

SENATE BILL REPORT

SB 6543

As of January 27, 1998

Title: An act relating to automobile clubs.

Brief Description: Regulating automobile clubs.

Sponsors: Senators Winsley, Prentice, Heavey, Hale, Benton, Finkbeiner and Strannigan.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 1/29/98.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Staff: Stan Pynch (786-7401)

Background: Within the state of Washington, a number of automobile clubs offer services including emergency road service, towing service, theft or reward service, and travel and touring service. In some instances, these clubs are affiliated with automobile manufacturers, insurance companies, retailers, or other companies. Others are independently owned and operated.

Aside from general statutes and regulations governing the establishment, operation, and taxation of business and industry in Washington State, automobile clubs have been operating without statutes and regulations specific to automobile clubs. Automobile clubs have also been operating in this state outside statutes and regulations which apply to insurance providers. Some automobile clubs belong to associations and organizations which maintain operational and financial standards and requirements.

In July of 1995, the Office of the Insurance Commissioner (OIC) obtained a solicitation letter which was being sent by an automobile club to residents of Washington. Upon review, the OIC advised the company that general laws relating to insurance apply to most aspects of the company's operation. Further, the OIC advised the company that its program was in violation of Washington insurance law and it should terminate marketing efforts immediately.

Summary of Bill: Automobile clubs are defined as any person who, for financial considerations, promises subscribers to assist in matters relating to travel and operation and maintenance of a motor vehicle, as well as other services that may include traffic safety service, theft or reward service, map service, towing service, emergency road service, bail bond service, legal fee reimbursement, and participation in accident, sickness, or death insurance benefits.

Automobile clubs furnishing bail bond service or insurance benefits to its members must purchase insurance from a company licensed and authorized to sell such coverage in Washington. Automobile clubs must be licensed by the Insurance Commissioner, with a

license fee to be determined by the commissioner. Licensed automobile clubs must file a \$100,000 bond with the State Treasurer.

Automobile clubs must annually file statements of financial condition with the Insurance Commissioner. A license or renewal may be refused, or a license revoked, if the financial condition of the club would be hazardous to its members or the public, or if the club refuses to be examined. Licenses may be refused or revoked for a variety of other reasons reflecting unfair practices, fraud, dishonesty, misrepresentation, or unacceptable service.

Service contracts issued by automobile clubs must be filed with the Insurance Commissioner. Provisions mandated for inclusion in such service contracts are specified, including clear notification that such contract is not an automobile liability contract.

Notice of persons employed by automobile club agents to sell memberships must be filed with the Insurance Commissioner. Required qualifications and training of such agents are specified. Club agents must pay an annual registration fee determined by the commissioner. The commissioner may suspend, revoke, or refuse registration to any automobile club agent failing to meet established standards dealing with competency, honesty, financial responsibility, or failing to comply with other provisions of the bill.

Appropriation: None.

Fiscal Note: Requested.

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