

SENATE BILL REPORT

SB 5209

**AS REPORTED BY COMMITTEE ON LABOR & COMMERCE,
FEBRUARY 10, 1993**

Brief Description: Requiring insurers to provide written notice concerning potential future rate changes.

SPONSORS: Senators A. Smith and Moore

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass.

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

Staff: Jeanne Legault (786-7403)

Hearing Dates: February 3, 1993; February 10, 1993

BACKGROUND:

Insurance companies currently raise the rates on, or cancel homeowner and automobile policies according to the particular circumstances of the insured's situation. Current law requires a warning of and reasons for cancellation, no less than 45 days prior to the effective date of the policy. Private automobile insurers are required to give a minimum 20-day notice and explanation of cancellation. Notice of rate raises must be given at least 20 days prior to the expiration date of the policy. Also included must be the amount by which the premium or deductibles have changed from the previous policy. (An exception is allowed in all cases when cancellation is a result of nonpayment of premiums. In this instance, a notice not less than 10 days prior to the cancellation is required.) However, at the point of first issuance or each standard renewal of the policy, no information is offered to the policyholder indicating if and why their rates might change or their policy might be cancelled.

SUMMARY:

Insurance companies providing homeowners' or private automobile insurance must include a specific warning on the policy explaining the circumstances that could result in cancellation of, or raising the rates of a given policy. This must be done at the time of issuance and time of renewal. Failure to provide this information is a violation of the Consumer Protection Act.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

The Insurance Commissioner supports the bill in concept, although she would like to work on a more comprehensive package.

TESTIMONY AGAINST:

The following concerns were raised: requiring the warning to be put on a separate piece of paper would cause waste; insurers would like to have the opportunity to phase in requirements with time; agents can explain most of the policy to their clients without having to add additional paperwork; customers should already know the information contained in the warning; warning might be sending out a signal that is not accurate.

TESTIFIED: Randy Ray, Progressive Casualty Insurance (con); Basil Badley, American Insurers Association; Melodie Bankers, Insurance Commissioner's office (pro); John Gullickson, SAFECO; Jean Leonard, State Farm Insurance and Washington Insurers (con); Clark Sitzes, Independent Insurance Agents of Washington