



---

# Compliance Bulletin

DATE: Originally published on 7/31/2009

## OREGON PREMIUM TAX

As of October 1, 2009, a new law (House Bill 2116) requires insurers of health plans to pay a 1% tax on the gross premium earned from policies that:

- Insure Oregon residents, or
- Are delivered or issued in Oregon

Thus, the tax will apply to insurance contracts written and issued in Oregon, as well as policies written in other states that provide health insurance to residents of Oregon. In the second scenario, it appears the premium tax will only apply to the portion of the gross premium allocated to Oregon residents. As this is a state mandate, the premium tax should not apply to self-insured plans.

Health plan policies are defined to include health insurance and insurance provided by health service contractors. It excludes the following:

- Vision only policies;
- Dental only policies;
- Medicare Advantage plans;
- Medicare Part D plans;
- Long term care insurance;
- Health insurance issued to federal employees;
- Stoploss policies;
- Supplemental liability coverage;
- Automobile medical payment insurance;
- Reinsurance;
- Workers compensation insurance; and
- Disability insurance.

Insurers may transfer the cost increase to employers sponsoring group health plans in Oregon or covering Oregon residents via a 1% rate increase. Insurers are now required to provide adequate notice explaining the rate increase in the first billing that reflects the higher premiums. At this point it is unclear which insurers (if any) will increase rates on group health plans, and, if so, whether they will implement this change at renewal or on October 1, 2009.



Assuming a carrier chose to increase rates on October 1st, this raises an interesting issue from a COBRA perspective. COBRA rates must remain fixed for a 12-month determination period and may only be changed under very limited circumstances.<sup>1</sup> Therefore, if the carrier imposes the rate increase mid-year, it appears the COBRA rates could not be changed to reflect this change. This may leave the employer shouldering the cost associated with this rate adjustment as it pertains to COBRA qualified beneficiaries, at least until the expiration of the current 12-month determination period.

For more information and updates, please see related links.

#### RESOURCES

- A copy of the bill is available at <http://www.leg.state.or.us/09reg/asures/hb2100.dir/hb2116.en.html>
- The Oregon insurance divisions will be posting updates to their Web site at [http://www.insurance.oregon.gov/insurer/insurer\\_other-info/hb2116-premium-assesment.html](http://www.insurance.oregon.gov/insurer/insurer_other-info/hb2116-premium-assesment.html)

#### Disclaimer Statement:

These materials are produced by USI for educational purposes only. Certain information contained in these materials is considered proprietary information created by USI. Such information shall not be used in any way, directly or indirectly, detrimental to USI and/or their affiliates.

Neither USI nor any of its respective representatives or advisors has made or makes any representation or warranty, expressed or implied, as to the accuracy or completeness of these materials. Neither USI nor their respective representatives or advisors shall have any liability resulting from the use of these Materials or any errors or omission therein. These materials provide general information for the use of our clients, potential clients, or that of our clients' legal and tax advisors.

IRS Circular 230 Disclosure: USI Holding Co. and its affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with USI Holding Co. of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties. Also, the information contained in this document should not be construed as medical or legal advice.

Copyright © 2009 USI Holding Company. All Rights Reserved.

---

<sup>1</sup> 26 CFR 54.4980B-8; Q/A-2