



February 13, 2018

Senator Boquist, Chair
Senate Committee on Veterans and Emergency Preparedness

Hearing: Wednesday, February 14, 2018

Re: Senate Bill 1517 – Amendments -1 and -5

Dear Senator Boquist:

Thank you for the opportunity to provide input on the deliberations regarding recent amendments to Senate Bill 1517. The American Fraternal Alliance represents 57 U.S.-domiciled fraternal benefit societies and their nearly eight million members across the United States. On behalf of our member societies and their members, we respectfully submit this statement on the background and benefits of fraternal benefit societies.

For more than a century, fraternalists have been bringing people together with a common purpose to help meet needs in communities that would otherwise go unmet. As required under IRC 501(c)(8), these not-for-profit membership organizations provide financial security to their members through individual insurance products and use revenue generated through the sale of these products to provide a wide variety of benefits to members and to fund community service activities across the country.

The impact of fraternalists in Oregon has been very substantial: In 2016 alone there were over 59,000 members who volunteered over 530,000 hours to community service projects and contributed over \$2.5 million to community causes, including helping with Veterans Affairs Medical Centers and partnering with the Gary Sinese Foundation to assist military families and veterans.

The Alliance has concerns with the amendments that have been filed for Senate Bill 1517, especially regarding the proposed shortening of the contestability clause and suicide exclusion from 2 years to 1 year. In general, suicide clauses serve two public policy purposes:

- 1) They serve as a risk of loss provision upon which insurance premiums of eth policy are based; and
- 2) They serve as a mechanism to ensure that a severely depressed person does not choose life insurance and suicide as a solution for their problems.

Joseph J. Annotti
President and CEO

2018 Executive Summit
April 23-25, 2018
Hilton Crystal City
Arlington, VA

2018 Spring Symposium
May 22-24, 2018
Loews Chicago O'Hare
Chicago, IL

2018 Annual Meeting
Sept. 5-7, 2018
Marriott City Center
Minneapolis, MN

The “suicide exclusion” language in many state statutes permit insurers to deny coverage in the event the insured commits suicide within two years after issuance of the policy. And at least one federal appeals court has held that suicide exclusion language in a life insurance policy is not a disproportionate forfeiture, an illegal penalty or against public policy.

We must also point out that Oregon has adopted the Interstate Insurance Product Regulation Compact (IIPRC Compact) which is intended, among other matters, to promote uniformity among the states regarding certain insurance product form filings and the specific language that appears in the application and insurance forms that are used by insurers. These applications and forms are thoroughly reviewed and approved by state insurance departments before they are used by insurers with consumers.

While a state may opt out of being a member of the IIPRC Compact, Oregon has not opted out of any of the general uniform standards, including the Individual Whole Life Product Line standard, which provides that “The suicide exclusion period shall not exceed two years from the date of issue of the policy.” [IIPRC-L-07-1] This means that all insurers that file forms for certain life insurance product lines must use specific language that has been agreed to by the Oregon Insurance Division by virtue of Oregon being a member of the IIPRC Compact.

Fraternal are regulated by the Division of Financial Regulation (DFR), as are all licensed companies that provide insurance in Oregon. In addition to product filings, fraternal agents are required to be licensed by the DFR, and all consumer complaints are investigated by the DFR in the same manner as commercial companies. We are also held to the same market conduct and actuarial standards as commercial insurance companies.

In conclusion, we respectfully submit that the amendments proposed for Senate Bill 1517 (Amendments -1 and -5) if enacted, would result in Oregon’s insurance statutes being at odds with the statutes of the majority of the states with respect to the standard 2-year “suicide exclusion” language. Also, the amendments, if enacted, would contravene the binding agreement that Oregon has entered into by virtue of its being a member of the IIPRC Compact. For these reasons, the Alliance strongly urges the members of the Committee to vote “No” on these amendments.

Respectfully,



Joseph J. Annotti
President and CEO