



February 1, 2016

Dear Chairman Beyer and Members of the Business and Transportation Committee:

On behalf of the American Insurance Association, the National Association of Mutual Insurance Companies and the Property Casualty Insurers Association of America, we strongly urge your opposition to SB 1590. This legislation would make Oregon insurance laws an outlier from surrounding states and states across the country.

SB 1590 would allow attorneys to threaten unfounded lawsuits in hopes of coercing an insurer into a settlement. In the end, those forced settlements will result in Oregon employers and consumers paying more for their insurance. Large companies can better absorb higher premium costs, but small employers and lower income consumers who are required to buy certain insurance - such as liability or auto insurance - will suffer under these unwarranted cost increases.

*SB 1590 is bad for Oregon because it:*

- Rewrites insurance policies to create coverage where it does not exist. Alleging an insurer handled a claim unfairly could require insurers to pay for damages excluded in the policy. Today, if an insurer acts improperly there are legal and regulatory remedies for any consumer who was injured by the action. SB 1590 creates additional economic incentives to allege unfair practices by the insurer to get coverage where it does not exist—attorneys get paid for bringing forward the unfounded allegations and consumers pay with higher insurance rates.
- Makes Oregon an outlier. Several provisions go further than any other state, including Washington, to open the door for attorneys to pursue damages against another party. These damages are typically paid by insurers, which increases costs and could translate to higher premiums for consumers.
- Creates inappropriate economic incentives for litigation. SB 1590 incentivizes frivolous litigation by clearing a path to take any claim to court, regardless how big or how small, and increases the cost of handling claims, which may ultimately be borne by all policyholders.

Under current law, if an insurer breaches its duties, a policyholder has recourse and can pursue the damages that result from the breach of the insurance contract. SB 1590 would also allow for the recovery of other damages unrelated to the purpose and scope of the insurance contract, including non-economic and emotional damages – damages that are highly subjective and legally complicated in nature, and which will lead to protracted and costly litigation, and delayed settlements of claims. It then goes a step further and would require insurers to cover the loss even if there is not coverage under the terms of the policy. SB 1590 will create a strong incentive for unnecessary litigation which could increase costs for which Oregon businesses and consumers will pay for and it is for these reasons we ask you to oppose SB 1590.

Sincerely,

Joe DiGiovanni, American Insurance Association

Christian Rataj, National Association of Mutual Insurance Companies

Kelly Campbell, Property Casualty Insurers Association