

Application of SB 118 Scenarios and Examples

Homeowner Insurance Protections

December 15, 2005

Scenario 1: An insurer's current underwriting eligibility guidelines do not accept applicants with prior claims.

Filing Guideline: The insurer must revise its underwriting eligibility guidelines in order to comply with SB 118. Section 4 (1)(b) of that new law states that the first claim in the five year experience period may not be considered when deciding whether to issue a homeowner policy. The insurer must also file the revised guidelines with the Insurance Division as required by ORS 737.205. The insurer may file a claim surcharge for new business with one claim in accordance with ORS 737.205 with sufficient statistical support to comply with ORS 737.310.

Scenario 2: An insurer's underwriting eligibility guidelines accept applicants with one prior claim, except that certain claims (e.g. theft claims) are on a refer-to-company basis.

Filing Guideline: The insurer's underwriting eligibility guidelines will need to be revised to comply with SB 118, specifically Section 4 (1)(b). The first claim cannot be on a refer-to-company basis. The revised guidelines must also be filed with the Insurance Division as required by ORS 737.205. The insurer may file for a surcharge for the first claim of this type if support is provided in the level of detail to comply with ORS 737.310.

Scenario 3: An insurer will accept applicants with a prior claim, but these applicants are surcharged based on the type of prior loss that occurred (e.g. prior water claims have higher surcharges than other claims). Please note that the rating plan that is the basis for such a surcharge would have to be adequately supported in sufficient detail for the plan to comply with ORS 737.310 on the date it was filed.

Filing Guideline: These underwriting rules comply with SB 118. The insurer needs to send a letter to the Insurance Division, stating that its rating plan is in compliance.

Scenario 4: An insured informs the insurer that the insured's car crunched the garage door frame and asks whether the insured is required to make a claim. The insurer treats the question as a claim and increases the insured's rates at the next renewal.

Procedure: The insurer may not treat an inquiry as a claim without ensuring that the insured is requesting performance under the insurance policy. Before the insurer makes a determination that such an inquiry is in fact a claim, the insurer should ask the insured whether the insured intends the inquiry to be a claim.
