

Oregon State Legislature  
Oregon State Capitol  
House Committee on Consumer Protection and Government Efficiency 3/11/13  
900 Court Street NE  
Salem, OR 97301

*Sent via electronic transmission to committee administrator at: bob.estabrook@state.or.us*

**RE: HB 2006 and HB 2821, Personal Injury Protection Benefits - NAMIC's Written Testimony in Opposition to the Proposed Legislation**

Dear Representative Holvey, Chair; Representative Lively, Vice-Chair; Representative Richardson, Vice-Chair; and members of the House Committee on Consumer Protection and Government Efficiency:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to the committee for the March 12, 2013 public hearing. Unfortunately, I will be in another state at a previously scheduled legislative meeting at the time of this hearing, so I will be unavailable to attend. Please accept these written comments in lieu of my testimony at the hearing. This letter need not be formally read into the committee hearing record, but please reference the letter as a submission to the committee at the hearing.

NAMIC is the largest and most diverse property/casualty trade association in the country, with 1,400 regional and local mutual insurance member companies serving more than 135 million auto, home, and business policyholders and writing in excess of \$196 billion in annual premiums that account for 50 percent of the automobile/ homeowners market and 31 percent of the business insurance market. More than 200,000 people are employed by NAMIC member companies. NAMIC has 143 members who write P. & C. Insurance in the State of Oregon, which represents 45% of the marketplace.

HB 2006 and HB 2821 would: 1) Modify current law on the reimbursement (legal and contractual subrogation rights) of personal injury protection providers by limiting their right to reimbursement to "only the extent that the total amount of [PIP] benefits paid exceeds the damages suffered by that person"; and 2) Extend personal injury protection benefit coverage for certain expenses from one year after date of injury to two years after date of injury.

On behalf of NAMIC's members, we respectfully *oppose* the proposed legislation for the following reasons:

**1) HB 2006 and HB 2821 could adversely impact the affordability of PIP insurance coverage for consumers -**

The proposed legislation will change current law in two significant ways that will have an appreciable and unavoidable impact on the cost of PIP insurance coverage for insurers and their policyholders: 1) The bills will *double* the PIP benefits coverage period; and 2) The proposed legislation will severely restrict an insurer's ability to pursue insurance subrogation, which is used to legally and contractually mitigate damages.

It is hard to imagine how *doubling* the PIP benefits coverage period wouldn't be an insurance rates cost-driver. Extending the coverage period will increase the number of claims submitted; the number of medical bills submitted; make it easier for plaintiff attorneys to "puff-up" their non-economic damages claim; and will increase the claims administration costs, claims adjusting expenses, and legal defense costs. All of these business operating costs directly impact the cost of the insurance product to the consumer.

Additionally, the proposed legislation would severely restrict an insurer's ability to pursue insurance subrogation by limiting the insurer's right to reimbursement to "only the extent that the total amount of [PIP] benefits paid exceeds the *damages* suffered by that person." Current law only restricts the insurer's right to reimbursement to PIP benefits paid in excess of the *economic damages* suffered by the person. Once again, it is hard to imagine how a bill that limits an insurer's ability to mitigate its damages wouldn't be an insurance rates cost-driver.

A fundamental principle of business, any business, is that the cost to the consumer is directly influenced by the cost of doing business, so when one increases the cost of doing business by preventing the company from recovering reimbursements it is legally and contractually entitled to and which help keep the cost of doing business down, there will be an unavoidable increase in the cost of the product to the consumer.

**2) Since the proposed legislation will be an insurance rate cost-driver for a state mandated auto insurance coverage, the proponents of the bill should be required to demonstrate that the proposed legislation is necessary and beneficial to all insurance consumers, not just a few litigants and their plaintiff attorneys -**

The state Financial Responsibility Law requires an owner or operator of motor vehicles to have PIP coverage in order to lawfully use their automobile in the state. The proposed legislation is likely to increase the cost of this mandated insurance coverage, which will make it more expensive for consumers to legally comply with their financial responsibility requirements. The proposed legislation could adversely and disproportionately impact low-income insurance consumers, who may not be able to afford an increase in the cost of a state mandated auto insurance coverage.

Consequently, the proponents of HB 2006 and HB 2821 should demonstrate why these proposed insurance rate cost-driver bills are necessary and beneficial to all insurance consumers, particularly low income consumers, who will really feel the economic impact of these insurance rate cost-driver bills.

For the aforementioned reasons, NAMIC respectfully requests that the committee VOTE NO on these unnecessary and inappropriate insurance rates cost-driver bills.

Thank you for your time and consideration of NAMIC's written testimony. Please feel free to contact me at 303.907.0587 or at [crataj@namic.org](mailto:crataj@namic.org), if you have any questions pertaining to my written testimony.

Respectfully,

A handwritten signature in black ink, appearing to read "Christian J. Rataj". The signature is fluid and cursive, written in a professional style.

Christian J. Rataj, Esq.  
NAMIC's Western State Affairs Manager