

A-Engrossed Senate Bill 1540

Ordered by the Senate February 17
Including Senate Amendments dated February 17

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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: Tells an insurer to give to a state agency the details of models the insurer uses to score property for wildfire risk. Tells the insurer to give notice about what actions a policy holder can take to better the risk score. Takes effect 91 days after the session ends. (Flesch Readability Score: 62.4).

Requires an insurer that uses a catastrophe model or wildfire risk model **or scoring method** to provide the Director of the Department of Consumer and Business Services a description of each model **or scoring method**, along with related information, and an explanation of how the insurer uses the model **or scoring method** in underwriting decisions. Specifies [*elements*] that an insurer must [*include in*] **incorporate applicable community-level mitigation actions and property-specific mitigation actions into** each model and requires the insurer to give a premium discount or adjustment, or other incentive, to a policy holder that demonstrates having undertaken a property-specific mitigation action or that a community-level mitigation action occurred in proximity to the policy holder's property.

Requires an insurer to post on the insurer's website, and provide to an applicant for insurance or a policy holder seeking a renewal, information about premium discounts or adjustments, or other incentives, that are available to applicants or policy holders that undertake a property-specific mitigation action or demonstrate that a community-level mitigation action occurred in proximity to the applicant's or policy holder's property.

Permits an applicant or policy holder to appeal an insurer's classification of the applicant's or policy holder's property or to dispute the amount of a premium discount or adjustment or other incentive the insurer provides.

Takes effect on the 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to property insurance; and prescribing an effective date.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. (1) As used in this section:**

5 (a) "Adverse rating" means:

6 (A) An application of a rating rule under which an insurer charges more for a premium
7 than the insurer would have charged if underwriting had resulted in a more favorable
8 wildfire risk score; or

9 (B) Assignment, based on a wildfire risk score, to a rating tier that does not have the
10 lowest available rates.

11 (b) "Catastrophe model" means a tool, instrument, means, product or method, including
12 a map- or computer-based tool or a simulation, that an insurer uses to estimate potential
13 losses from catastrophic events.

14 (c) "Community-level mitigation action" means an action or set of actions to reduce the
15 risk of wildfire or hazards or loss from wildfire that is based in scientific practice and:

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 (A) Consists of actions such as forest treatment and fuel reduction, investments in
2 equipment to fight wildfires and mitigate impacts from wildfires and actions that utilities
3 take to prevent or reduce the risk of wildfires in accordance with a plan that the Public
4 Utility Commission approves;

5 (B) Results in a certification from the Insurance Institute for Business and Home Safety
6 that designates the community as a Wildfire Prepared Neighborhood or results in a certi-
7 fication from an equivalent program that verifies that the action is effective in reducing the
8 risk of wildfire or hazards or loss from wildfire; or

9 (C) Is certified by the State Fire Marshal as effective in reducing the risk of wildfire or
10 hazards or loss from wildfire in a neighborhood or community or is undertaken by a local
11 government or state or federal agency to reduce the risk of wildfire or hazards or loss from
12 wildfire in a neighborhood or community.

13 (d) "Property-specific mitigation action" means an action or set of actions to reduce the
14 risk of wildfire or hazards or loss from wildfire for a specific property that is based in sci-
15 entific practice and:

16 (A) Consists of actions such as establishing defensible space, hardening structures
17 against fire or similar or related actions that prevent or reduce the risk of wildfire or haz-
18 ards or loss from wildfire on the property; or

19 (B) Results in compliance with section R327, Wildfire Hazard Mitigation, of the Oregon
20 Residential Specialty Code or results in a certification from the Insurance Institute for
21 Business and Home Safety that designates the property as a Wildfire Prepared Home.

22 (e) "Wildfire risk model" means a tool, instrument, means, product or method, including
23 a map- or computer-based tool or a simulation, that an insurer uses, in whole or in part, to
24 measure or assess the risk of wildfire associated with a residential property or with a com-
25 munity, for the purposes of:

26 (A) Rating, underwriting, classifying or pricing insurance coverage on the basis of the
27 risk; or

28 (B) Estimating potential loss from wildfire on the basis of a risk classification.

29 (f) "Wildfire risk score" means a measurement or assessment of the risk of wildfire,
30 expressed as a score, that summarizes the results of applying a wildfire risk model or other
31 wildfire risk scoring method.

32 (2)(a) An insurer that uses a catastrophe model or a wildfire risk model or scoring
33 method to assign risk for residential property or a community shall submit the catastrophe
34 model or wildfire risk model or scoring method to the Director of the Department of Con-
35 sumer and Business Services as part of the insurer's filings under ORS chapter 737. The di-
36 rector shall review the submission to determine whether an insurer's catastrophe model or
37 wildfire risk model or scoring method accounts for community-level mitigation actions or
38 property-specific mitigation actions. If the director determines that the catastrophe model,
39 wildfire risk model or scoring method does not account for community-level mitigation
40 actions or property-specific mitigation actions, the director shall require the insurer to
41 modify the catastrophe model or wildfire risk model or scoring method to account for
42 community-level mitigation actions or property-specific mitigation actions.

43 (b) The insurer's submission under paragraph (a) of this subsection must include:

44 (A) A description of the model or scoring method;

45 (B) How the model or scoring method affects rates;

1 (C) An actuarial justification for all rating factors, including any discounts offered for
2 mitigation actions; and

3 (D) An explanation of how the insurer uses the model or scoring method in underwriting
4 decisions.

5 (c) An insurer that makes a submission under paragraph (a) of this subsection shall in-
6 clude in the submission information about whether and how the model or scoring method the
7 insurer uses for rating and underwriting takes account of property-specific mitigation
8 actions, community-level mitigation actions or mitigation actions that state or federal
9 agencies perform.

10 (d) A model or method that an insurer submits under paragraph (a) of this subsection is
11 a trade secret, as provided in ORS 192.345, and is exempt from disclosure.

12 (e) This subsection does not require an insurer to submit new underwriting guidelines
13 or manuals and does not modify existing requirements to submit underwriting guidelines or
14 manuals.

15 (3)(a) An insurer that uses a catastrophe model or a wildfire risk model, or a combination
16 of a catastrophe model and a wildfire risk model, shall incorporate applicable community-
17 level mitigation actions and property-specific mitigation actions into the catastrophe model,
18 wildfire risk model or combination of models, or shall otherwise demonstrate that the
19 insurer's underwriting, rates and rate differentials incorporate applicable community-level
20 mitigation actions and property-specific mitigation actions.

21 (b) An insurer that does not comply with the requirement set forth in paragraph (a) of
22 this subsection shall, when actuarially supported, give a premium discount or adjustment or
23 other incentive to an insurance policy holder that demonstrates that the policy holder has
24 undertaken a property-specific mitigation action for the policy holder's property or that a
25 community-level mitigation action has occurred in sufficient proximity to the policy holder's
26 property to reduce the risk of loss.

27 (4) An insurer shall post on the insurer's public website the process for appealing the
28 insurer's risk classification and readily accessible information about the premium discounts
29 or adjustments or other incentives that may be available to insurance policy holders that
30 demonstrate that the policy holder has undertaken a property-specific mitigation action or
31 that a community-level mitigation action occurred in sufficient proximity to the policy
32 holder's property to reduce the risk of loss. The information must identify property-specific
33 mitigation actions a policy holder could undertake to receive the premium discount or ad-
34 justment or other incentive and the amount of the discount, adjustment or incentive that
35 corresponds with each action or combination of actions. The director by rule may determine
36 which mitigation actions or combination of mitigation actions qualify for an actuarially sup-
37 ported discount.

38 (5)(a) An insurer that provides a premium discount or adjustment or other incentive, or
39 that uses a catastrophe model or wildfire risk model to underwrite, price, decline to renew,
40 create a differential rate or assign an adverse rating for a policy of insurance shall notify
41 an applicant for insurance or a policy holder, in writing and within the deadlines specified in
42 subsection (6) of this section, of:

43 (A) The risk classification or score the insurer has given to the applicant or policy
44 holder; and

45 (B) Any applicable property-specific mitigation action the policy holder could undertake

1 and any community-level mitigation action that could result in a more favorable classifica-
2 tion or score, acceptance or renewal of an application, withdrawal of a rate differential,
3 surcharge, a premium discount or adjustment or other incentive.

4 (b) The notice described in paragraph (a) of this subsection must:

5 (A) Explain in plain language the classification or score the insurer has determined for
6 the applicant's or policy holder's property and state that different insurers may use different
7 models or have different risk classifications or scores that could lead to different results or
8 different decisions;

9 (B) Identify the classifications or range of scores the insurer could assign to the
10 applicant's or policy holder's property;

11 (C) Specify the relative position of the classification or score the insurer assigns to the
12 applicant's or policy holder's property within the range of classifications or scores the
13 insurer identifies in subparagraph (B) of this paragraph;

14 (D) Explain why the applicant's or policy holder's property received the classification or
15 score the insurer assigned and identify the primary features of the property that influenced
16 the classification or score;

17 (E) Explain how each property-specific mitigation action or community-level mitigation
18 action could affect the classification or score the insurer assigned; and

19 (F) Notify, as provided in subsection (7) of this section, the applicant or policy holder of
20 the right to appeal the classification or score the insurer assigned to the applicant's or policy
21 holder's property, or to dispute the amount of the premium discount or adjustment or other
22 incentive the insurer gives for a property-specific mitigation action or community-level mit-
23 igation action.

24 (6) An insurer shall provide the notice described in subsection (5) of this section within
25 the following deadlines, as applicable:

26 (a) Not later than 10 business days after the applicant submits a completed application
27 for insurance to the insurer and the insurer offers a policy of insurance to the applicant, if
28 the policy has an adverse rating on the basis of a wildfire risk score;

29 (b) Not later than 10 business days after the applicant submits a completed application
30 to the insurer and the insurer declines to make an offer of a policy of insurance on the basis
31 of a wildfire risk score;

32 (c) At the time the insurer offers to renew a policy holder's policy if the policy will have
33 an adverse rating;

34 (d) At the time the insurer notifies a policy holder that the insurer declines to renew the
35 policy holder's policy, if the insurer declines on the basis of a wildfire risk score; or

36 (e) Not later than 20 business days after an applicant who has submitted a completed
37 application and a request or appeal to an insurer who has declined to make an offer of a
38 policy of insurance, or who submits a request or appeal of a reclassification or adjustment
39 to the wildfire risk score the insurer gives to the applicant's or policy holder's property, to-
40 gether with a demonstration:

41 (A) Of having completed, since the last application or renewal of the policy, a property-
42 specific mitigation action; or

43 (B) That a community-level mitigation action occurred, since the last application or re-
44 newal of the policy, in sufficient proximity to the property to reduce the risk of loss.

45 (7)(a) An applicant or insurance policy holder may, under subsection (6) of this section,

1 appeal a wildfire risk score or a classification that an insurer assigns to the applicant's or
2 policy holder's property, or dispute the amount of a premium discount or adjustment or
3 other incentive the insurer provides for a property-specific mitigation action or community-
4 level mitigation action, if the applicant or policy holder believes the classification, score or
5 amount is not accurate. The insurer shall provide the applicant or policy holder with a
6 written acknowledgement not later than 10 business days after receiving the appeal or dis-
7 pute and shall respond to the appeal or dispute with a decision in writing not later than 30
8 business days after receiving the appeal or dispute.

9 (b) If an insurer denies an appeal or refuses to change the amount of a premium discount
10 or adjustment or other incentive, the insurer shall forward to the director, at the director's
11 request, a copy of the appeal or dispute and the insurer's response.

12 (8) The director and the State Fire Marshal may adopt rules to implement the provisions
13 of this section.

14 SECTION 2. Section 1 of this 2026 Act applies to policies of fire insurance, casualty in-
15 surance as defined in ORS 731.158, property insurance as defined in ORS 731.182 and home-
16 owner insurance as defined in ORS 746.600 that an insurer issues or renews on or after the
17 operative date specified in section 3 of this 2026 Act.

18 SECTION 3. (1) Section 1 of this 2026 Act becomes operative on July 1, 2027.

19 (2) The Director of the Department of Consumer and Business Services and the State
20 Fire Marshal may adopt rules and take any other action before the operative date specified
21 in subsection (1) of this section that is necessary to enable the director or the State Fire
22 Marshal to undertake and exercise, on and after the operative date specified in subsection
23 (1) of this section, all of the duties, functions and powers conferred on the director or the
24 State Fire Marshal by section 1 of this 2026 Act.

25 SECTION 4. This 2026 Act takes effect on the 91st day after the date on which the 2026
26 regular session of the Eighty-third Legislative Assembly adjourns sine die.

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