

March 5, 2015

Testimony of State Farm Insurance Companies provided by John Powell & Associates, to the House Consumer Protection and Government Effectiveness Committee in support of **HB 2258**.

Chair Fagan and Members of the Committee:

### **What HB 2258 Does:**

HB 2258 seeks to clarify in statute that ORS 746.260 and ORS 746.265 apply only to policies of personal insurance, which is the intent of those statutes and in all but one circumstance, the current law is working as intended.

Currently, ORS 746.260 and ORS 746.265 apply to policies in which an “individual applies....,” for insurance or renewal of an insurance policy. The word “individual” in the statutes was intended to cover personal insurance and specifically not business or commercial insurance. The substantive change HB 2258 is making can be found on page 1 line 12 and page 1 line 30 where the words, “**a policy of personal insurance**” is added to clarify that the statutes cover an individual applying for or renewing personal insurance as opposed to an individual applying for or renewing commercial or business insurance.

### **What Problem HB 2258 Solves:**

Under ORS 746.260 and ORS 746.265, an insurer may only review 3 years of an individual’s driving record to assist in matching a drivers risk to the insurance premium charged. This 3-year limit generally does not apply to commercial or business insurance. However, there is one circumstance that has caused confusion and ambiguity in the law.

When an individual who owns an unincorporated business (sole proprietor) seeks to insure the fleet of vehicles for that business, it is our interpretation of the current law that ORS 746.260 and ORS 746.265 would limit the insurer to the 3-year look back limit intended to apply to personal policies only.

So under current law, an “individual” that owns a company that is not incorporated (a sole proprietorship) may not be treated in the same way as an incorporated competitor when purchasing commercial or business auto insurance. HB 2258 simply clarifies the rules so that it is clear what rules apply to personal insurance and what rules apply to business or commercial insurance.

**Example 1 under current law:** Smith Plumbing, Inc (incorporated business) owns a commercial fleet of vehicles. The fleet would be commercially rated and the 3 year experience look back limitation would not apply in developing that commercial rate.

**Example 2 under current law:** Smith Plumbing (not incorporated – “individual”) owns a commercial fleet of vehicles. The fleet would be commercially rated, but only 3 years experience is allowed by the insurer to assist in developing the commercial rate.

**Example 3 – How it would work if HB 2258 becomes law:** In both examples 1 and 2, the 3-year experience limit would not apply and the law would be made clear that both businesses, whether incorporated or not, will be rated in the same fashion for auto insurance.