

# SENATE BILL REPORT

## SB 5901

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As Reported By Senate Committee On:  
Financial Institutions, Insurance & Housing, March 4, 1997

**Title:** An act relating to notice to the insured before an insurance company negotiates or settles any claim or suit.

**Brief Description:** Requiring notice to an insured before an insurance company negotiates or settles any claim or suit.

**Sponsors:** Senators Kohl, Winsley, Prentice, Swanson and Jacobsen.

**Brief History:**

**Committee Activity:** Financial Institutions, Insurance & Housing: 2/26/97, 3/4/97 [DPS].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

**Majority Report:** That Substitute Senate Bill No. 5901 be substituted therefor, and the substitute bill do pass.

Signed by Senators Winsley, Chair; Heavey, Kline and Prentice.

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

**Background:** Most insurance policies for automobile coverage give the insurance company the right to investigate, negotiate, and settle any claim or lawsuit. However, automobile policies do not require that the insurance company disclose to the policyholder any action it takes to negotiate or settle any claim or lawsuit.

**Summary of Substitute Bill:** An insurance company need only contact an insured instead of providing written disclosure.

**Substitute Bill Compared to Original Bill:** The original bill required written disclosure to the policyholder when the insurance company negotiates or settles a claim or suit. The substitute bill only requires that the insurance company contact the policyholder.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** If an insurance company is going to charge premiums based on the number of accidents, the company should at least find out what happened from the insured's perspective. An insurance company should always look into the policyholder's version of the accident before it settles or negotiates a claim.

**Testimony Against:** This requirement is too difficult to follow. Adjusters already contact the insured because they want to look at all sides of the claim.

**Testified:** Insurance Commissioner's Office (pro); Basil Badley, AIA (con); Craig McGee, Pemco (con); Jean Leonard, State Farm (con).