



May 10, 2021

Subject: **Opposition to Section 5 of HB 3160**

House Committee on Revenue

Chair Nathanson and Members of the Committee:

For the record, I am Patrick O'Keefe of Cascade Insurance in Bend. I serve as the chair of the Oregon Government Relations Committee for the Professional Insurance Agents of Oregon/Idaho (PIA). PIA opposes Section 5 of the dash-two amendment to HB 3160 and of the original bill. This section mandates surcharges on certain insurance policies.

First, we do not think that consumers who act responsibly by buying insurance should alone be paying for restoration, protection, and recovery from wildfires. This is something that affects all residents of Oregon and should come out of the General Fund. Banks require property insurance in most cases on property. But why should those who do not buy insurance but are still affected by wildfires escape from paying for these protections?

Our customers are extremely sensitive to price increases on their insurance purchases, and in this time of economic uncertainty would not welcome having to pay more for any reason. We as their insurance agents are face-to-face with consumers and know this to be true.

Second, the insurance industry already pays for the lion's share to fund the Office of the State Fire Marshal, so we are already paying to help in this effort. Why should our industry be mandated for an additional amount?

Chair Evans asked me about the fire insurance premium tax when this bill was in his committee. The fire premium tax was increased from 1% to 1.15% beginning Jan. 1, 2014. The rate remains at 1.15%. These funds support the DPSST and OSFM by statute and the Oregon State Police Arson Unit and portion of administrative costs as well.

The tax is imposed on gross premiums (companies do not get any deductions) for fire policies and portions of homeowners/farm owners' multi-peril, commercial multi-peril, inland marine, auto physical damage, and aircraft physical damage policies. These gross premiums have gone up every year so far, so the amount of fire marshal tax that companies are paying has also increased every year. The State Fire Marshal provided these numbers:

	OSFM Transfer Amount
2011	\$ 8,054,957
2012	\$ 9,017,023
2013	\$ 9,249,623

2014	\$ 10,754,434
2015	\$ 11,295,978
2016	\$ 12,039,865
2017	\$ 12,350,509
2018	\$ 13,046,824
2019	\$ 14,180,153
2020	\$ 14,936,296

Insurers used to be able to offset their fire marshal tax by claiming a credit against their corporate excise tax (e.g., if a company owed \$100 in fire marshal tax, they would be able to reduce the amount of excise tax owed by \$100). However, after Jan. 1, 2018, insurers were no longer able to offset their fire marshal tax, so insurers' bottom-line tax expense increased significantly. Also, it is worth noting that when companies pay excise tax, the proceeds go to the general fund, so, when insurers were able to claim a credit, the general fund was basically paying for the OSFM indirectly. But now insurers are paying for the OSFM alone since there is no offset against excise tax.

Please delete Section 5 from HB 3160 and the dash-two amendment.

Thanks for your consideration.

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