

# Senate Bill 1540

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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 **as introduced**. 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 to provide the Director of the Department of Consumer and Business Services a description of each model, along with related information, and an explanation of how the insurer uses the model in underwriting decisions. Specifies elements that an insurer must include in 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

Relating to property insurance; and prescribing an effective date.

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

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

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

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

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

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

(c) **"Property-specific mitigation action"** means an action or set of actions to reduce the risk of wildfire or hazards or loss from wildfire for a specific property that is based in sci-

**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.

entific practice and:

(A) Consists of actions such as establishing defensible space, hardening structures against fire or similar or related actions that prevent or reduce the risk of wildfire or the risk of hazards or loss from wildfire on the property; and

(B) Results in a certification from the Insurance Institute for Business and Home Safety that designates the property as a Wildfire Prepared Home or results in a certification from an equivalent program that verifies that the action is effective in reducing the risk of wildfire or hazards or loss from wildfire.

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

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

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

(2)(a) An insurer that uses a catastrophe model, wildfire risk model or a scoring method to assign risk for residential property or a community shall submit the catastrophe model, wildfire risk model or scoring method to the Director of the Department of Consumer and Business Services for approval as part of the insurer's filings under ORS chapter 737.

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

(A) A description of the model or method;

(B) How the model or method affects rates;

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

(D) An explanation of how the insurer uses the model in underwriting decisions.

(c) An insurer that makes a submission under paragraph (a) of this subsection shall include in the submission information about whether and how the models the insurer uses for rating and underwriting take account of community-level mitigation actions or mitigation actions that state agencies perform.

(d) A model or method that an insurer submits under paragraph (a) of this subsection is confidential as provided in ORS 705.137.

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

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

(4) An insurer shall post on the insurer's public website the process for appealing the insurer's risk classification and readily accessible information about the premium discounts or adjustments or other incentives available to policy holders that demonstrate that the policy holder has undertaken a property-specific mitigation action or that a community-level

1 mitigation action occurred in sufficient proximity to the policy holder's property to reduce  
2 the risk of loss. The information must identify property-specific mitigation actions a policy  
3 holder could undertake to receive the premium discount or adjustment or other incentive,  
4 and the amount of the discount, adjustment or incentive that corresponds with each action.

5 (5)(a) An insurer that provides a premium discount or adjustment or other incentive, or  
6 that uses a catastrophe model or wildfire risk model to underwrite, price, decline to renew,  
7 create a differential rate or impose a surcharge on a premium shall each year notify an ap-  
8 plicant for insurance or a policy holder, in writing and within the deadlines specified in sub-  
9 section (6) of this section, of:

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

12 (B) Any applicable property-specific mitigation action the policy holder could undertake  
13 and any community-level mitigation action that could result in a more favorable classifica-  
14 tion or score, acceptance or renewal of an application, withdrawal of a rate differential,  
15 surcharge, a premium discount or adjustment or other incentive.

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

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

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

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

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

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

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

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

38 (a) Not later than 15 days after the applicant submits a completed application for insur-  
39 ance to the insurer;

40 (b) At the time the insurer offers to renew a policy holder's policy;

41 (c) At the time the insurer notifies a policy holder that the insurer declines to renew the  
42 policy holder's policy; or

43 (d) Not later than 30 days after an applicant or policy holder submits a request or appeal  
44 to an insurer for a reclassification or adjustment to the score the insurer gives to the  
45 applicant's or policy holder's property together with a demonstration:

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

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

5 (7)(a) An applicant or policy holder may appeal a classification or score an insurer as-  
6 signs to the applicant's or policy holder's property, or dispute the amount of a premium  
7 discount or adjustment or other incentive the insurer provides for a property-specific miti-  
8 gation action or community-level mitigation action, if the applicant or policy holder believes  
9 the classification, score or amount is not accurate. The insurer shall provide the applicant  
10 or policy holder with a written acknowledgement not later than 10 calendar days after re-  
11 ceiving the appeal or dispute and shall respond to the appeal or dispute with a decision in  
12 writing not later than 30 calendar days after receiving the appeal or dispute.

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

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

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

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

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

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