

Director's Office, 350 Winter St. NE, Room 200, Salem, Oregon 97301-3878

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For more information:
Lisa Morawski, 503-947-7897, or
Cheryl Martinis, 503-947-7213

Preferred Health Plan to exit Oregon market

Health insurer will pay claims, provide coverage to policyholders during transition

(Salem) — Preferred Health Plan Inc., a Klamath Falls-based health insurer, will withdraw from the Oregon insurance market because of financial problems, the Oregon Department of Consumer and Business Services announced today.

Preferred Health Plan is looking for another insurer to pick up its business. In the meantime, DCBS is monitoring the company on a daily basis to ensure it has the ability to pay claims and provide coverage to its current policyholders.

“Preferred Health Plan has been struggling for a long time, and, unfortunately, despite infusions of capital since 2004, has not been able to generate enough revenue to cover costs,” said Cory Streisinger, DCBS director. “We are working closely with the company during this transitional period to make sure policyholders continue to receive their insurance benefits and are kept apprised of the situation.”

Preferred Health Plan's 2008 annual report – submitted in early March 2009 – showed the insurer was below the minimum requirement for capital and surplus. To make certain insurers can meet their obligations to policyholders, Oregon law requires a minimum of \$2.5 million in capital and surplus; PHP had only \$2.35 million in capital and surplus as of Dec. 31, 2008, and only \$1.67 million as of Feb. 28, 2009.

Preferred Health Plan covers approximately 3,600 people in Klamath and Lake counties and has been in business since November 2001. Sky Lakes Medical Center in Klamath Falls is the primary investor in the stockholder-owned company. PHP primarily sells large and small group health plans but has some individual and portability policyholders.

As part of its plan to withdraw from the market, PHP will no longer solicit new business. It will renew policies through May 15, 2009, and is currently in discussions with other insurers about writing its policies that renew after May 15. Policyholders who renew after May 15 may need to find another insurer on their own. For more information on PHP policies, click here: http://egov.oregon.gov/DCBS/docs/php_faqs_3_09.pdf.

Teresa Miller, acting administrator of the DCBS Insurance Division, said Preferred Health Plan's financial problems are unique and not indicative of the health of the Oregon insurance industry.

“Like all industries, the insurance industry is feeling the impact of the economic downturn; however, all of the other insurers doing business in Oregon have adequate capital and surplus,” Miller said. “Oregon is fortunate to have a strong and competitive insurance market, with a variety of options for consumers.”

The DCBS Insurance Division will hold a town hall meeting in Klamath Falls in April to discuss issues concerning PHP and answer questions from PHP policyholders, medical providers, or interested parties. Once a date and time is set, the information will be posted on www.insurance.oregon.gov.

For more information, contact the DCBS Insurance Division's Consumer Advocacy Unit at 1-888-877-4894 or PHP's Customer Service Department at 541-882-1466.

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The Insurance Division is part of the Department of Consumer & Business Services. For more information, visit <http://www.insurance.oregon.gov>. The Department of Consumer and Business Services is Oregon's largest business regulatory and consumer protection agency. For more information, visit <http://www.dcbs.oregon.gov>.