



OREGON MUTUAL INSURANCE GROUP

**OREGON MUTUAL INSURANCE COMPANY
WESTERN PROTECTORS INSURANCE COMPANY**

400 NE Baker Street, PO Box 808, McMinnville, OR 97128
800-888-2141 • FAX 800-506-0325

Chris McLaran
Legislative, Marketing and Compliance Specialist
P.O. Box 808
McMinnville, OR 97128
1-800-888-2141 ext. 2837
chrism@ormutual.com

June 24, 2013

Testimony of Oregon Mutual Insurance to the Senate Rules Committee, regarding HB 2821A.

Opposition to HB 2821

HB 2821 is Unnecessary - Oregon Mutual Insurance **opposes HB 2821** and its broadening of Personal Injury Protection (PIP) coverage benefits and extension of the time period for benefits. Changes to PIP coverage is unnecessary, it complicates a system that works, makes automobile insurance more expensive and time consuming, increases litigation and court costs and will result in more uninsured motorists.

Personal Injury Protection (PIP) is a mandated first party insurance coverage included in auto insurance policies that is intended to help pay for necessary medical, hospital, dental, surgical, ambulance and prosthetic services, wage loss, replacement services and funeral expenses resulting from personal injuries related to the use of an automobile. These benefits come without a deductible and prior to a determination of fault. PIP coverage originated in the 1930's as a way to streamline automobile accident claims processing. It was believed that a "no-fault" procedure would reduce litigation and help keep automobile insurance policy costs down.

Current law, ORS 742.524 helps insurers to keep the cost of the coverage down by seeking reimbursement from insurance proceeds and other recovery from responsible parties when applicable after the injured party(s) has recovered all of his or her *economic* damages incurred during the first 12 months after the accident and up to the limit (\$15,000). The proposed bill would eliminate "*economic*", placing insurer recovery behind claims for non-economic damages. Non-economic damages, as defined in ORS 37.710 "means subjective, nonmonetary losses, including but not limited to pain, mental suffering, emotional distress, humiliation, injury to reputation, loss of care, comfort, companionship and society, loss of consortium, inconvenience and interference with normal and usual activities apart from gainful employment."

These damages, because they are speculative, increase costs on insurers to properly investigate, increase conflict over the validity and extent of non-economic damages claimed, makes the adjustment of claims slower, encourages more litigation and will be more expensive, which in turn will make insurance less affordable and more likely to increase the number of drivers

without mandatory liability insurance, and therefore PIP. In addition, a vast majority of PIP claims close within the first year. According to medical literature, the vast majority of healing from soft tissue injuries resulting from auto accidents takes place within the first three weeks following the event and most of the injuries are resolved within 90 days¹.

A Solution Without a Problem - This rationale for this bill is not that the current system does not function for its intended purpose but that we should broaden that purpose to make it a more expensive and expansive coverage that would operate as an additional layer of health, liability and/or uninsured motorist insurance. If the legislature believes Oregon should forego the current tort/negligence based system of automobile insurance coverage and adopt a “No-Fault” system we should have that debate. Placing an expanded No Fault coverage within the tort system is simply an expensive and costly solution to a problem that does not exist. Remember, consumers with disputes over PIP coverage can still pursue their rights under their insurance contract and oversight through the Department of Insurance..

Oregon’s current law ORS 742.534 works and creates resolution in a large majority of PIP claims, sparing the courts and parties from disputes. Today, disputes between carriers and policyholders are rare and handled relatively inexpensively and with little cost to the consumer. At Oregon Mutual Insurance we had approximately 2500 Oregon auto accident claims in 2011 and around 675 PIP coverage claims (27%). Of those, only a handful utilized a full year and none of the PIP claims resulted in arbitration between the policyholder and the company. While acknowledging that auto related injuries can be significant and require more time and more money to treat; full compensation of all damages is not the purpose behind PIP coverage. HB 2821 would expand PIP coverage beyond the scope of its intent, benefiting lawyers and perhaps very few claimants at the expense of all automobile insurance purchasers.

HB 2821 makes Oregon law more contentious between insurance companies and their customers and between carriers. The bill’s unintended consequences are increased cost to automobile insurance consumers and insurers doing business in the State of Oregon and a likelihood of higher levels of uninsured motorist resulting in fewer people with liability or PIP coverage.

Please VOTE NO on HB2821

¹ (Foreman, S.; Croft, A. Whiplash Injuries: The Cervical Acceleration/Deceleration Syndrome. Williams and Wilkins 1988. Baltimore. Foreman, S.; Stahl, M. Medical/Legal Issues in Chiropractic. Williams and Wilkins 1990. Baltimore.)