February 1, 2021

TO: Chair Nathanson, Vice-Chair Pham, Vice-Chair Reschke, House Committee on Revenue

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

RE: Support for HB 2453

Standard Insurance Company ("The Standard") is a Portland-based insurance company serving individuals and businesses in Oregon and across the country, and Oregon's largest domiciled life insurance company. I write on behalf of The Standard to convey our support for, and the importance of, HB 2453.

The Oregon Life and Health Insurance Guaranty Association (the "Association") was created by the Oregon Legislature to protect Oregon consumers in the event of an insurer insolvency. It is part of a comprehensive national consumer safety net, starting with robust regulation of insurer practices and solvency by the Division of Financial Regulation ("DFR"), allowing for DFR to assume control of a financially troubled insurer to rehabilitate it, and culminating in the extremely rare event of the Association guaranteeing that covered Oregon policyholders will receive their insurance benefits if their insurer becomes insolvent.

The Association can provide this consumer protection because it assesses member insurers to gain sufficient assets to provide benefits to policyholders. In the event an insurance company with Oregon customers fails, all insurers who sell to Oregonians are assessed in an amount adequate to cover the policy benefits guaranteed by Oregon statute. It's important to understand that the insurers who are assessed have no relationship with nor any fault for the failed insurance company, but have been made subject to assessments by the Oregon Legislature to ensure Oregon has a healthy, competitive insurance market where consumers will always receive the policy benefits they pay for. This system works and is present in one form or another in every state in the country.

To alleviate the financial burden borne by member insurers in the event of an insolvency, Oregon and other states created a tax offset over five years for guaranty fund assessments that go toward covering Oregonians' policy benefits owed by the failed insurer. Having this offset available is critical. Without it, the insolvency of a large insurance company would require member insurers to assume a material liability that could threaten their own financial stability. Though insolvencies are exceedingly rare due to the rigorous regulatory efforts of DFR and other state insurance departments, absorbing an unpredictable and potentially huge guaranty fund liability without the tax offset could be catastrophic for assessed insurers.

We urge you to vote in favor of HB 2453 to extend this tax offset which is part of a national consumer protection framework.