To: The Honorable Nancy Nathanson, Chair
Members of the House Revenue Committee

Re: **HB 3160 -2 Amendments – Wildfire Recovery and Insurance Surcharge**
APCIA, NAMIC, NWIC Position: **OPPOSE Unless Amended**

Date: May 10, 2021

Chair Nathanson and Members of the House Revenue Committee:

The American Property Casualty Insurance Association (APCIA), National Association of Mutual Insurance Companies (NAMIC), and the Northwest Insurance Council (NWIC) are strongly opposed to Section 5 of the -2 amendments to HB 3160, which seeks to impose a new surcharge on all auto, home, and business insurance policies in Oregon. This $10-$50 special purpose surcharge would be imposed on each property insurance policy issued after the bill takes effect, and proceeds of the surcharge would fund wildfire mitigation measures through the Oregon Wildfire Preparedness and Community Protection Fund. APCIA, NAMIC, and NWIC, who collectively represent most of the property and casualty insurers in the state of Oregon, appreciate the opportunity to submit our concerns with the -2 amendments to HB 3160.

Insurers fully support the state's efforts to promote forest health and protect communities from wildfire. We are supportive of establishing a dedicated account in Oregon, and fully support the goal of developing wildfire prevention, mitigation, and response planning in communities across Oregon. In fact, insurers support programs that help grow wildfire-resistant communities (like the Firewise program) as well as research that helps train and equip firefighters and develop building materials that harden homes and buildings against fire (like the National Forest Protection Association and the Insurance Institute for Business & Home Safety).

However, property and casualty insurers and policyholders in Oregon should not be singled out to shoulder the costs of these programs alone. The Oregon Wildfire Preparedness and Community Protection Fund should be paid for like other programs that provide societal benefits to the entire state, through the state general fund.

Insurers are opposed to Section 5 of the -2 amendments, which would require insurers to collect and remit a $10-$50 surcharge on all property insurance policies. Oregon already puts a disproportionate tax burden on insurers. Like all corporations in Oregon, insurers must pay the corporate excise tax and corporate activity tax. But Oregon also imposes several insurance-specific taxes, including a 1.15% gross tax on fire insurance premiums, an assessment of up to 2% of all gross premiums to fund the Insurance Guaranty Association, and an assessment up to .09% of gross premiums to fund the Department of Consumer and Business Services. Insurance premium taxes alone are the largest single industry contribution to Oregon's general fund, and, at $122 million anticipated in the current biennium, are the third-largest source of state general fund revenue behind personal income taxes and corporate income and excise taxes (which, as noted, insurers also pay).

In addition to corporate taxes, insurers also pay a gross receipts fire insurance premium tax to the state, which funds the state Fire Marshal's office. In 2014, the Legislature increased that tax rate from 1 percent to 1.15 percent. Even without further increases in the tax rate, the revenue from that tax has nearly doubled over the past 10 years, from $8 million in 2011 to nearly $15 million in 2020.

Insurance taxes are ultimately paid, as with other industries, by consumers. And at a time when Oregon's economy is showing signs of life, but so many are still struggling, we believe this is the wrong moment to add to those costs for insurance consumers. The other sections of the bill provide great benefit – not just to insurance consumers, but to all Oregonians. Singling out people who are already paying to protect their homes from wildfire is unfair – any new fees (if necessary at all) should be broadly-based.

Though the -2 amendments appear to try to limit the scope and breadth of insurance policies affected, merely deleting the word "casualty" from the bill will not meaningfully limit the scope of this surcharge because most insurance policies have both property and liability components (e.g., home and auto insurance both have property and liability coverage). This broad swath of policies would still be subject to the surcharge – even those with no direct connection to wildfire threats.

Additionally, the -2 amendments make it clear that this surcharge would apply on **per policy** basis. This could prove especially costly for businesses with multiple locations, per-vehicle policies and/or multiple policies covering different perils. If a business has separate policies, either to cover individual perils (such as coverage for farm inventory, agricultural products, farm vehicles and equipment, property coverage or other coverages), the surcharges will add up quickly. Given the havoc the pandemic has wrought on businesses across the state, it seems like especially poor timing to make insurance policies more expensive, particularly in lines of coverage that have no connection to the wildfire threat.

Additionally, it is worth noting and considering that the surcharge to be levied under this bill is still regressive. A single parent with two children making $35,000 per year and renting an apartment in SE Portland would pay this new $10 tax on their $300-per-year renters' policy. A family with dual incomes over $200,000 per year, with a $450,000 home and a $1,000 annual insurance premium will pay the same $10 tax.

Also, it is unclear if the Division of Financial Regulation has access to information about policy premiums on an individual basis, and would thus be able to enforce the two-tiered policy surcharge with any accuracy.

HB 3160 also presents a logistical question for insurers: What is an insurer supposed to do if the consumer fails to remit the tax?

Finally, it should be noted that under unique tax law provisions that exclusively apply to insurance companies, Oregon domestic insurers (that is; insurers that are headquartered in Oregon) face the threat of paying retaliatory taxes in other states beyond Oregon's borders.

Under retaliatory tax provisions that exist in every state, an Oregon domestic insurer doing business in another state must pay that state's premium tax rate, or the rate that is based on the taxes they pay in Oregon – **whichever is *higher***. So, when the tax burden is increased on insurers writing business in Oregon, those companies that are headquartered in Oregon face the likelihood that they will pay higher taxes not just in Oregon, but in **every state where they write insurance**.

Meanwhile, the competitors to Oregon-based insurers will also pay Oregon's higher taxes, but because they are headquartered in other states, they will not face that retaliatory tax penalty. This results in uneven tax treatment for companies that choose to make Oregon their home state, putting Oregon companies at a competitive disadvantage to out-of-state competitors. And that complicated retaliatory tax mechanism could even reduce the amount of revenue that currently is paid to Oregon by out-of-state insurers, according to the revenue impact statement provided to the Committee by the Legislative Revenue Office.

In closing, we suggest Oregon should not impose a new tax exclusively on insurance policyholders – people who already pay for insurance to protect their homes from the threat of wildfire – to pay for programs that clearly benefit all residents of and visitors to Oregon.

A robust and competitive property and casualty insurance industry plays a significant role in mitigating the costs and risks associated with wildfires for Oregon's communities. We urge the legislature to oppose this surcharge that would increase the cost of insurance at a time when affordable coverage is needed more than ever.

Accordingly, for all of these reasons, APCIA, NAMIC, and NWIC urge you to **vote NO** on the -2 Amendments to HB 3160.

Respectfully submitted,

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