

HOUSE BILL REPORT

SSB 5750

As Reported By House Committee On: Financial Institutions & Insurance

Title: An act relating to filing certain rates and contracts with the insurance commissioner.

Brief Description: Allowing commercial property casualty policies to be issued prior to filing the form or rate with the insurance commissioner.

Sponsors: Senate Committee on Financial Institutions, Insurance & Housing (originally sponsored by Senators Winsley, Prentice, Hale and Heavey).

Brief History:

Committee Activity:

Financial Institutions & Insurance: 3/24/97, 4/3/97 [DPA].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended. Signed by 8 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Grant, Assistant Ranking Minority Member; Benson; DeBolt; Sullivan and Wensman.

Minority Report: Do not pass. Signed by 3 members: Representatives Wolfe, Ranking Minority Member; Constantine and Keiser.

Staff: Charlie Gavigan (786-7340).

Background: Under current law, an insurer must file its forms and rates with the Office of the Insurance Commissioner before using the forms and rates. After receiving the filing, the commissioner has a 30-day period to review it. The commissioner may extend the 30-day period for an additional 15 days if the commissioner notifies the insurance company of the extension within the 30-day waiting period. A filing meets the requirements of the law unless it is disapproved by the commissioner within the 30-day waiting period, or during the 15-day extension. The commissioner can withdraw approval at any time for cause after a hearing and other requirements are met.

Summary of Amended Bill: Commercial property casualty policies may be issued prior to filing the rates and forms with the commissioner. Commercial property

casualty rates and forms must be filed within 30 days of issuing the policies. Within 30 days after receiving the filing, the commissioner may disapprove the filing. If the filing is disapproved, the commissioner must give notice to the company of its failure to meet the requirements under the law. The notice must also state when the filing is no longer effective. The commissioner is permitted to extend the 30-day period an additional 15 days if notice is given to the insurer prior to expiration of the 30-day period. The disapproval of the filing does not affect any contract issued prior to the date when the commissioner states the filing is no longer effective, except that the insurer must issue a revised form and rate to comply with the commissioner's disapproval. If a hearing is held because the commissioner rejects the filing, the burden of proof is on the commissioner to show how the filing failed to meet the legal requirements for approval.

Amended Bill Compared to Substitute Bill: The amendment redefines commercial property casualty insurance, requires insurers to change previously issued forms or rates that have been disapproved by the commissioner, and makes technical changes and corrections.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill provides for flexibility and innovation in the competitive commercial property casualty market. It enables an insurer to increase market share, and should result in even greater competition. This bill allows for a more timely introduction of new products.

Testimony Against: This bill allows insurers to use a form and rate before either is reviewed by the insurance commissioner. If the rate is disapproved because it is too high, there is no provision for changing the rate or for a refund being issued. There are several technical problems with the bill.

Testified: Basil Badley, American Insurers Association (supports); David Diehl, Office of the Insurance Commissioner (opposes); Mike Kapphahn, Farmers Insurance (supports); and Denny Eliason, Independent Insurance Agents and Brokers of Washington (supports).