

SENATE BILL REPORT

SB 5561

AS OF JANUARY 28, 1994

**Brief Description:** Restricting insurance companies.

**SPONSORS:** Senators Prentice, Pelz, Fraser, McAuliffe and Amondson

**SENATE COMMITTEE ON LABOR & COMMERCE**

**Staff:** Blaine Gibson (786-7375)

**Hearing Dates:** February 18, 1993; February 26, 1993; February 3, 1994

**BACKGROUND:**

The insurance code establishes various notices that must be provided to an insured in the event of policy cancellation or nonrenewal. In general, the notices must be given between five to 45 days prior to the cancellation or nonrenewal depending upon the type of coverage and the reason for cancellation or nonrenewal. Any notice of cancellation or nonrenewal must state the actual reason for the action.

The insurance contains some provisions that limit those situations in which an insurer may cancel or nonrenew an insured. For example, an insurer may not refuse to renew the liability or collision coverage under an automobile insurance policy because of one or more claims have been made under the comprehensive, road service, or towing coverage portion of the policy. In addition, an automobile insurer cannot cancel, nonrenew, or increase premiums on an auto policy based on a not-at-fault accident that appears on the insured's driving abstract.

Interest has been expressed in restricting an insurer's ability to cancel or fail to renew a policy based on a limited number of claims from events that were not the fault of the insured.

**SUMMARY:**

An insurer may not take adverse action with regard to an insured (e.g., cancel, increase premiums, or reduce coverage) solely because the insured filed a claim, provided two criteria are met. First, there can be no more than one claim under that policy for the calendar year. Second, the insured cannot be, in no part, at fault in the event resulting in the claim.

**EFFECT OF PROPOSED SUBSTITUTE:**

The prohibition against certain adverse actions is applied to the automobile policies and the personal lines component of homeowner's and renter's coverage. The limitation on the number of claims per year is modified to one covered claim per policy year.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested