February 18, 2025

Chair Sosa, Vice-Chair Chaichi & Osborne, and Members of the Committee,

The Professional Insurance Agents of Oregon (PIA/O) strongly oppose HB 3423. This legislation would prohibit insurers from considering critical risk-based factors such when determining motor vehicle liability insurance rates. Insurance underwriting is a delicate balance of risk assessment, consumer fairness, and market stability. If enacted, this bill would disrupt Oregon's insurance market, limit consumer choice, and ultimately result in increased costs for many policyholders.

Insurance is fundamentally based on risk assessment, and insurers rely on actuarial data to set fair and accurate rates. The use of credit history, gender, and marital status as rating factors is not arbitrary—these metrics have been empirically shown to correlate with risk and claims history. By eliminating these considerations, HB 3423 forces insurers to take a one-size-fits-all approach, which will result in:

- **Higher premiums for responsible drivers –** Banning risk-based factors will increase rates for many drivers in Oregon, and the lowest-risk drivers could see the highest rate hikes. Many consumers currently pay lower rates because of attributes that correlate with lower risk. Additionally, non-driving factors are often used to provide discounts, helping consumers secure lower rates.
- **Reduced competition in the market –** Federal law allows companies to market to customers based on credit score alone. This means that large national carriers with greater resources would continue targeting high-credit consumers, while smaller insurers would be at a disadvantage due to limited marketing capabilities. We have seen this play out here in Oregon, where small insurers that did not utilize credit-based insurance scoring experienced higher loss ratios and ultimately went out of business, demonstrating the importance of this tool in accurately assessing risk.
- **Disruptions like those in Washington State –** A similar policy was implemented by rule in Washington, that was ultimately overturned in court, resulted in immediate and significant premium increases for many policyholders. PIA of Washington members were overwhelmed with calls from frustrated and confused customers who saw sudden, unexplained rate hikes—despite having no claims history. Oregon should not follow this approach.

Opponents of credit-based insurance scoring argue that it is unfair, but the reality is that insurance companies rely on actuarial models that assess a consumer's financial behavior in relation to claims likelihood. Numerous studies confirm that individuals with higher credit-based insurance scores are less likely to file claims, making it a crucial tool in setting fair rates. **Additionally, Oregon law already limits the use of credit history to the initial underwriting process and requires it to be considered alongside other factors,** preventing insurers from using it to raise rates at policy renewal. In fact, when credit is reassessed, it can either lower a consumer's premium or leave it unchanged—but never result in an increase.

By removing critical risk assessment factors, HB 3423 would destabilize the market, reduce competition, and drive up costs for consumers. PIA Oregon urges the committee to carefully consider the real-world consequences of this policy and vote no on HB 3423.

Sincerely,

Isis Thornton-Saunders
Professional Insurance Agents of Oregon