

March 20, 2017

RE: SB 774

Senate Business and Transportation Committee

Mr. Chair and Members of the Committee:

I am Lana Butterfield. The Professional Insurance Agents of Oregon/Idaho (PIA) is opposed to SB 774. It is unnecessary. It doesn't follow basic risk-based insurance pricing. It will force low risk-of-loss policyholders to subsidize the insurance rates of high risk-of-loss policyholders.

Insurance rates are based upon the consumer's personal risk of loss exposure. SB 774 would prevent the rating of the true risk of a homeowner at renewal time, because the policyholder's premium could never be increased based upon his/her claims loss history. Claims history is a clearly relevant for insurers to use in risk-based pricing of insurance products.

SB 774 would fundamentally alter homeowner's insurance rating and pricing to the detriment of most insurance consumers. This especially affects low risk-of-loss consumers, who don't have an extensive claims exposure history because they take care of their homes. They would end having to subsidize the rates of the high claims exposure history consumers.

Essentially 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.

Most of what is proposed in SB 774 is already in place via the Homeowners Bill of Rights that was implemented in 2006 via Senate Bill 118:

- Limits to five years the period in which insurance companies can "look back" on consumers' claims histories, thus putting a limit on the time for which a consumer can be "penalized" for past losses.
- Prohibits insurers from treating inquiries by policyholders as claims, thus protecting consumers' rights to seek information from their insurer and decide whether to file claims.
- Restricts mid-term policy cancellations by the insurer to policyholder fraud, misrepresentation, nonpayment, violation of terms or conditions, and substantial increases in risk of loss after insurance coverage has been issued.
- Prohibits insurers from canceling or not renewing policies for the first claim in a five-year period, which protects consumers from losing their insurance for filing a claim.
- Requires insurers to provide at least 30 days' notice of policy renewal or nonrenewal.
- Prohibits insurers from using claims made under prior ownership to cancel or not renew policies or increase rates when the cause of the past claims is shown to be mitigated.

PIA encourages you to 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. It is unnecessary given what has already in the law and complicating.

Thank you for your consideration.

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