

**JOSEPH P. GUNSET**

General Counsel

**LLOYD'S**

April 13, 2015

Senate Committee on Business and Transportation  
Oregon State Legislature  
900 Court St. NE  
Salem, OR 97301

Re: Wet Marine and Transportation Insurance

Dear Committee Members:

Thank you Chairman Beyer and members of the Committee on Business and Transportation. My name is Joseph Gunset, and I am the General Counsel for Lloyd's America, Inc. I am here on behalf of the underwriters that operate in the Lloyd's of London insurance market.

Lloyd's is the world's leading market for specialist insurance and reinsurance. Lloyd's has a longstanding commitment to the U.S. insurance market and has written insurance in the U.S. since the 19<sup>th</sup> century. The U.S. is Lloyd's largest market representing approximately 37% of the premiums written in the Lloyd's market annually. In 2014, Lloyd's wrote \$54.9 million in surplus lines and \$9.9 million in reinsurance premiums in Oregon.

The reason I am speaking to you today is because the Oregon Insurance Code requires an amendment to clarify that nonadmitted insurers can write wet marine and transportation insurance. As you may know, nonadmitted insurers often provide coverage for risks that licensed insurers are either unable or unwilling to write. The types of risks for which coverage from the nonadmitted market is needed often have atypical underwriting characteristics and may require very large limits of liability. One area where that flexibility and capacity can be especially important is marine and transportation insurance.

Lloyd's specializes in providing the complex and high limit coverages that are needed to cover large marine and transportation risks like blue water ships, railroads and aircrafts engaged in interstate commerce. Some other examples of marine and transportation risks we insure include tug and barge operators, marine construction firms, terminal operators, vessel repairers, and vessel construction firms. While licensed carriers may be able to provide coverage for the smaller marine risks such as a small tug or fishing vessel, there are certain wet marine risks for which nonadmitted insurers are essential. These risks include vessel insurance for clients involved in international trade (i.e., importers/exporters) particularly with respect to Oregon's wineries and agricultural products; clients whose business activities require very high limits of liability by law, such as marine insurance that includes coverage for oil pollution; clients involved in a niche marine business such as offshore support work requiring specific coverage terms and underwriting/claims expertise; and placements where the capacity and/or limits needed are not available from licensed insurers.

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In sum, Senate Bill 935 makes a technical clarification to the Oregon Insurance Code to make clear that wet marine and transportation insurance may be sold by insurers that do not have a certificate of authority (license) in Oregon. Most states do not require wet marine and transportation insurance to be written by licensed insurers because there is only limited insurance coverage available for these risks. Due to this lack of capacity from licensed insurers, it is important that nonadmitted insurers be allowed to write wet marine and transportation insurance to meet the demand for coverage of these risks in Oregon. We urge you to pass Senate Bill 935 to achieve this result.

Very Truly Yours,

A handwritten signature in cursive script, appearing to read "J. P. Hensel". The signature is written in black ink and is positioned below the closing text.