

SENATE BILL REPORT

ESHB 1233

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, APRIL 1, 1993

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

SPONSORS: 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)

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass as amended.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Fraser, McAuliffe, Pelz, Sutherland, Vognild, and Wojahn.

Staff: Benson Porter (786-7470)

Hearing Dates: March 19, 1993; April 1, 1993

BACKGROUND:

Most automobile insurance companies offer medical coverage, often referred to as personal injury protection (PIP) coverage, as part of an auto insurance policy. PIP coverage includes medical, wage loss, and death benefit coverage.

The Insurance Commissioner has adopted rules setting the minimum amount of coverages to be provided by auto insurers upon the request of and payment by the consumer. The minimum coverages are as follows: (1) \$35,000 for medical and hospital benefits incurred within three years of the accident; (2) \$35,000 for one year's income continuation subject to limitations; and (3) \$40 per day for loss of services for at least one year.

SUMMARY:

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, motorcycles, intentional injuries, and certain other specified situations.

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 benefit limits equal to those contained in existing rules upon request.

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.

SUMMARY OF PROPOSED SENATE AMENDMENT:

The provisions concerning claim procedures, including access to medical records, are deleted. Various clarifying amendments are made.

Appropriation: none

Revenue: none

Fiscal Note: requested January 28, 1993

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

TESTIMONY FOR:

Personal injury protection coverage provides first dollar coverage regardless of fault. This legislation will establish a similar offer and rejection system that exists for uninsured/underinsured motorist coverage.

TESTIMONY AGAINST:

The mandatory offer of PIP coverage is not necessary because over 90 percent of auto insurance purchasers have PIP coverage. Concerns exist over provisions concerning access to medical records, rejection, and dispute resolution. In addition, the bill fails to contain cost controls and will generate litigation.

TESTIFIED: Dennis Martin, Washington State Trial Lawyers Association (pro); Jean Leonard, Washington Insurers; Craig McGee, PEMCO; Mike Kapphahn, Farmers Insurance; Dan Wolfe, Safeco