



February 27, 2023

House Committee on Business and Labor

RE: Opposition to HB 2449

Mr. Chair and Members of the Committee:

I am Kelsey Wood, writing on behalf of the Professional Insurance Agents of Oregon (PIA). PIA is opposed to HB 2449 since a rate increase cap of 3% or cancellation prohibition is unrealistic and would greatly adversely affect property insurance in high-risk areas.

In Oregon, insurance rate increases are currently subject to 'file & use' regulation, though the rates must still be actuarially supported. Inadequate rates caused by a limitation of increases no more than 3% and a prohibition on cancellations would place the financial stability of insurers in peril, potentially causing the Oregon Department of Financial Regulations into supervision of the company for potential receivership as company surplus diminishes below sustainable levels to pay claims and expenses. Many insurers could opt to leave the Oregon insurance market to avoid financial catastrophe.

The likely result then, would mean that insurance options for consumers in the wildland-urban interface, or for properties engaged in agriculture or resource extraction, would be lost with the retreat of insurers from the state. This would probably leave as options for coverage only the Oregon FAIR Plan or non-admitted, surplus line companies offering sub-standard coverage at absorbent prices. The Oregon FAIR Plan association is incapable of providing adequate limits without reinsurance, currently with a maximum limit of \$250,000. A reinsurance policy with a minimum premium of \$10,000 is currently the only solution for higher limits, so the FAIR Plan as the State Insurer of Last Resort is hardly a reasonable option.

Would new insurers re-enter this high-risk market? Not likely with the 3% limitation. Inflation and risk increase due to climate change alone predict increases beyond the 3% cap. This bill would devastate property insurance in high-risk areas.

Also, a prohibition on discontinuance of coverage ultimately will not save affordable coverage.

Thank you for your consideration. Please vote no on HB 2449.

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