



Members of the House Committee on Consumer Protection & Government Efficiency,

Oregon's leading business associations oppose HB 2525.

The Oregon Legislature has rejected "bad faith" insurance litigation bills in good economic times (2007) and bad (2009). Legislators recognized that laws which encourage more lawsuits lead to higher insurance premiums for businesses and their employees. We ask you to reject such legislation today – HB 2525 – in today's so-so economy.

That's why we, the undersigned Oregon businesses and business organizations, are joining in opposition to the latest "bad faith" or "more lawsuits" legislation before the 2013 Oregon Legislature.

These bills allow the filing of not one but *two* lawsuits in disputes over claims. Under current law, Oregonians involved in an accident have a right to file a lawsuit over the personal injury claim at the core of the dispute. This is as it should be. These latest "bad faith"/"more lawsuits" proposals would allow attorneys and their clients to file a second lawsuit against the insurance company for acting in "bad faith."

Worse, these bills not only allow customers (first parties) to file a second lawsuit against their insurance company, but gives third parties a chance to file a second lawsuit against someone else's insurer.

Lawsuits, insurance fraud, excessive payouts and premiums all shot up when California experimented with the same "second lawsuit" or "bad faith" regime found in these Oregon proposals. Auto premiums rose 52% as a result. The courts and ultimately voters – by a three-to-one margin – stepped in to put an end to these serial lawsuits. Lawsuits then dropped back down to prior levels after the "bad faith" experiment ended.

Washington State's "second lawsuit" isn't as far-reaching as California's was or Oregon's would be under the proposed legislation. It doesn't allow third parties to sue a second time. Yet, after just 24 months, "bad faith" lawsuit notices across several lines of coverage increased an average of 100 per week as a result of Washington's "second lawsuit" law. These lawsuit notices pushed up premium costs as trial lawyers sought higher settlements in exchange for dropping the second, "bad faith" suit. This contributed to a \$190 million increase in property insurance loss costs.

Oregon law already protects insurance buyers against breach of contract rights and provides attorney fees in successful cases. Our courts already recognize a tort of bad faith for insurers who put their own interests above a customer's and punish insurers who fail to take proper steps to settle or defend claims.

Oregon's manufacturers, food processors, small businesses, farmers, restaurateurs, grocers, homebuilders, timber producers and hospitals – will have to deal with the increased lawsuits and soaring premium costs that ensue. We will pay – not the insurance companies – along with our workers and customers in Oregon, because these "second law" proposals cover all lines of insurance. We urge your opposition to HB 2525.