

SENATE BILL REPORT

HB 2453

As Reported By Senate Committee On:
Financial Institutions, Housing & Consumer Protection, February 16, 2006

Title: An act relating to the Washington essential property insurance inspection and placement program.

Brief Description: Making the Washington essential property insurance inspection and placement program apply to all counties.

Sponsors: Representatives Williams, Hunt, Moeller, Chase and Morrell.

Brief History: Passed House: 2/09/06, 98-0.

Committee Activity: Financial Institutions, Housing & Consumer Protection: 2/16/06 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: Do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benson, Brandland, Finkbeiner, Franklin, Keiser, Schmidt and Spanel.

Staff: Jennifer Arnold (786-7471)

Background: The Insurance Commissioner (Commissioner) adopted rules in 1969 to address a lack of availability of property insurance due to riots. In 1969, the Legislature specifically authorized the Commissioner to continue the program to provide essential property insurance within the state when it cannot be obtained through the normal insurance market. By rule, this program (Fair Access to Insurance Requirements (FAIR) plan) applies only to an urban area. "Urban area" is defined as King County, Tacoma, and Pasco.

An applicant for coverage with the FAIR plan is not required to show an inability to obtain insurance. However, an agent or broker may be required to demonstrate that reasonable efforts were made to obtain insurance. After an application is submitted, the applicant is entitled to a free inspection of the property by the Washington Surveying and Rating Bureau (WSRB). Within three days of WSRB's submission of the inspection report, the applicant must be notified that: (1) the risk is acceptable; (2) the risk will be acceptable, if improvements are made and confirmed by reinspection; or (3) the risk is unacceptable for specified reasons. The risk may be declined for failure to comply with reasonable underwriting standards.

If the risk is acceptable, coverage will commence on the receipt of premium. No coverage on any one property through this program may exceed \$1.5 million in liability. Policies last for one year at a rate set by the WSRB and approved by the Commissioner. A policy cannot be cancelled except in the following three instances: (1) for cause that would have been grounds for nonacceptance if known at the time the risk was accepted; (2) nonpayment of premiums; or (3) with the approval of the governing committee.

The FAIR plan is administered by a governing committee composed of nine members. At least six members must be insurers, with one member designated the service insurer. The other three members are individuals who have no direct or indirect interest in an insurer, except as a policyholder. All licensed agents and brokers must comply with the aims and operation of the FAIR plan. The commission under the program is 10 percent of the policy premium to the licensed producer designated by the applicant.

Summary of Bill: The FAIR plan is expanded to apply to all counties within Washington. The FAIR plan is required, not authorized, by the Legislature. The bill requires a legislative act to discontinue the FAIR plan.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill is a statement of legislative intent that the Office of the Insurance Commissioner should be required to maintain this program. The FAIR plan is only for exigent circumstances and, therefore, expanding the program throughout the state would not result in the number of applicants ballooning. There are 204 insureds in the program today. This is truly a safety net program that is used only until the property owner can get back into the normal insurance market. The FAIR plan is a good idea, as people's property rights and their right to do business should be respected.

Testimony Against: None.

Who Testified: PRO: Representative Williams, prime sponsor; Mary Clogston, The Office of the Insurance Commissioner.