



March 16, 2015

TO: Senate Judiciary Committee
FROM: American Family Mutual Insurance Company
RE: **SB 313 – Bad Faith/Second Lawsuit**

Mr. Chair and Committee Members:

My name is Brian Scott. I am the Managing Attorney for American Family Mutual Insurance Company in Oregon. American Family Mutual Insurance Company is strongly opposed to SB 313.

SB 313 would allow anyone to bring actions against insurer or other person that commits unlawful insurance practices. This is known as “bad faith” or “second lawsuits.” It threatens the legal system with duplicative and possibly fraudulent lawsuits.

SB 313 would:

- Allow attorneys to file **two** lawsuits against insurance companies instead of one – one lawsuit for the disputed claim and another lawsuit for how the claim was handled.
- Allow policyholders to sue their insurance company for recovery of amounts beyond their insurance policy limits.
- Allow individuals, regardless of whether they are the policyholder, to sue insurance companies for how a policy’s claim is handled.

The bill will lead to more and higher claims settlements, which will lead to higher claims costs and thus greater premiums for consumers.

It is possible to provide strong protections to consumers without risking premium increases. In 2013 the Legislature enacted SB 414, a bill that expanded the authority of the Insurance Commissioner (DCBS), who can now:

- Deny any rates or policies proposed by insurance carrier that are excessive or unfair;
- If a consumer makes a complaint about improper claims handling, DCBS can at no cost to the consumer, investigate such claims.

DCBS has been given financial tools, such as:

- Order an insurance company to pay restitution to a policyholder in addition to the amount of the original claim;
- Impose fines against insurance companies for unfair or deceptive acts or practices, and
- In extreme cases, revoke an insurance company’s license to sell insurance in Oregon.

Conclusion

Please vote no on SB 313.