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*Government Relations Counsel*

To: Chair Prozanski & members of the Committee  
From: John Powell, representing State Farm Insurance Companies  
Date: March 25, 2019

Thank you and Chair Prozanski for the opportunity to provide information about SB 421 and the consequences of its passage.

The stated primary purpose of SB 421 is to limit a health plans' reimbursement of benefits paid for a person that has been injured in an auto accident. Only after the injured person is fully compensated, the health plan could be reimbursed up to the amount the plan paid in benefits for the injured persons healthcare. Arguing that policy issue is left to those representing health plans.

We are concerned that the no fault provisions of auto insurance (PIP and Uninsured/underinsured motorist) required in every insurance policy written in Oregon will become burdensomely expensive for consumers. Changes in the law over the past few years have driven up the cost to consumers for these coverages. When these benefits were required to be part of all personal auto insurance policies in the early 1970's, the need to keep auto insurance premiums affordable was part of the discussion. The systematic provision of subrogation and reimbursement for insurers was placed in the law to keep the cost of the coverage to a minimum for consumers.

However, provisions in SB 421 will make the subrogation and reimbursement provisions of the law illusory and require increased premiums for consumers.

On page 3, lines 35-36 of SB 421 is language that requires the injured person to collect more than their economic and noneconomic damages before reimbursement of an insurer could occur, "(b) The reimbursement or subrogation is paid only from the amount of the recovery in excess of the amount that fully compensates for the injured person's injuries.". Since the injured person did not pay for the medical services they received, under this stated language, the injured party would collect the services paid for by the insurer and collect in the settlement or judgment the money to pay for those services. As stated above, this will leave reimbursement as an illusory statutory provision, because it requires the injured party to recover more than the amount to be fully compensated before reimbursement could take place.

This issue could be resolved by amending the language on page 3, lines 35-36 as follows: (b) The reimbursement or subrogation is paid [only] from the amount of the recovery [in excess of the amount] that fully compensates for the injured person's injuries.

The second provision in SB 421 that will be a cost driver in auto insurance PIP coverage is found in the language on page 4, lines 10-13. This language prevents the settlement or judgment from listing the name of the insurer on the check or draft in satisfaction of the claim. Many times the injured party does not understand the need to reimburse the PIP insurer. In such cases, it is often difficult for the insurers to recover, leaving the only option to file suit. The cost of litigation and the fact that the person may even be the insurers customer, make it likely that insurers will be forced to increase premiums instead of being reimbursed for services they paid for and the injured party has now been paid for the same service in the settlement or judgment.

This issue could be resolved by removing the language on page 4, lines 10-13 of SB 421.

Thank you again for this opportunity to describe our position in favor of keeping insurance premiums as affordable for Oregon consumer.