

HOUSE BILL REPORT

HB 1233

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to mandatory offering of personal injury protection insurance.

Brief Description: Regulating the mandatory offering of personal injury protection insurance.

Sponsors: Representatives R. Meyers, Zellinsky, Dellwo, R. Johnson, Scott, Riley, Kessler, Dunshee, Dorn, Foreman, Grant, Kremen and Johanson.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 4, 1993,
DPS.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Zellinsky, Chair; Scott, Vice Chair; Mielke, Ranking Minority Member; Dyer, Assistant Ranking Minority Member; Anderson; Dellwo; Dorn; Grant; R. Johnson; Kessler; Kremen; Lemmon; R. Meyers; Reams; Schmidt; and Tate.

Staff: John Conniff (786-7119).

Background: Most automobile insurance companies offer medical coverage, also referred to as personal injury protection (PIP) coverage, as part of a comprehensive auto insurance policy. PIP coverage includes disability, wage loss, and death benefit coverage. The Insurance Commissioner has adopted limited rules setting basic standards for the amount of coverage to be offered by insurers who market PIP coverage.

Summary of Substitute Bill: Automobile liability insurance companies must provide PIP coverage under nonbusiness auto insurance policies unless the named insured rejects PIP coverage in writing. Insurers need not provide PIP coverage for motor homes or motorcycles, for intentional injuries, for injuries arising from war, from toxic waste exposure or from accidents while the insured is occupying an owned but

uninsured auto, or from accidents to the insured's relatives while occupying an auto owned by the relative.

Coverage must extend to reasonable and necessary medical and hospital expenses incurred within three years from the date of the insured's injury up to \$10,000. Funeral expenses must be covered up to \$2,000. Loss of income benefits must be provided up to \$10,000 subject to certain limits. Loss of services benefits must be provided up to \$40 per day and not exceeding a total of \$5,000. Insurers must offer higher limits for all such benefits as provided.

Insurers and policyholders must adhere to the claim procedures outlined.

Insurance companies may not settle subrogation claims through intercompany arbitration until the policyholder's claim has been settled.

An insurer may not incorporate any exclusion, condition, or other provision in a policy that limits the PIP benefits required without the approval of the Insurance Commissioner.

Substitute Bill Compared to Original Bill: Many technical changes are made to clarify requirements for offering PIP coverage and several substantive changes are made to satisfy insurance company objections. Among these substantive changes: the deletion of rules requiring insurance companies to pay for plaintiff's attorney's recovery of amounts owed to the company; further limitations on the required PIP benefits including a weekly limit on loss of services coverage; and authority to condition or limit coverage as permitted by the Insurance Commissioner.

Fiscal Note: Requested January 28, 1993.

Effective Date of Substitute Bill: The bill takes effect July 1, 1994.

Testimony For: None.

Testimony Against: (Original Bill): Insurers should not be required to pay the policyholder's attorney a share of amounts owed to the insurer simply because such amounts were included in the settlement of the policyholder's claim. Required PIP benefits should be clarified in several sections to prevent benefit payments and limit benefit payments for persons not intended as beneficiaries of PIP coverage. (No testimony on substitute bill).

Witnesses: Craig McGee, PEMCO (Con); Jean Leonard and Paul Danner, State Farm Insurance Company (Con); Clark Sitzes,

Independent Agents (Con); Mike Kupphahn, Farmers Insurance
(neither pro nor con but amend); and Melodie Bankers,
Insurance Commissioner's Office (with some concerns).