



March 2, 2023

TO: Chair Holvey, Vice-Chairs Elmer and Sosa, 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 3243

Standard Insurance Company (“The Standard”) is Oregon’s largest headquartered insurance company. We have been an Oregon company since our founding in Portland in 1906. We are one of the largest employers in downtown Portland, serving individuals and businesses in Oregon and across the country and providing life insurance, disability insurance, annuities, and retirement plans. I write on behalf of The Standard to convey our opposition to HB 3243.

Over at least the last seven legislative sessions, the Legislature has rejected bills similar or identical to HB 3243 – bills that would encourage unnecessary and often premature insurance litigation – as bad public policy. This current attempt is more of the same.

If this bill became law, insurance in Oregon would become more expensive. Outsized damages would be permitted for minor contract disputes. Litigation and settlements would increase unnecessarily, creating a disincentive for insurance companies to do business in Oregon, diminishing competition. These negative effects would fall disproportionately on Oregon insurance companies like The Standard that have a larger number of Oregon customers than out-of-state companies.

For life and disability insurance, at least, it would also create competing regulatory schemes and disparate enforcement depending on how Oregonians get their insurance policies. Many Oregonians get their life and disability insurance through their employers, and those plans with private sector employers would not fall under this framework at all, leaving different Oregonians with different remedies depending on how they get their insurance.

For all this, consumers would not receive any new or better protections. This bill is a poorly crafted solution in search of a problem. Oregon consumers are already well protected by a highly competent and well-respected regulator with significant authority to ensure consumers are not harmed and that insurance companies that do cause harm or violate the law are punished. The depth of regulatory authority that already exists for the insurance industry shows how unnecessary and harmful this bill would be.

Insurance is a comprehensively regulated industry, and unique in how it is regulated, which is why it is not part of the Unlawful Trade Practices Act. In Oregon, insurance regulation is in the hands of the Division of Financial Regulation (“DFR”) within the Department of Consumer and Business Services. DFR

wields a broad set of laws and regulations to ensure every aspect of the business done by insurers like The Standard is consumer-friendly and compliant. Before an insurance company can do any business in Oregon, DFR must approve it for a license to operate. For Life insurers like The Standard, DFR must review and approve every word and provisions in every insurance policy before those policies can be sold in Oregon. Once operating, DFR regularly examines the market conduct and financial stability of Oregon insurers to ensure they are treating customers fairly, following the law, and are financially able to pay claims. In response to specific concerns or through any of their regular dealings with the insurance companies, DFR investigates potential wrongdoing. And, it maintains a group of well-trained advocates assigned to assist consumers in resolving complaints against insurers at no cost to the consumer. DFR has published statistics that in 2021 it recovered more than \$7.5 million for consumers through this process, and penalized insurers approximately \$3.5 million.

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 3243, the Legislature passed a compromise bill negotiated between advocates, DFR, and industry, including The Standard. That bill created ORS § 731.256, which 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 at no cost. Oregon consumers are well-protected by experts working on their behalf and representing them free of charge. They do not need attorneys who are not well-versed in the state insurance code to charge them and increase the cost of insurance to get the same outcomes.

Of course, if an Oregon consumer does want to access the courts due to a problem with their insurance company, they can already do so by suing the company to resolve disputes around their policies and insurance claims.

This bill is a poorly crafted solution in search of a problem. As the Legislature has determined every other time this concept has been brought forward, this is bad policy that does nothing to help Oregonians, who are already protected by a strong regulator with significant authority to avoid harm coming to consumers and to punish companies that cause harm. I urge you to vote "NO."

Thank you.