



**Department of Consumer and Business Services**

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Before the  
**House Committee on Business and Labor**

February 3, 2010

**HB 3654**

Testimony of  
Teresa Miller, Administrator  
Insurance Division  
Department of Consumer and Business Services

For the record, my name is Teresa Miller. I am the Administrator of the Insurance Division of the Department of Consumer and Business Services (DCBS). I am here today to discuss HB 3654, which gives DCBS the authority to temporarily waive the 25:1 risk to surplus ratio Oregon requires of mortgage insurers. Although we do not have a position on the bill, I wanted to provide the committee some background information on the bill and answer any questions you might have.

Mortgage insurance is obtained by a mortgage lender to protect the lender against a loss if the borrower cannot repay the loan. Premiums may be paid by the lender, the borrower, or a third-party investor. While the mortgage insurance market is relatively small in Oregon, mortgage insurance plays a significant role in strengthening lender confidence, particularly in the current economic environment.

The mortgage insurance market has been suffering because of the downturn in mortgage lending. The increase in foreclosures has caused mortgage insurers to

pay out more in claims, and insurers are concerned about their ability to maintain the liability requirements set in Oregon law.

Oregon law requires mortgage insurers to have a risk-to-surplus ratio no greater than 25:1. This means that the maximum combined liability from all of an insurer's policies may not exceed 25 times its surplus. Because of the housing crisis, some insurers doing business in Oregon project they will exceed this limit for a period of time until the market recovers. It's worth noting that the insurers who have expressed concern related to this requirement represent a sizeable segment of the mortgage insurance market in Oregon. If they exceed the limit, they would not be able to write new policies – potentially limiting access to mortgage lending in Oregon and slowing the recovery of the housing market.

HB 3654 would give DCBS the discretionary authority to temporarily waive the maximum risk-to-surplus ratio for mortgage insurance. Several other states have similar standards and are considering similar legislation. At least three states (California, Kentucky, and North Carolina) have already granted their insurance regulators authority to waive the 25:1 risk-to-surplus ratio requirement.

I appreciate the opportunity to be here today and would be happy to answer any questions you might have.