

Issue Brief

Oregon Ballot Measure Seeks to Ban Use of Insurance Scoring

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Introduction

On Nov. 7, voters in Oregon will go to the polls to elect a governor, 75 state legislators, and decide on 13 ballot initiatives, including five constitutional questions and eight statutory measures.

One of the statutory measures – Ballot Measure 42 – would prohibit insurance companies from using credit-based insurance scores or “credit worthiness” in calculating rates or premiums.

This *Issue Brief* briefly examines the individuals responsible for this ballot measure and then describes what NAMIC and other insurance industry organizations are doing to defeat this ballot measure.

Ballot Measure Instigators

The individual behind Ballot Measure 42 is Bill Sizemore,¹ a theology graduate who has become well known in Oregon during the past decade for his anti-tax activism. Sizemore first came to prominence in 1993 when he became executive director of Oregon Taxpayers United,² whose motto is “lowering taxes and reining in the cost of government.”

One of Sizemore’s first ballot measures was a referendum in 1995 that stopped a \$375 million Portland-area light-rail funding bill that had been previously approved by the Legislature. The following year, Sizemore succeeded in getting voters to approve Ballot Measure 47, which reduced property taxes by approximately \$450 million per year and limited future increases to not more than 3 percent without voter approval.

In 1998, Sizemore won the Republican nomination for governor, but lost in the general election to Democratic incumbent Gov. John Kitzhaber.

This year, Sizemore succeeded in submitting 127,336 signatures to the Oregon Secretary of State’s office, of which 84,408 were determined to be valid, thus exceeding the required 75,630 signatures needed to qualify as a ballot measure. In July, officials at the Secretary of State’s office certified the signatures.³

Sizemore has been aided in his efforts by Loren Parks, a politically active entrepreneur and former Oregon resident who was behind the 2005 Nevada insurance rates rollback ballot initiative and who has contributed \$100,000 so far to Sizemore’s campaign. Recently, Consumer’s Union, the country’s largest consumer-protection advocacy group, expressed an interest in supporting the ballot measure.⁴

Ballot Measure Response

Reaction to Sizemore’s ballot initiative has been swift. A broad-based coalition –Oregonians Against Insurance Rate Increases (OAIRI) – consisting of insurance, business and consumer groups was formed earlier this year and has been active in its opposition.

In May, OAIRI conducted an extensive polling study/survey to see what substantive messages would be most meaningful to consumers and helpful in opposing the ballot measure. The polling study, which received a financial contribution from NAMIC, revealed that consumers seem to generally support the measure to ban the use of credit scoring, in theory, but don’t like the idea of having to subsidize the rates of poor credit-score consumers.

OAIRI also has created a website⁵ to help educate consumers about the ballot measure and how more than 70 percent of Oregon consumers could see their insurance premiums increase if insurance companies were prohibited from using credit-based insurance scoring in setting rates.

The general business community also has been very supportive of efforts to defeat the ballot measure. J.J. Wilson, Oregon director of the National Federation of Independent Business, recently observed:

“For the business community, Measure 42’s most notable unintended consequence is how it affects the commercial insurance that businesses depend on. Because of its vague language, it would adversely impact all lines of commercial insurance including liability lines, workers’ compensation, commercial auto and property, and umbrella policies. Similar to its consequences for individual consumers, Measure 42 would force well-run businesses to subsidize the insurance costs of competitors that are not well managed. It would also increase the relative cost of doing business in Oregon.”⁶

Industry’s Concerns

Insurers in Oregon are concerned the ballot measure could lead to a complete prohibition on the use of credit-based insurance scoring in the state. According to the Oregon Insurance Division, more than 90 percent of the carriers use credit scores in their underwriting practices.

Oregon already has one of the most restrictive credit-scoring laws in the country. Specifically, the Oregon Legislature passed Senate Bill 260⁷ in 2003,

which prohibits the use of credit scoring to increase premiums for existing policyholders and prohibits insurers from using credit records to cancel or non-renew existing policyholders.

Current law allows insurers to use credit information when deciding whether to issue a policy to a new applicant but only if the applicant’s credit score is used as part of an evaluation system that also relies on other relevant factors such as the consumer’s driving record and claims history. An insurer can use credit information up through the first 60 days of the new policy to determine whether it will provide coverage or adjust a consumer’s premium.

The law also requires insurers to disclose use of credit scoring to new applicants, prohibits the use of certain factors in credit-scoring models, and requires insurers to file their credit-scoring models with the Insurance Division of the Department of Consumer and Business Services.

Reasons to Join OAIRI

A number of reasons exist to join OAIRI. They include:

The Northwest Insurance Council says that more than 70 percent of the insurance consumers in the state have favorable insurance scores and receive a lower insurance rate as a direct result of insurance carriers being allowed to utilize credit scores in their underwriting practices. Consequently, a vast majority of Oregon’s insurance consumers will end up paying higher insurance rates if this ballot measure succeeds;

- Oregon’s credit-scoring ban Ballot Measure 42 poses a direct and serious threat to the very concept of underwriting freedom and could lead to more anti-insurance ballot measures being offered in future state elections;
- If Ballot Measure 42 succeeds, it could lead national advocacy groups that oppose the use of credit scoring to sponsor similar ballot measures in other states;

This assault upon underwriting freedom could create unnecessary administrative problems for most insurance carriers that will have to re-rate consumers and change internal underwriting policies and procedures; and

- If this ballot measure succeeds, Parks and Sizemore, who have sponsored previous anti-insurance initiatives, could feel politically empowered to initiate other political attacks against the concept of risk-based underwriting.

Contributions

Member companies interested in making a financial contribution to the Oregonians Against Insurance Rate Increases should contact Mark Nelson of Public Affairs Counsel in Salem, who is managing the campaign against Ballot Measure 42. Checks may be mailed to:

Oregonians Against Insurance Rate Increases
P. O. Box 12945
Salem, OR 97309
Phone: 503-363-7084
Email: pacounsel@pacounsel.org

Endnotes

¹For more information about Bill Sizemore, visit his website, www.billsizemore.com/

²The website for Oregon Taxpayers United can be found at www.otu.org/pages/1/index.htm

³View the Oregon Secretary of State's office to find more information about Ballot Measure 42. www.leg.state.or.us/03reg/measures/sb0200.dir/sb0260.en.html

⁴See "Measure 42 supporters get boost," *Eugene Register Guard* (Saturday, Sept. 16, 2006). Link to story at www.stop42.com/pressRoom_detail.cfm?PressRoomID=12

⁵The OAIRI website can be found at www.stop42.com/

⁶J. J. Wilson's complete commentary can be found at www.stop42.com/pressRoom_detail.cfm?PressRoomID=13

⁷The enrolled version of Senate Bill 260 can be found at www.leg.state.or.us/03reg/measures/sb0200.dir/sb0260.en.html