

Spring 2019

COMMON GROUND



Working together to help Oregonians fulfill their financial goals

Administrator's Avenue

Engage with us for our common ground



Summer has arrived, and we have a bevy of opportunities for you and your customers to engage with us on the insurance and financial services programs that matter to you.

First, the division's Prescription Drug Price Transparency Team

has diligently collected data from manufacturers and insurers. Manufacturers' new drug reports are starting to appear on our website. Nine health insurers have also filed reports on the top 25 prescription drugs that are the most expensive, most prescribed, and cause the greatest increase to plan spending. These lists, as well as aggregated lists, will be available at dfr.oregon.gov/drugtransparency in the near future.

A key component to this program is consumer reporting. If you, or any of your customers, experience a personal increase in the cost of a prescription drug, report it.

Visit dfr.oregon.gov/drugtransparency to learn more.

Second, the division recently opened the [Innovation Hub](#). A hearty thank you goes out to all of the [speakers and companies](#) that participated in our inaugural

innovation forum. It was a great success, and a great way to introduce Oregon's Innovation Hub to insurance, financial, and technology companies. The hub is here to help bring your innovative products, services, and tools to Oregon consumers. Visit the hub's site to learn more and to collaborate with the innovation liaison. We want Oregonians to be the first to experience new products, tools, services, and ideas that will enhance their lives.

Third, the 2019 Legislative Session has concluded. That means it is time for our policy team to start reviewing new laws and setting up rulemaking and advisory committees. We will provide a full legislative summary next quarter. In the meantime, we are pleased to announce that [all nine of the division's legislative priorities](#) were passed during the session. Be on the lookout for opportunities to get involved in our upcoming rulemaking and committee work.

These are just three opportunities to collaborate with the division. We are also able to help protect your customers from scams and [financial abuse](#), as well as provide resources to help consumers make [wise financial decisions](#).

Thank you for your collaboration and commitment to enhancing the lives of Oregonians. I hope you enjoyed Independence Day and are looking forward to a wonderful summer.

Welcome to Common Ground.

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The future of innovation starts with collaboration

Approximately 150 insurance, finance, and technology professionals joined state regulators at the Salem Convention Center in June for the Division of Financial Regulation's first innovation forum: [The Future of Finance | Insurance | Collaboration](#).

A [diverse group of speakers](#) from the public and private sectors shared insights into how Oregon businesses are embracing innovation to deal with disruption, improve outcomes, and meet their customers where/when/how they choose.

We learned that innovation is a lot more than technology. It is how we collaborate, become more efficient, and provide better products and services to consumers.

The forum revealed that everyone has a role in providing innovative products and services to Oregonians, and as regulators, we are ready to help push the envelope to help Oregon consumers be the first to experience the new products, new services, and new ideas that will enhance their lives.

The state's seven distinct regions provide some of the most diverse landscapes and consumers. Our mix of coastal, rural, and urban populations makes it the perfect place to introduce innovative ideas and solutions.

Oregon's diverse group of technology and software companies have helped it earn the nickname Silicon Forest. This means our state has both the consumers and resources to help businesses develop products and services, create more efficient tools, and share them with the early adopters who embrace and share the innovative solutions that enrich their lives.

Oregon has a long history of innovation. Oregonians deserve innovation that enables them to make better financial decisions, that better protects them from financial disaster, and equips them with better access to care for their families.

To relive [The Future of Finance | Insurance | Collaboration](#) or catch up on what you missed, visit dfr.oregon.gov/innovation.



Preliminary rate decisions for 2020 health plans revealed

Oregonians can now see the state's preliminary rate decisions for 2020 individual and small employer health insurance plans. The Division of Financial Regulation must review and approve any rates before they can be charged to policyholders.

Preliminary rate decisions are for individuals who buy their own coverage rather than getting it through an employer and for small businesses.

In the individual market, the division issued preliminary decisions for seven companies with average rate changes ranging from a 3.2 percent decrease to an 8.9 percent increase, for an average of a 2.3 percent increase. As a comparison, insurers originally requested rates ranging from an average 3.2 percent decrease to an average 13.5 percent increase, for an average of a 3.3 percent increase.

Under the preliminary decisions, Silver Standard Plan premiums for a 40-year-old in Portland would range from \$436 to \$530 a month.

“Although rates are still rising for many consumers, we are encouraged to see the health insurance market stabilizing,” said Andrew Stolfi, insurance commissioner. “Part of the stabilization is due to

the Oregon Reinsurance Program providing some relief, enabling carriers to expand coverage into additional counties and keeping rate increases lower than they could have been without it.”

In the small group market, the division has reviewed each company's rate request and plans to approve the rates as filed. The average rate increases range from a 0.3 percent decrease to a 13.1 percent increase. Under the preliminary decisions, Silver Standard Plan premiums for a 40-year-old in Portland would range from \$328 to \$394 a month.

[See our chart for a full list of preliminary decisions.](#)

Common trends that affect rates include:

- Medical costs continue to rise, driven by increased use and the cost of new specialized prescription drugs.
- The cost of providing care continues to surpass premiums collected for many carriers.
- Federal policy changes, including the zeroing out of the individual mandate and federal rule changes around short-term limited-duration plans and association health plans, contributed an average of 7 percentage points to rate increases.
- The Oregon Reinsurance Program, which was renewed by the legislature for six more years, continues to lower rates by 6 percent each year.

The public comment period wrapped up with hearings on July 2-3 in Salem. These preliminary rates will undergo continued review by the division before the final decisions are announced next month.

Visit oregonhealthrates.org to see a chart detailing changes to each plan for 2020, review each insurance company's public hearing, and see preliminary rate examples by county for 2020.



Former insurance agent sentenced to 60 months for defrauding at least four elderly investors out of \$284,000

James Frackowiak was sentenced to 60 months in prison and ordered to pay restitution by Clackamas County Circuit Court Judge Todd L. Van Rysselberghe for defrauding at least four elderly investors out of approximately \$284,000.

Frackowiak targeted former insurance clients and sold them interests in the Frack Income Fund, LLC, promising returns of up to 9 percent. He misled victims by failing to disclose that the fund consisted of his personal debts and had no potential for generating the promised returns.

The Oregon Division of Financial Regulation discovered the scheme after receiving a complaint from one of the victims about Frackowiak's insurance practices. The investigation revealed Frackowiak was withholding and combining client insurance premium payments. The division revoked Frackowiak's insurance producer license in 2017 and fined him \$14,000.

The investigation into securities fraud began that

same year. [The division's enforcement team worked with the Clackamas County Sheriff's office and Clackamas County District Attorney's Office on the case.](#)

"Collaboration at all levels of government service is essential for cases like this," said Andrew Stolfi, division administrator. "Before making any investment, we encourage Oregonians to do their homework, ask plenty of questions, and be suspicious of offers that appear too good to be true."

Oregonians are encouraged to make sure financial service agents and investment products are [legally registered with the state](#) before signing any agreement. For more information and a list of steps to take before investing, visit [our investments page](#).

To learn more about enforcement actions taken by the division, visit [Taking Action](#), the division's new quarterly enforcement summary site.



Future Income LLC fined \$5.9 million for targeting pensions of veterans and seniors

Multnomah County Circuit Court Judge Katherine von Ter Stegge fined Future Income Payments LLC \$5.9 million for executing a scheme on approximately 240 Oregon veterans and retirees. The Oregon Department of Consumer and Business Services' Division of Financial Regulation and the Department of Justice sued Future Income, owned by Scott Kohn, for the scheme, which provided illegal loans to low-income Oregonians with interest up to 200 percent.

The scheme required borrowers to authorize Future Income to make electronic withdrawals from their pension or retirement accounts to repay the loans. This provided Future Income the ability to remove money from victims' accounts despite violating multiple Oregon and federal laws.

In addition to the judgment, the court declared all the loans void, saving victims more than \$5 million in principal, interest, and fees. Since the judgment, a number of other states and the Consumer Financial Protection Bureau have taken similar action against Kohn and Future Income. The U.S. Attorney's Office for

the District of South Carolina indicted Kohn and Future Income for conspiracy to engage in mail and wire fraud.

"The collaboration with Attorney General Ellen Rosenblum and the Department of Justice was key in this case," said Andrew Stolfi, division administrator. "Preying on the hard-earned pensions of our veterans and retirees is disgraceful, and all our teams work hard to protect Oregonians from being victims of illegal schemes like this."

Oregon law requires broker-dealers and investment advisors to report suspected cases of senior financial exploitation. The law does not require advisors to determine abuse, but they are required to report suspicious activities to local authorities.

If you suspect someone is targeting the finances of one or more seniors, visit [the division's suspected financial exploitation](#) page to file a report.

For more resources to help your customers protect their finances, visit dfr.oregon.gov/financial.

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The division just released its first quarterly summary of enforcement actions. Check out the first edition of [Taking Action](#) to learn about the orders and fines taken by the division to protect consumers and promote a healthy business climate.

The division has several resources available to help your customers protect their family and property and reach their financial goals.

Visit dfr.oregon.gov to check out these and many more consumer-focused resources:

[Insurance resources](#)

[Financial resources](#)

[Spanish Language resources](#)

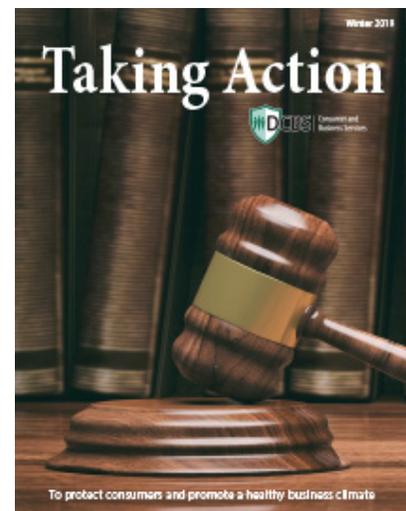
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