

HOUSE BILL REPORT

HB 1441

*As Reported By House Committee on:
Financial Institutions & Insurance*

Title: An act relating to automobile insurance.

Brief Description: Revising provisions for sale and renewal of automobile insurance.

Sponsor(s): Representatives Inslee, Schmidt, Dellwo, Winsley, Zellinsky, R. Meyers, Dorn and Anderson.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, March 5, 1991, DPS.

**HOUSE COMMITTEE ON
FINANCIAL INSTITUTIONS & INSURANCE**

Majority Report: *That Substitute House Bill No. 1441 be substituted therefor, and the substitute bill do pass.*
Signed by 10 members: Representatives Dellwo, Chair; Zellinsky, Vice Chair; Anderson; Dorn; Inslee; R. Johnson; R. Meyers; Schmidt; Scott; and Winsley.

Minority Report: *Do not pass.* Signed by 3 members: Representatives Broback, Ranking Minority Member; Mielke, Assistant Ranking Minority Member; and Paris.

Staff: John Conniff (786-7119).

Background: Automobile insurance companies may decline to renew an auto policy by giving the policyholder 20 days advance written notice of the actual reason for nonrenewal. An insurer may refuse to renew a policy for any reason so long as nonrenewal does not violate laws prohibiting unfair discrimination and laws prohibiting nonrenewal of liability coverage because of policyholder claims under comprehensive coverage.

State law governing the use of motor vehicle driving records by insurance companies prohibits companies from using non-fault accidents appearing in these records. Companies may not increase rates or base a decision to insure on non-fault accident information contained in the records. However, state law does not prohibit companies from obtaining similar

information from other sources and using the information for purposes prohibited by the motor vehicle code.

Some motorists who have attempted to comply with the recently enacted mandatory auto liability insurance law have encountered problems obtaining insurance. Some auto insurance companies will not sell auto liability insurance to a person who has never been insured or who has not had auto insurance in the recent past. In addition, some companies will only sell insurance with coverage limits that exceed the limits of coverage required under the mandatory auto insurance law.

Summary of Substituted Bill: No auto insurer may refuse to renew the liability or underinsured motorist coverage of a policy because of an accident which was not the fault of the insured.

No auto insurer may refuse to sell an automobile insurance policy to a person solely because the person has never had auto insurance, nor may an insurer charge a higher rate for the insurance solely because the person has never had auto insurance.

Auto insurers must offer to sell automobile liability insurance with coverage limits equal to the limits required under the state mandatory auto insurance law. Insurers may not sell auto liability insurance with coverage limits below the amount required by state law. Nothing contained in the act prohibits an insurer from offering higher limits of liability insurance nor does the act require an insurer to sell insurance to a person who does not meet the insurer's underwriting standards.

Substituted Bill Compared to Original Bill: Provisions which restricted auto insurance non-renewal for accidents where the insured's portion of fault is less than 25 percent are replaced with a standard prohibiting non-renewal for accidents where the insured was not at fault.

Fiscal Note: Not requested.

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

Testimony For: Motorists attempting to comply with the new mandatory auto insurance law have discovered that some insurance companies refuse to sell insurance to a person who has not previously been insured or charges the person more for insurance. Other persons have discovered that some companies do not sell minimum statutory liability limits. Policyholders also complain when their insurer refuses to

renew their policy because of accidents that were not the fault of the policyholder. This legislation addresses all of these issues and makes it easier for people to comply with the mandatory auto insurance law.

Testimony Against: Prohibiting insurers from non-renewing auto insurance policies for auto accidents unless the insurer can prove the policyholder was more than 25 percent at fault is cumbersome and invites litigation and confusion. Insurance companies also charge more for persons who have not had insurance in the past because past experience shows that such persons are higher risks and more likely to have an accident. As to selling minimum liability limits, some companies do sell such policies. All insurers should not be required to serve the same market. Companies may choose to target particular markets such as preferred risk or high risk and sell coverage limits that fulfill these market demands.

Witnesses: Dennis Martin, Washington State Trial Lawyers Assn. (Pro); Basil Badley, American Insurance Association (Con); and Mike Kapphahn, Farmers Insurance Group (Con).