

**SENATE BILL REPORT**

**SB 6319**

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

**Brief Description:** Regulating insurance.

**SPONSORS:** Senators Moore, Prentice and Prince

**SENATE COMMITTEE ON LABOR & COMMERCE**

**Majority Report:** That Substitute Senate Bill No. 6319 be substituted therefor, and the substitute bill do pass.

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

**Staff:** Catherine Mele (786-7470)

**Hearing Dates:** January 28, 1994; February 3, 1994

**BACKGROUND:**

In the past few years there have been a growing number of natural disasters in the United States. Examples of these disasters include the California fires, the hurricanes of storm prone coastal regions, and the midwest floods. As a result of these natural disasters, many personal lines residential property insurers seek to avoid claims exposure by withdrawing from markets where natural disasters occur. There is concern that if a natural disaster occurred in Washington, personal lines residential property insurers may withdraw from the state.

**SUMMARY:**

In the state of Washington, in any calendar year, a personal lines residential property insurer may not cancel or refuse to renew more than 5 percent of the policies that the insurer had in force on December 31 of the prior year for the purpose of reducing the insurer's future exposure to claims because of natural disasters. In any county in the state of Washington, in any calendar year, a personal lines residential property insurer may not cancel or refuse to renew more than 10 percent of the policies that the insurer had in force on December 31 of the prior year for the purpose of reducing the insurer's future exposure to claims because of natural disasters.

Insurance companies must notify an applicant or an insured when the policy of the applicant or insured is cancelled, denied, or if the insurance company has refused to renew the policy.

**EFFECT OF PROPOSED SUBSTITUTE:**

When a consumer purchases homeowners or dwelling fire insurance the contract or agreement must have a warning stating that earthquake insurance is not included in the policy.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:** None

**TESTIMONY AGAINST:**

Washington does not have a high concentration of insurers in one place where there would be a necessity for this bill. The federal government is already working on a solution to the natural disaster problem.

**TESTIFIED:** CON: Basil Badley, AIA; Jean Leonard, State Farm and Washington Insurers; Mike Kapphahn, Farmer's Insurance