7	Allstate Ins Co	IL	63,208,573	3.17%	0.0%	n.a. (2)	n.a. (1)
8	Geico Gen Ins Co	MD	55,560,804	2.78%	4.1%	05/14/09	07/02/09
9	Allstate Fire & Cas Ins Co	IL	45,738,012	2.29%	-2.1%	6/21/10(3)	7/26/10(3)
10	Allstate Prop & Cas Ins Co	IL	42,345,106	2.12%	0.0%	n.a. (1)	n.a. (1)
	TOP 10		1,195,047,536	59.9%	1.0%		
	TOTAL 176 COMPANIES		1,995,067,844				

Premium includes motorcycle, light trucks, recreational vehicles, and motor home coverage.

Rate activity is for personal automobile insurance.

† Insurer rankings based on 2009 direct premium written

(1) Company has not filed an overall rate change in the past 12 months.

(2) As of April 1, 2006, new business is written only in Allstate Property and Casualty and Allstate Fire and Casualty Insurance Company.

(3) Insurer filed previously for a 4.3 percent increase effective Feb. 15, 2010.

Oregon Insurance Division - Compiled Jan. 5, 2011

## Key contacts

### Oregon Insurance Division

#### Administration

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Deputy Administrator .....Suzanne Kailey  
Consumer Liaison.....Rachel Oh

#### Market Regulation

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- Administrative Services .....503-947-7222  
Manager ..... Margarita Nuñez
- Consumer Advocacy .....503-947-7984  
Manager ..... Ron Fredrickson
- Consumer Services .....503-947-7205  
Manager ..... Brian Light
- Producer Licensing.....503-947-7981  
Manager ..... Jim Thompson
- Market Surveillance ..... 503-947-7242  
Manager .....Mike Lydon
- Rates & Forms  
Information.....503-947-7983  
Manager .....Rhonda Saunders-Ricks

#### Financial Regulation

Information .....503-947-7982  
Manager..... Russell Latham  
Assistant Manager ..... Annette Boyce

#### Employment opportunities

Margarita Nuñez .....503-947-7222

### Other agencies

#### Oregon Health Plan

800-359-9517

#### State Portability Option

#### Oregon Medical Insurance Pool

(Administered by Regence BlueCross BlueShield)  
800-848-7280

#### COBRA/ERISA/HIPAA questions

U.S. Department of Labor  
866-275-7922

#### Senior Health Insurance Benefits Assistance (SHIBA)

800-722-4134  
503-947-7979

#### Workers' Compensation Division

General information  
503-947-7810

#### Department of Consumer and Business Services website

[www.oregon.gov/DCBS](http://www.oregon.gov/DCBS)

#### Oregon government website

[www.oregon.gov](http://www.oregon.gov)

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