

HB 3272 -6 STAFF MEASURE SUMMARY

House Committee On Business and Labor

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Meeting Dates: 3/10, 4/5, 4/12

WHAT THE MEASURE DOES:

Requires insurer to allow policyholder at least 24 months of additional living expense, subject to policy limits, and at least 24 months to repair, rebuild, or replace damaged property if the insurance policy requires an insured to repair, rebuild, or replace damaged property in order to collect full replacement cost. In cases of an emergency or major disaster, the insurer must allow at least 36 months of additional living expenses and 36 months to repair, rebuild, or replace damaged property. Requires insurer to provide policyholder at least every other year an estimate of cost necessary to rebuild or replace the covered property. Specifies what must be included in the estimate. Prohibits policy from limiting or denying payment on the basis that the policyholder chose to rebuild in a new location or to purchase an existing structure in a new location when the insured structure was a total loss. Requires a policy covering the policyholder's residence to allow the policyholder to combine payments for claims for damage to primary dwelling and other structures if policy limits on the residence are insufficient. Provides private right of action to recover actual damages, court costs, and attorney fees resulting from unfair claim settlement practice. Establishes duty of reasonable due care for insurance producer toward the insured. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Lessons learned from September 2020 wildfires
- Deleting proposed private right of action to focus on insurance policy requirements
- Whether insurers will choose not to write insurance in Oregon given the provisions of the bill
- Whether bill will result in larger premium
- Number of insurance-related complaints filed with Department of Consumer and Business Services

EFFECT OF AMENDMENT:

-6 Adopted April 5 Removes private right of action to recover damages resulting from unfair claim settlement practice prohibited by ORS 746. 230. Removes requirement establishing duty of reasonable due care for insurance producer toward the insured.

Narrows to homeowner insurance policies the provisions regarding length of time to provide additional living expenses and time to rebuild.

Modifies minimum period in which additional living expenses are provided, subject to policy limits, so that 24 months are required if loss occurred in location subject to a declared state of emergency, with additional time added, up to 36 months total, if the policyholder encounters unavoidable construction delays.

Modifies minimum amount of time homeowner can repair, rebuild or replace property to 12 months, or 24 months if the location was subject to a declared state of emergency. Requires these minimum periods be extended up to 24 months and 36 months, respectively, if the policyholder encounters unavoidable construction delays.

Clarifies that insurer must provide homeowner, at time of renewal, an opportunity to obtain cost estimate to rebuild or replace property if policyholder provides information necessary for insurer to prepare an estimate.

Adds operative date of July 1, 2022.

BACKGROUND:

The September 2020 wildfires destroyed more than 4,000 homes across eight counties, as reported by *The Oregonian*. Homeowners fortunate to have insurance coverage may have been disappointed to discover that they purchased coverage that was insufficient or that required rebuilding on the same property and within a one-year timeframe. Given that some communities suffered extensive damage, the demand for construction services may far outstrip supply, leading to delays to rebuild or repair, as well as delays to obtain necessary building permits. The Department of Consumer and Business Services reports that 28 insurers had agreed to allow at least two years to rebuild or replace damaged property.