

## Testimony of American Insurance Association In Opposition to SB 313 and SB 314

Since 1866, the American Insurance Association (AIA) has served as the leading property-casualty insurance trade organization. Representing more than 300 insurers that write more than \$110 billion in premiums each year, AIA member companies are among the ranks of the most influential insurance companies in the country.

**AIA opposes SB 313 and SB 314, and urges you not to vote for either bill.**

**SB 313 is a “second lawsuit bill.” If passed, it 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.

**When other states have accepted similar changes, the number of lawsuits and fraudulent claims skyrocketed, and insurance premiums increased 32-53%.**

- In Washington, more than 5,000 lawsuit notices have been filed with the insurance department since 2008, and the cost of settling claims rose by more than \$200 million in just two years.
- A court decision established the “second lawsuit” law in California in 1979. Another court struck it down in 1988. During that decade, claims frequency and severity increased dramatically, lawsuits nearly doubled, and insurance premiums rose between 32 to 53 percent. Following repeal, these spikes in lawsuits, claims costs, and premiums all returned to average levels.

**SB 314 would also allow duplicative lawsuits by eliminating the exemption for insurance under the Unlawful Trade Practices Act.**

- Oregon's UTPA was enacted 40 years ago – and insurance companies and agents were intentionally not included, because insurance is already thoroughly and effectively regulated under a separate code in Oregon law (ORS Chapters 742-746).
- Over those 40 years, new laws and rules have increased the authority and oversight the Oregon Insurance Division and Insurance Commissioner have over insurance products, policies and procedures, increasing consumer protection.

- Just two years ago, Oregon legislators enacted SB 414 – one of the country’s toughest insurance consumer protection laws. The law gave broad new powers to Oregon’s Insurance Commissioner to regulate insurers, enforce existing insurance laws and rules and protect consumers.

**Under current law the Oregon Insurance Division has the authority to:**

- Deny excessive rates or unfair policies proposed by insurers
- Investigate claims if consumers believe a claim was handled improperly
- Demand that insurers pay claims fairly
- Order an insurance company to pay restitution to a policyholder in addition to the amount of the original claim
- Levy fines against insurance companies for acts of bad faith
- Revoke an insurance company’s license to do business in Oregon in the most extreme cases

**Oregon consumers are protected from unfair practices by tough new laws and rules approved specifically for insurance products and consumers.**

**AIA urges you to vote NO on Senate Bill 313 and Senate Bill 314.**

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