Date: **May 15, 2017**

TO: **Members of the House Committee On Business and Labor**

FROM: **Michael O'Malley, Senior Vice President, American Insurance Association**

On behalf of the American Insurance Association (AIA), thank you for the opportunity to submit testimony in support of Senate Bill 985. AIA is the nation's leading property and casualty insurance trade organization, representing 320 insurers which write more than $125 billion in insurance premiums across the world each year.

AIA members believe a dynamic regulatory system with reduced frictional barriers allows businesses purchasing insurance to benefit from a broad range of competitive price options and insurance products – products that can be customized readily to fit an insured business' evolving risk profile. Current rate and form filings limit the ability of businesses to quickly gain the benefit of robust market competition and can limit the range of available product choices by discouraging new market entrants and making it harder for existing competitors to introduce new products.

SB 985 would modernize the regulatory system by creating "Speed to Market" for a number of specialty commercial insurance products. But, it is important to recognize this bill does <u>not</u> propose deregulation. Insurance companies would retain their current obligation to comply with all statutory and regulatory standards governing the fairness of rates and the content of policy forms. The bill targets only unique and special types of insurance. It would not impact the lines of insurance relied on heavily by "Mom and Pop" or "Main Street" businesses – for example, the bill does not propose filing exemptions for workers' compensation, commercial automobile liability or small commercial property policies.

Other states have adopted similar approaches to the regulation of commercial insurance without any negative or unanticipated consequences. In other words, the changes proposed in SB 985 have been successfully tried and tested in the U.S. insurance market. In fact, every state exempts some types of commercial lines insurance from filing requirements, be it ocean marine, aviation, surety bonds, highly protected property risks or various forms of inland marine. Furthermore, a number of large states have adopted <u>*much broader*</u> commercial lines filing exemptions than those proposed in SB 985. Here are some specific examples.

Arizona: The longstanding policy form filing exemptions in Arizona extend to virtually all P&C commercial lines except for medical malpractice and some types of insurance sold to health care facilities. This includes many lines of business not exempted in the AIA proposal, such as businessowners policies, all of commercial property, all of general liability, all of commercial automobile and even some personal lines (watercraft and personal umbrella).[1]

Michigan: In the 8th largest premium state in the U.S., ALL commercial policy forms other than workers' compensation are exempt from filing as long as the policy includes a prominent disclaimer.[2]

Minnesota: ALL commercial policy forms are exempt from filing in Minnesota.[3]

New Jersey: In the 7th largest premium state in the U.S., the Commissioner has exempted from form and rate filing almost the exact same list of products AIA has proposed PLUS two dozen more.[4]

New York: In the 3rd largest premium state in the U.S., at least $2.5 billion of premium is written through the New York Free Trade Zone, which permits more than 130 different commercial lines products to be written in the state without rate or policy form filings.[5]

These states have highly competitive insurance markets that generate more than $100 billion of P&C premiums in the U.S. To the best of our knowledge, none of these states has ever proposed repealing or rolling back these filing exemptions.

With respect to the large commercial insurance premium threshold currently included in SB 985, we would like to highlight that the states of New York and New Jersey – Top 10 states in terms of premium volume – both have adopted $25,000 thresholds. Of particular note, New York's $25,000 threshold is among the more recently adopted large commercial insured thresholds, having been passed into law in 2011 and renewed by their legislature in 2014.[6] Other states with similar large commercial insured premium thresholds include Maryland and Pennsylvania ($25,000) and Massachusetts, New Hampshire and Rhode Island ($30,000). We have shared these examples with the Division of Financial Regulation and we are committed to

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[1] Ariz. Docket No. 05A-108-INS (https://insurance.az.gov/sites/default/files/documents/files/Docket_13A-071-INS_Order_with_Exhibits_A_B_C.pdf)

[2] MCL 500.2236(8)(e)(ii) and MCL 500.2236(11) (http://www.legislature.mi.gov/(S(yakvynbfpzxsy0lel1lihc3a))/mileg.aspx?page=getObject&objectName=mcl-500-2236)

[3] Minn. R. 2700.2460 and 2700.2470(1) (https://onesumxnils.com/InSource/CiteDisplay.asp?state=MN&cite=Bulletin%2095-2)

[4] NJ List of Special Risks, which incorporates the Exportable List by reference: (http://www.state.nj.us/dobi/notices/specialrisks2011.pdf and http://www.state.nj.us/dobi/orders/a15_109exportlist.pdf)

[5] Regulation 86 for the list of the 135 Class Two risks that can be written with $zero premium threshold: (http://www.dfs.ny.gov/insurance/ftz/Free_Trade_Zone_Class_Two.pdf)

[6] NY A.8464/S.5811 (http://nyassembly.gov/leg/?default_fld=&leg_video=&bn=A08464&term=2011&Text=Y)

working with DFR as they deliberate over the most appropriate threshold for business-to-business transactions in the State of Oregon.

For all these reasons, AIA believes that SB 985 represents an appropriate, balanced and modern approach to regulating business-to-business insurance transactions in the State of Oregon. We are pleased to support SB 985 and urge your support, as well.

Thank you.

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