

SENATE BILL REPORT

SB 5923

AS PASSED SENATE, FEBRUARY 11, 1992

Brief Description: Establishing the basis for property insurance loss adjustment.

SPONSORS: Senators Owen and Snyder

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators von Reichbauer, Chairman; Erwin, Vice Chairman; McCaslin, Moore, Owen, Pelz, Rasmussen, Sellar, Vognild, and West.

Staff: Benson Porter (786-7470)

Hearing Dates: February 7, 1992

BACKGROUND:

Confusion and dissatisfaction has been expressed about a court decision's use of the term "actual cash value." It has been reported that the court defined the term as equivalent to fair value, which the court equated to market value. Concern has been expressed that this use has created confusion and uncertainty for how the term will be interpreted in settling insurance claims.

SUMMARY:

The term "actual cash value" means the cost of replacement less such depreciation that is properly applicable unless the term is otherwise defined in the property insurance contract. For purposes of the actual cash value definition, the cost of replacement is the amount necessary to duplicate the insured item as it existed at the time of loss with like kind and quality using new materials.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

Currently, there is ambiguity as to the application of the term "actual cash value" in the area of real property claims adjustment. This bill is needed to clarify the meaning of the term.

TESTIMONY AGAINST: None

TESTIFIED: S. Fred Rapp, insurance agent (pro)