

Oregon State Legislature
Oregon State Capitol
House Committee on Consumer Protection and Government Effectiveness
900 Court Street NE
Salem, OR 97301

3/4/15

Sent via email to: wendy.simons@state.or.us, and debbie.malone@state.or.us

Re: HB 2258 – Commercial Auto - NAMIC’s Written Testimony in Support

Dear Representative Fagan, Chair; Representative Buehler, Vice-Chair; Representative Rayfield, Vice-Chair; and members of the House Committee on Consumer Protection and Government Effectiveness:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to the committee for the March 5, 2015 public hearing. Unfortunately, I will be in another state at a previously scheduled legislative meeting at the time of this hearing, so I will be unavailable to attend. Please accept these written comments in lieu of my testimony at the hearing. This letter need not be formally read into the committee hearing record, but please reference the letter as a submission to the committee at the hearing.

NAMIC is the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country’s largest national insurers.

The 1,400 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$196 billion in annual premiums, accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market. NAMIC has 153 members who write property/casualty insurance in the State of Oregon, which represents 46 percent of the insurance marketplace.

Through our advocacy programs we promote public policy solutions that benefit NAMIC companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

NAMIC supports HB 2258, as being a pro-insurance consumer, pro-small business, and pro-regulatory uniformity bill that will fix an unintended, technical problem with the current law pertaining to underwriting and rating of commercial autos that prevents *sole proprietor* small businesses with fleet vehicles from being underwritten and rated similarly to *corporate* business entities with fleet vehicles.

Current law requires insurers to utilize a different standard “experience” rating (loss ratio) when considering commercial auto policies owned by a corporate business (5 years loss ratio) and a sole proprietor business (3 years loss ratio). In another words, when an insurer quotes a price to insure a commercial fleet of vehicles, the insurer can use 5 years of “experience” for corporate commercial auto policies (how many losses or accidents, if any, has the commercial fleet had in the last 5 years), but may only consider 3 years of “experience” for sole proprietor commercial auto policies to assist the insurer in matching the consumer’s price to their risk of loss exposure.

NAMIC believes that this technical distinction is unnecessary and unfair to small business owners, whose commercial auto policy is underwritten and rated differently from other commercial auto policyholders simply because they are a small business that has determined that maintaining a sole proprietor business structure is a better business entity model for their operations.

The problem with the current law is that insurers are required to use the standard experience rating for *personal* auto policies, which is limited to 3 years, for sole proprietor business owners. HB 2258 seeks to clarify that the same underwriting and rating rules apply to a commercial fleet policies regardless of whether the fleet is owned by a person (individual) or a business/corporation. NAMIC believe that the proposed legislation helps clarify existing law and resolve a “technical glitch” which results in unfairness to certain commercial auto policy owners that is inconsistent with the spirit of the law, i.e. that all commercial auto insurance policyholders, regardless of ownership structure of the business, should be afforded the same opportunity of having their insurer engage in a more comprehensive assessment of their risk of loss exposure (be able to consider the past 5 years instead of past 3 years of the policyholder’s commercial auto “experience”).

NAMIC supports HB 2258 as being a reasonable legislative measure intended to promote consistent and fair treatment of all commercial auto policyholders. Consequently, NAMIC respectfully requests that the committee **VOTE YES on HB 2258.**

Thank you for your time and consideration of NAMIC’s written testimony. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you have any questions pertaining to my written testimony.

Respectfully,



Christian J. Rataj, Esq.
NAMIC’s Senior Director State Affairs -Western Region