

March 20, 2017

Oregon State Legislature
Senate Committee on Business and Transportation

sent via email to:
sbt.exhibits@oregonlegislature.gov

**RE: SB 774, Homeowner's insurance claims history - NAMIC's written testimony IN
OPPOSITION**

Dear Senator Beyer, Chair; Senator Thomsen, Vice-Chair; and honorable members of the Senate Committee on Business and Transportation:

Thank you for affording the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to the Senate Committee on Business and Transportation for the March 20, 2017, public hearing.

The National Association of Mutual Insurance Companies (NAMIC) is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC members represent 40 percent of the total property/casualty insurance market, serve more than 170 million policyholders, and write nearly \$225 billion in annual premiums. NAMIC has 153 members who write property/casualty in the State of Oregon, which represents 44% of the insurance market.

NAMIC is opposed to SB 774, because it is unnecessary, inconsistent with basic risk-based insurance pricing, and likely to force low risk of loss policyholders to have to subsidize the insurance rates of high risk of loss policyholders.

Current law states that for homeowner's insurance *applicants* and *renewal* policyholders, an insurer may not use claims losses *more than 5 years preceding* the date of application or renewal, nor the *first claim within the five year period immediately preceding* the date of the application or renewal.

The proposed legislation would maintain the current limitation, but then add an overlapping and confusing new limitation: "an insurer may not impose a fee, surcharge, increase in premium or other charge as a direct result of . . . *a claim* a consumer made . . . *five years before* an upcoming renewal . . ." The proposed "a claim" language is inconsistent with the "first claim" language of the current law and would greatly expand the rating restriction.

So when one reads the current limitation on renewals, which prohibits consideration of claims *more than five years old*, in conjunction with the new language, that limits use of a claim *five years before an upcoming renewal*, an insurer shall not consider ANY claims history within the recent five years immediately before the renewal period or ANY claims history more than five years old. In other words, an insurer may not consider (at all) a policyholder's claims history at policy renewal time to "impose a fee, surcharge, increase in premium, or other charge".

In effect, SB 774 would prevent an insurer from ever being able to engage in actuarially sound rating at renewal time, because the policyholder's premium could never be increased based upon the policyholder's claims loss history. This is completely inconsistent with the very principle that insurance rates (premium charged to policyholder) should be commensurate with the consumer's personal risk of loss exposure. One's claims history is a clearly relevant and probative variable necessary for insurers to engage in risk-based pricing of insurance products.

NAMIC is concerned that the proposed legislation would fundamentally alter homeowner's insurance rating and pricing to the detriment of most insurance consumers, especially low risk of loss consumers, who don't have an extensive claims exposure history because they are good personal risk managers. These low claims exposure history policyholders would end up having to subsidize the rates of the high claims exposure history consumers, because the proposed law would prohibit insurers from being able to increase the premium of the high risk of loss consumer to reflect the policyholder's claims exposure history.

In essence, the proposed legislation would require insurers to have to reward high risk of loss policyholders with artificially reduced premiums and punish low risk of loss policyholders with increased premiums necessary to subsidize the high risk of loss policyholders.

Further, the proposed legislation takes this "reward and subsidize" approach for high risk of loss exposure policyholders to the next level by prohibiting an insurer from considering a claims related inquiry when deciding whether to "impose a fee, surcharge, increase in premium, or other charge", even though the increase in premium may be actuarially sound and necessary in order to accurately match the policyholder's insurance rate to his insurance risk.

For the aforementioned reasons, NAMIC respectfully requests that the Senate Committee on Business and Transportation **VOTE NO on SB 774, because good personal risk of loss insurance consumers should not be punished by being forced to subsidize high risk of loss insurance consumers.**

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you would like to discuss NAMIC's written testimony.

Respectfully,



Christian John Rataj, Esq.
NAMIC – Senior Director of State Affairs, Western Region