

Standard Insurance Company Requests Your Opposition to SB 728

What problem are we trying to solve? Our customers – over 6 million nationwide – are extremely satisfied with us. That’s why we’ve thrived as an Oregon-headquartered business for more than 110 years and employ 3,000 people in high wage jobs today.

The Oregon Department of Financial Regulation has a depth and breadth of oversight of the insurance industry that is unmatched by other regulatory regimes in Oregon. DFR approves products prior to sale, regulates the sales channel, examines and audits insurers’ market conduct, manages consumer complaints free of charge, and has full authority **today** to order payment and damages for a claim that was wrongfully denied. Yet each session legislation is introduced seeking to add expensive, protracted lawsuits into Oregon’s insurance market.

SB 728 contains the flaws that prior legislative assemblies have rejected multiple times.

In 2013, to end the seemingly endless debate, we compromised with advocates to adopt SB 414. That law made an unprecedented grant of authority to the Insurance Division, which may now order claims be paid and also order restitution for damages. This is free to the consumer, no trial lawyer or lawsuit required unless you want one.

SB 728 will disproportionately hurt Oregon-headquartered insurers. While proposed to protect Oregon consumers, a significant impact of these bills will be to disproportionately drive up costs for the few Oregon-headquartered insurers like The Standard. This legislation will encourage plaintiffs’ lawyers from other states to file suit in Oregon to seek the outsized damages available under this bill. This bill serves as a disincentive to insurers making, and keeping, Oregon their headquarters.

This bill is aimed at extracting large settlements outside of court. New incentives for litigation will cause more suits, and threats of suits, against insurers who will settle rather than roll the dice in protracted, high stakes litigation. Other states’ experience bear this out. The West Virginia Insurance Commissioner conducted a comprehensive study in 2005 on the impact of just one provision of this bill – third party liability. The Commissioner concluded that West Virginia’s injury auto claims were 41.7 percent higher per car, per year than surrounding states without such liability. Calling for repeal of the law, the Commissioner concluded that the result of laws like SB 728 ***“is an insurance climate that is overly litigious and premium rates that are higher because of it.”***

SB 728 would set up inconsistent consumer remedies based on how insurance was purchased. The Employee Retirement Income Security Act (“ERISA”) pre-empts state remedies for consumers who obtain insurance through a private employer, which is how most people obtain health and life insurance. As such, the new remedies and causes of action sought by this bill – and corresponding cost increases – would disproportionately impact individual purchasers, and government and religious employers who are not governed by ERISA.

Bills like 728 have been recognized by prior Oregon Legislatures as bad policy. We urge your ‘NO’ vote.

Tom Simpson
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