

**HOUSE COMMITTEE ON**  
**BUSINESS, LABOR AND CONSUMER AFFAIRS**

May 14, 2003 Hearing Room E  
8:30 A.M. Tapes 118 – 119

**MEMBERS PRESENT:**       Rep. Betsy Close, Chair  
                                  Rep. Derrick Kitts, Vice-Chair  
                                  Rep. Mary Gallegos  
                                  Rep. Jeff Merkley  
                                  Rep. Mike Schaufler

**MEMBERS EXCUSED:**     Rep. Diane Rosenbaum, Vice-Chair  
                                  Rep. Bill Garrard

**STAFF PRESENT:**       Megan Palau, Committee Administrator  
                                  Mike Reiley, Committee Assistant

**MEASURES HEARD:**        SB 260 – Public Hearing  
                                  SB 285 – Work Session  
                                  SB 749 – Work Session  
                                  SB 341 – Work Session

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These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

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<b>TAPE/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>TAPE 118, A</b>		
003	Chair Close	Calls meeting to order at 8:40 a.m. Opens public hearing on SB 260.
<b><u>SB 260 – PUBLIC HEARING</u></b>		
008	Megan Palau	Committee Administrator. Summarizes SB 260. Explains that conflict amendments will be forthcoming.
030	Sen. Lenn Hannon	Senate District 3. Testifies in support of SB 260. Declares potential conflict of interest.
080	Rep. Merkley	Asks if amendment is consistent with the intent of bill <b>(EXHIBIT A)</b> .
083	Sen. Hannon	Thinks the overall scope of the bill needs to be considered.
092	Chair Close	Asks if credit scoring is a recent concept.
096	Sen. Hannon	Affirms.
097	Chair Close	Asks how many states it is used in.
098	Sen. Hannon	Responds he does not have that information.
100	Chair Close	Asks how scoring was determined before credit was used.
103	Sen. Hannon	Explains how scoring was determined.
110	Chair Close	Asks if not having credit card would be detriment to obtain insurance.
116	Sen. Hannon	Affirms.
130	Rep. Schaufler	Clarifies the intent of the bill regarding credit scoring.
143	Sen. Hannon	Responds.
146	Rep. Schaufler	Poses question regarding credit and driving record.
148	Sen. Hannon	Explains the idea and principal of the insurance is to prevent risk.
150	Rep. Kitts	Asks if identification of potential high risk customers would

		benefit other customers.
167	Sen. Hannon	Provides opinion on the correlation.
178	Rep. Kitts	Asks if insurance companies are still able to use gender and age to determine risk.
180	Sen. Hannon	Responds it is no longer allowed.
190	Lou Beres	Clackamas County. Testifies in support of SB 260.
244	Rep. Kitts	Speaks on insurance industry actions to cover and protect against loss.
255	Beres	States that the issue is fairness.
265	Rep. Kitts	Asks if insurance companies can base insurance rates on type of car.
270	Beres	Answers that they do.
279	Rep. Merkley	Asks if insurance companies use credit scoring to target affluent individuals for purchasing additional product.
287	Beres	Explains use of credit scoring.
310	Rep. Kitts	Explains liability and credit scoring.
340	Joe Schaefer	Washington County. Testifies in support of SB 260. Provides personal account of credit scoring.
<b>TAPE 119, A</b>		
001	Schaefer	Continues testimony.
077	Rep. Kitts	Asks if Mr. Schaefer has copies of correspondence.
080	Schaefer	Notes that he will provide copies to committee.
085	Chair Close	Asks if Mr. Schaefer anticipates additional problems obtaining insurance.
090	Schaefer	Answers that he does.
105	Dean Delavan	Testifies in support of SB 260. Provides personal account of credit scoring.
166	Steve Dixon	Oregon State Public Interest Research Group (OSPIRG). Submits and summarizes prepared testimony in support of SB 260 <b>(EXHIBIT B)</b> .
231	Rep. Merkley	Asks for clarification of “redlining.”
235	Dixon	Offers clarification.
273	Kelsey Wood	Gordon Wood Insurance Agency. Submits and summarizes prepared testimony in support of SB 260 <b>(EXHIBIT C)</b> .
326	Chair Close	Asks, as an insurance agent, how he uses credit scoring.
334	Wood	Explains how agencies use independent companies for determining credit scores.
350	Chair Close	Asks if insurance agencies can question credit reporting from independent agencies.
355	Wood	Responds.
360	Rep. Schaufler	Requests the location of the agency to which Mr. Wood earlier referred.
362	Wood	Answers agency is Sublimity.
365	Rep. Merkley	Asks if redlining is an issue.
370	Wood	Explains that some insurance agencies can determine risk more effectively than others.
400	Betty West	Service Representative, Farmers Insurance. Submits and summarizes prepared testimony in support of SB 260 <b>(EXHIBIT D)</b> .
<b>TAPE 118, B</b>		
044	John Powell	State Farm Insurance Companies. Submits and summarizes prepared testimony in opposition to SB 260 <b>(EXHIBIT E)</b> .
131	Shawn Miller	National Association of Independent Insurers. Testifies in opposition to SB 260.

216 Joel Ario Administrator, Insurance Division, Department of Consumer & Business Services. Submits and summarizes prepared testimony in support of SB 260 (**EXHIBIT F**).

296 Rep. Kitts Clarifies auto insurance rates can be determined by occupation. Inquires what types of information are used to determine insurance rates.

300 Ario & Powell Respond to individual qualifications.

325 Ario Addresses stereotypes.

336 Rep. Merkley Asks Mr. Ario if he has seen (**EXHIBIT E**). Speaks on the study regarding credit scoring. Requests if the study bares any relevance to the particular issues facing the committee.

368 Ario Affirms he has seen the report. Concurs the study does not demonstrate an effect whatsoever. Speaks on the concurrence that correlation between credit scoring and driving records exists.

380 Rep. Merkley Interjects that race could also show a correlation, but that it is discarded for other reasons.

383 Ario Concurs that race could also show a correlation but is not used because of public policy.

**TAPE 119, B**

002 Rep. Gallegos Refers to page ten, line five of the bill and inquires as to terminology.

012 Ario Responds with regard to the intent of the language.

018 Rep. Gallegos Questions relevance.

021 Powell Explains criteria requirements.

037 Rep. Schaufler Asks if rates are comparable in states cited.

045 Powell Speaks on the use of rates in other states.

055 Miller States that he can obtain information.

061 Ario Explains criteria for determining rates.

075 Chair Close Closes public hearing on SB 260A. Opens work session on SB 285.

**Written testimony submitted by Lana Butterfield in opposition to SB 260A (EXHIBIT G).**

**Written testimony submitted by Rep. Jerry Krummel in favor of SB 260A (EXHIBIT H).**

**SB 285 – WORK SESSION**

084 Megan Palau Committee Administrator. Summarizes SB 285.

095 Lisa Trussell Associated Oregon Industries. Testifies in support of SB 285.

**104 Rep. Kitts MOTION: Moves to ADOPT SB 285-1 amendments dated 5/8/03, (EXHIBIT I).**

**106 VOTE: 5-0-2**

**EXCUSED: 2 - Garrard, Rosenbaum**

**Chair Close Hearing no objection, declares the motion CARRIED.**

**108 Rep. Kitts MOTION: Moves SB 285 to the floor with a DO PASS AS AMENDED recommendation.**

**110 VOTE: 5-0-2**

**AYE: In a roll call vote, all members present vote Aye.**

**EXCUSED: 2 - Garrard, Rosenbaum**

**Chair Close The motion CARRIES.**

**REP. SCHAUFLEER will lead discussion on the floor.**

112 Chair Close Closes work session on SB 285. Opens work session on SB 749.

**SB 749 – WORK SESSION**

115 Megan Palau Committee Administrator. Summarizes SB 749.

**128 Rep. Kitts MOTION: Moves SB 749 to the floor with a DO PASS recommendation.**

130		<b>VOTE: 5-0-2</b>
		<b>AYE: In a roll call vote, all members present vote Aye.</b>
	<b>Chair Close</b>	<b>EXCUSED: 2 - Garrard, Rosenbaum</b>
		<b>The motion CARRIES.</b>
		<b>REP. MERKLEY will lead discussion on the floor.</b>
135	Chair Close	Closes work session on SB 749. Opens work session on SB 341.
	<b><u>SB 341 – WORK SESSION</u></b>	
136	Chair Close	Notes the correction needed for the bill.
138	Megan Palau	Committee Administrator. Summarizes SB 341 and explains -3 amendment ( <b>EXHIBIT J</b> ).
155	Rep. Kitts	<b>MOTION: Moves to ADOPT SB 341-3 amendments dated 5/12/03.</b>
158		<b>VOTE: 5-0-2</b>
		<b>EXCUSED: 2 - Garrard, Rosenbaum</b>
	<b>Chair Close</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
161	Rep. Kitts	<b>MOTION: Moves SB 341 to the floor with a DO PASS AS AMENDED recommendation and be placed on the CONSENT CALENDAR.</b>
164		<b>VOTE: 5-0-2</b>
		<b>AYE: In a roll call vote, all members present vote Aye.</b>
		<b>EXCUSED: 2 - Garrard, Rosenbaum</b>
	<b>Chair Close</b>	<b>The motion CARRIES.</b>
170	Chair Close	Closes work session on SB 341. Adjourns meeting at 10:17 a.m.

**EXHIBIT SUMMARY**

- A – SB 260, -A4 amendments, staff, 15 pp**
- B – SB 260, written testimony, Steve Dixon, 7 pp**
- C – SB 260, written testimony, Kelsey Wood, 1 p**
- D – SB 260, written testimony, Betty West, 5 pp**
- E – SB 260, prepared information, John Powell, 16 pp**
- F – SB 260, written testimony, Joel Ario, 2 pp**
- G – SB 260, written testimony, Lana Butterfield, 2 pp**
- H – SB 260, written testimony, Rep. Jerry Krummel, 1 p**
- I – SB 285, -1 amendments, staff, 1 p**
- J – SB 341, -3 amendments, staff, 2 pp**