



**OREGON MUTUAL INSURANCE COMPANY  
WESTERN PROTECTORS INSURANCE COMPANY**

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**Chris McLaran**  
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To: House Committee on Business and Labor  
Fr: Oregon Mutual Insurance Company

Testimony on **HB 4008**

Dear Chair Barker, Vice Chairs Barreto, Bynum and Members:

Thank you for the opportunity to provide testimony on HB 4008 today.

Under current law in ORS 806.080, every motor vehicle liability insurance policy used for delivery in this state must contain insurance for personal injury or property damage caused to other persons that meet or exceed the financial responsibility limits required. Insurers must comply with the following:

- It must insure the name insured and all other persons insured under the terms of the policy.
- It must insure them against loss from the liabilities imposed by law for damages.
- Those liabilities arise out of ownership, operation, use or maintenance of motor vehicles by the persons insured under the policy.
- The policy must cover permissive users of the motor vehicles insured under the policy,
- Except for any person excluded from coverage under ORS 742.450

This current law works well when the insurer knows about the risks for which they are providing coverage. However, the current law does not address drivers in a household who are not known or disclosed to the insurer. These undisclosed drivers create additional risk on a policy without the contribution of corresponding premium for that additional risk. As a result, all other drivers are subsidizing the additional risk through higher premiums for these affected coverages.

The current law does not provide an incentive for the named insured to properly disclose members of a household that who have regular access to, and/or drive vehicles insured by the named insured. In fact, in the case of a child or other family member residing in the same household, the incentive is not to disclose the driver because ORS. 742.450 (8) provides that, "every motor vehicle liability insurance policy issued for delivery in this state shall contain a provision that provides liability coverage for each family member of the insured residing in the same household as the insured in an amount equal to the amount of liability coverage purchased by the insured."

This can create a situation where a named insured may not disclose a new family member driver. When this happens, the named insured is not underwritten on their policy, so they aren't paying the premium associated with the newly introduced risk. If this new driver gets into an accident they have the same coverages and limits as the named insured who, having paid no premium for the driver in the accident, will pay a small back premium amount in order for the claim to be paid under full limits of the policy. Without a law allowing for policies to prevent this, the inadvertant and purposeful non-disclosure of drivers will be an additional cost that drive up insurance rates, especially for young drivers and families adding their children to their policy.

As Oregon Mutual previously testified, our experience with undisclosed drivers are contributing a significant part of the losses and driving up premiums for all rated drivers. From 2015-2018, undisclosed drivers were associated with 9% of all personal auto claims in Oregon and 20% of claims dollars paid. The subset of bodily injury claims over that same time period revealed that undisclosed drivers were associated with 17% of the claims and 28% of the payments. Rates are based on experience and when a significant portion of experience is coming from a group that is not paying premium, those who pay premiums are likely higher than they would be if the undisclosed were identified and properly paying for the risk they represent.

The issue of undisclosed drivers is likely much larger than these statistics indicate because we only know about these undisclosed drivers because they were in accidents and the named insured filed a claim. In this group of

undisclosed drivers many are not having accidents and if they were properly paying into the system, their experience would help improve the impact of these losses on experience and the cost of the coverage would, all things being equal, go down.

The primary objective in HB 4008 is fairness. The language of the bill would allow insurers to sell policies that help named insureds to have control over who they insure, who they do not insure, and to make sure they pay for the risk of additional drivers in their household that they choose to insure. HB 4008 addresses this in sections (6)(c) and (7) of the bill. HB 4008 also includes a 45 day window to disclose eligible drivers who reside in the household of with the named insured or becoming a resident who is eligible for driving privileges with the named insured, whichever occurs later. By focusing on residents of a household and not just family members, the bill will incentivize the disclosure of additional drivers in the new sharing economy, among joint residents regardless of the manner of the relationship. If persons share a household and either share a car or provide access to each other's cars, the insurer should be made aware of the additional risk in order to make sure all drivers have their own policies of insurance or are properly included on the insurance they provide. This confirms those who want the benefits of insurance are participating in the pool.

Over time the cost of liability coverage for all drivers but specifically younger drivers, will include more premium spread out over the loss experience of the group. All liability claims cost elements remaining the same, the better loss experience would result in lower rate indications.

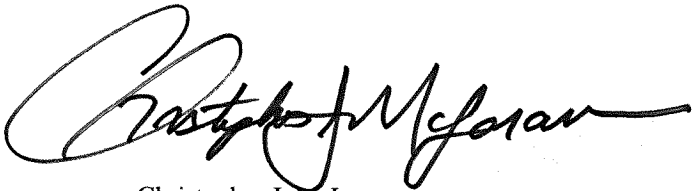
This concept exists currently and works much the same way when a named insured adds a new vehicle on their policy. When an insurer acquires a new vehicle they must notify their insurer to add the vehicle to their policy within 30 days or the car is not covered.

HB 4008 maintains the current law allowing permissive use of an insured vehicle by someone on a temporary basis who does not reside in the household or have regular access to the use of the vehicle. Also, persons residing in the household, including children of the named insured, who have their own policy of liability insurance can borrow and drive the named insureds covered vehicle if they do not have regular access to use the named insured's vehicle.

HB 4008 will close the gap in the current law ending subsidies and help provide greater access to options, products and prices for younger drivers.

For these reasons, on behalf of Oregon Mutual Insurance Company and its members, we ask you to vote in favor of HB 4008.

Respectfully,

A handwritten signature in black ink, appearing to read "Christopher J. McLaran". The signature is fluid and cursive, with a large initial "C" and "M".

Christopher J. McLaran