



February 4, 2015

TO: Senate Business and Transportation Committee
FROM: American Family Mutual Insurance Company
RE: **SB 411 - PIP/UM/UIM**

American Family Mutual Insurance Company is strongly opposed to SB 411.

UIM

First, the impact of this bill is that whatever amount of Under Insured Motorist (UIM) coverage an insured purchases, he or she has access to that full amount after recovering any underlying liability coverage(s). Currently, any underlying liability coverage is subtracted, or set off, against the amount of the UIM coverage. The bill would make UIM coverage “excess” over and above any liability coverage(s). We anticipate the costs of UIM coverage will increase if this change to UIM occurs due to this bill.

PIP Notices

Second, the changes to the PIP reimbursement scheme will be expensive and unnecessary. Section 4, ORS 742.524 (a), which changes the current notice of denial from the “provider is given” notice to the “provider receives” notice will be problematic in that we will have to prove the provider received our denials vs. showing that we mailed the denial to their last known address. This could mean sending all of our denials certified mail if we want proof of receipt, which would be very expensive for all PIP carriers, and the insureds would ultimately pick up that cost.

PIP reimbursement

Third, Section 5 concerns PIP reimbursement. Today, a PIP insurer has a priority right to recover their PIP (economic) payouts from the liability insurance coverage available in the accident. By removing the word “economic” from the statute, the PIP insurer can still recover their PIP payouts, but they lose their right of priority and must wait for the injured victim to be made whole from the available liability coverage. Once the injured victim is made whole, the PIP carrier can seek reimbursement for their PIP payouts, but only if there is any liability coverage remaining. This also will increase costs to the insurer and ultimately the consumer.

PIP Collection Timeframe

Lastly, the bill changes the time period to collect PIP benefits from one year to two years. This is also problematic in that it would increase the cost of PIP coverage and necessitate a policy language change to ~~in~~ our PIP Endorsement for Classic and Advance policies. We would need at least nine (9) months to implement such a new law.

Conclusion

Please vote no on SB 411.

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