

# HOUSE BILL REPORT

## ESHB 1233

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As Amended by the Senate

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

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

**Sponsors:** By House Committee on Financial Institutions & Insurance (originally sponsored by 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;  
Passed House, February 26, 1993, 95-0;  
Amended by Senate.

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### 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 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.

**EFFECT OF SENATE AMENDMENT(S):** Technical and correcting amendments are made. The definition of loss of income benefits is changed to require inclusion of income earned during the benefit period calculations. The definition of insured automobile is changed from an auto owned and insured to an auto noted in the policy. The definition of insured is changed to include guest passengers. The requirement that personal injury protection (PIP) be offered unless rejected in writing was amended to provide that a written rejection is binding as to all levels of coverage and all persons who might have otherwise been insured under the coverage. The minimum limits of PIP coverage are fixed rather than variable. A new provision is added describing required PIP coverage that limits benefits to amounts of actual loss or expense incurred. All provisions addressing procedures for making a claim under PIP benefits, resolution of disputes between the insurer and policyholder, access to the policyholder's medical records by an insurer, subrogation rights, and policyholder ability to stack coverage of PIP benefits are deleted.

**Fiscal Note:** Requested January 28, 1993.

**Effective Date:** 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).

**VOTE ON FINAL PASSAGE:**

Yeas 95; Excused 3

Excused: Representatives Locke, Roland, Wineberry