

February 3, 2016

Senate Business and Transportation Committee

RE: Strong Opposition to SB 1590

Mr. Chair, Members of the Committee:

My name is Kelsey Wood of Gordon Wood Insurance & Financial Services Agency in Roseburg, Oregon. I am here representing the Professional Insurance Agents of Oregon/Idaho (PIAO/I) in opposing SB 1590.

On Monday, February 1, 2016, your committee heard from an attorney about the potential that SB 1590 may have to cause a shift in the Oregon insurance marketplace from admitted carriers to surplus line carriers covering small business risks. He cited an example from Montana.

PIAO/I would like to give you our perspective on what that would mean for Oregon small businesses and agents. Independent insurance agents are the primary avenue to access surplus line insurance. I've provided you with a chart explaining the differences between admitted carriers and surplus line carriers. Forcing changes to the insurance marketplace through SB 1590 may mean increased premiums and less availability or no coverage for many small business risks. This would not be good for small business and Oregon consumers. We urge you not to enact the bill as written, especially if the reason for making such a big change is simply to support the desire of one legislator who is retiring.

Oregon has been through this experience several times in recent memory, and it has been especially traumatic for affected risks and their insurance agents. One of these situations involved a legislative change to liquor legal liability. Because admitted carriers did not feel comfortable in covering the new risks associated with this change, they withdrew from the Oregon marketplace, stopped writing that type of risk, or issued cancellations. Agents could only find coverage for our clients from the surplus line markets. While we are glad that surplus lines exist, it is really, really not good for Oregon small businesses when coverage is not available from standard markets. This liquor liability situation was extreme, and we do not want to see its return on a broader basis, which may happen under SB 1590.

Another example came about in more recent history with the availability, cost and quality of construction contractors insurance. Same effect, same concern.

Also, please consider that a recently decided court case (5 Star v. Atlantic Mutual), while in our opinion almost incomprehensible in its reasoning, took away protections from independent insurance agents who procure surplus line coverage for their clients. Independent insurance agents are the primary avenue for small businesses to access this kind of coverage. But as a result of this case, informed agents may be forced to turn away clients who need help from surplus line insurance.

The Professional Insurance Agents of Oregon/Idaho strongly urges you not to pass SB 1590 as currently written. Perhaps you could adopt another amendment on transparency or another solution. Thank you for your consideration.

Kelsey Wood, President and Principal Agent
Gordon Wood Insurance & Financial Services
PO Box 1326, Roseburg, OR 97470
Phone (541) 672-4466
kwood@gordonwoodinsurance.com

<u>Admitted Carriers</u>	<u>Surplus Line Insurance</u>
More generous coverage, insurance division approved policy coverage (ISO, AIA or standardized forms)	Non-standard coverage language, often non-ISO or AIA, often custom language, or many endorsements limiting coverage
Policy rate-making supervision, competitive rates, lots of competition for rate and coverage	Rates (not state approved) generally higher, often significantly higher. Broker fees on top of policy premiums often \$250/year
Regulated directly by state, including market conduct and state required minimum contract provisions (such as Oregon cancelation, etc.)	Not directly regulated by state, (no market conduct regulation, no state required contract provisions)
Oregon Guarantee Association for bankruptcies	No Guarantee Association coverage, must deal with home state and on a “debtor” basis
Agent’s authority provided; efficient, quick coverage issuance and turn around	No agent’s authority, slow turn around, slow to bind, inefficient coverage transactions, unknown liability incurred as potential agent for insured (5 Star court case)
Long term relationships between insurers and agents affecting competitive nature of rates, coverage, eligibility	Virtually no relationship with insurer, no influence or ability to be any part of rate-making and/or access/ eligibility