

SENATE BILL REPORT

SB 5177

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, FEBRUARY 3, 1994

Brief Description: Concerning automobile liability insurance policies.

SPONSORS: Senators Pelz, Prentice and Moore

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: That Substitute Senate Bill No. 5177 be substituted therefor, and the substitute bill do pass.

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

Staff: Blaine Gibson (786-7375)

Hearing Dates: January 29, 1993; February 11, 1993; February 3, 1994

BACKGROUND:

On January 1, 1990, Washington's mandatory automobile liability insurance law became effective. This law requires persons operating a motor vehicle to be able to show evidence of financial responsibility when requested by a law enforcement officer. One method of satisfying the financial responsibility requirement is coverage under an automobile liability insurance policy.

It has been reported that some automobile insurers will not write coverage for or charge higher rates to persons who have not previously had automobile insurance.

SUMMARY:

An insurer may not refuse to issue or increase the rate charged for a personal automobile liability insurance policy because the applicant has never purchased a policy or has not been covered by a policy prior to the date of application.

EFFECT OF PROPOSED SUBSTITUTE:

Additionally, an insurer cannot cancel or fail to renew auto insurance, or increase premiums solely because the insured filed a claim based on an event that was not primarily his or her fault.

Appropriation: none

Revenue: none

Fiscal Note: requested

TESTIMONY FOR:

This legislation goes a long way to eliminate cancellations and reduces high premiums that occur for reasons over which the insured has no control and is not at fault.

TESTIMONY AGAINST:

This legislation will result in cross subsidization in which the members of one risk group subsidize the other.

TESTIFIED: Rich Nafziger, Office of Insurance Commissioner (pro);
Mel Sorensen, National Assn. of Independent Insurers (con);
Rob Tee, State Farm Insurance (con); Mike Kappahn, Farmers
Insurance