



March 9, 2021

TO: Chair Holvey, Vice-Chairs Bonham and Grayber, House Committee on Business and Labor

FROM: Ryan Chieffo, Director of Government and Regulatory Affairs, on behalf of Standard Insurance Company

RE: Opposition to HB 3171

Standard Insurance Company (“The Standard”) has been an Oregon-based insurance company for 115 years, serving individuals and businesses in Oregon and across the country, and we are Oregon’s largest domiciled life insurance company. I write on behalf of The Standard to convey our opposition to HB 3171.

Over at least six legislative sessions, this Legislature has rejected bills similar or identical to HB 3171 – bills that would encourage unnecessary and often premature insurance litigation – as bad public policy. This current attempt is more of the same. It would make insurance in Oregon more expensive. It would have an outsized effect on Oregon-based insurance companies. And, it would create competing regulatory schemes and enforcement. But in doing so it would not actually add any real consumer protections because a much smarter compromise was ultimately reached between proponents, opponents, and regulators to settle this issue in 2013. This compromise was adopted by the Legislature in ORS § 731.256.

While any of the above would justify opposition to this bill, the key reason for our opposition is that the massive damages this bill contemplates would have a disproportionate effect on companies headquartered in Oregon. The Standard does business throughout the country, but we are fortunate to have a great many customers and relationships right here in our home state. That alone would make this bill’s invitation to pursue expensive litigation a unique burden on Oregon companies like The Standard. But this bill will also prompt aggressive plaintiffs’ attorneys in other states to try and use Oregon’s law to extract large settlements from Oregon companies that have little appetite for protracted, high-stakes litigation. Increased litigation and settlements from laws such as this will quickly make Oregon headquartered companies less competitive. HB 3171 creates a disincentive for insurance companies to make and keep Oregon as their headquarters.

This headquarters penalty is particularly egregious because it is unnecessary as well as harmful. HB 3171 is a solution in search of a problem. Insurance in Oregon is already a comprehensively regulated industry and, as a result, consumers incur less risk and have more remedies than they do when interacting with companies in other industries. The Unfair Trade Practices Act seeks to protect consumers when they interact with businesses that aren’t already strictly regulated. In Oregon, insurance regulation is in the hands of a competent, well-staffed Division of Financial Regulation (“DFR”) within the Department of Consumer and Business Services. DFR licenses companies and producers (agents) before they can do

business in Oregon. It reviews and approves the language and provisions in insurance policies before those policies can be sold in Oregon. DFR regularly examines the market conduct and financial stability of Oregon insurers. And it assigns advocates to assist consumers in resolving complaints against insurers at no cost to the consumer.

Oregon's comprehensive regulatory framework is capped by DFR's unprecedented authority to protect consumers and penalize insurance companies when those companies violate laws and regulations. DFR's already-strong enforcement structure was made more robust in 2013 when, in response to a proposal similar to HB 3171, this Legislature passed a compromise bill negotiated between advocates, DFR, and industry, including The Standard. That bill gave DFR what we believe to be first in the nation authority to order insurance companies to pay restitution, claims, and any other equitable relief DFR deems appropriate – authority that continues to be available to Oregonians free of charge. Oregon consumers are well-protected by this mature, robust system of licensing, oversight, and enforcement. Of course, in addition to this regulatory framework Oregon consumers already have access to the courts for contractual disputes with their insurance companies, including disputes over claims.

As the Legislature has determined every other time this concept has been brought forward, this is bad policy and a significant competitive imbalance for insurance companies headquartered in Oregon. I urge you to vote "NO."

Thank you.