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**SENATE COMMITTEE ON
BUSINESS AND TRANSPORTATION**

March 20, 2017

Senate Bill 774 Relating to Homeowner Insurance Policies

Chair Beyer, Vice-Chair Thomsen, and Committee Members:

I am John Powell, representing State Farm Fire and Casualty Company (State Farm). State Farm offers the following comments in opposition to [SB 774](#) relating to homeowner insurance policies:

- Existing law, ORS 746.686 says insurers may not consider claims that are more than five years old for underwriting or rating except to the extent the insurer has a claims-free discount program. In addition, insurers may not use the first claim made by a consumer during the five years preceding a decision to issue or renew a policy (underwrite). These limitations all affect an insurer's ability to manage risk and match price to risk. This results in insurers having to limit taking on otherwise acceptable new customers, and having to charge lower risk customers more to subsidize higher risk customers.
- [SB 774](#) will further restrict an insurer's ability to manage their business by making it illegal at renewal to increase a premium or to surcharge for losses that occur within five years of the renewal date.
- Existing law says insurers can't rate for claims over five years old; [SB 774](#) says they can't rate for claims less than five years old. The net effect is to prohibit insurers from rating based on claim activity, period.
- Based on recent Oregon Homeowners data (2012-2014) and their claims experience in the following year (2015), policies with one prior claim in that prior 3 year period were nearly 50% more likely to have a loss in 2015 than policies without a claim. Insurers must be allowed to consider this when setting rates, otherwise lower risk insureds will be subsidizing those that are a higher risk.

Thank you for the opportunity to present this testimony.