

SENATE BILL REPORT

SB 6746

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, February 5, 1998

Title: An act relating to purchasing of insurance services.

Brief Description: Regulating purchasing of insurance services.

Sponsors: Senator Winsley.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 2/4/98, 2/5/98 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: That Substitute Senate Bill No. 6746 be substituted therefor, and the substitute bill do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Heavey, Kline and Prentice.

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 Substitute Bill: Any person or business enterprise promising, in exchange for payment, to furnish members or subscribers with assistance in matters relating to trip interruption service, bail bond service, or any accident, sickness, or death insurance benefit program must purchase the service or insurance from a company that has been issued a

certificate of authority from the Insurance Commissioner, authorizing the company to sell insurance in this state.

Other travel or automobile related products such as community traffic safety service, travel and touring service, theft or reward service, map service, roadside assistance, lost key or lockout service, or legal fee reimbursement in the defense of traffic offenses are excluded from regulatory provisions applicable to insurance products under the Office of the Insurance Commissioner.

Existing enforcement, hearing, and appeal provisions of the Insurance Commissioner's office are applicable.

Substitute Bill Compared to Original Bill: The substitute bill adds sickness insurance to the list of products which must be purchased from a certified insurance company. Certain travel and automobile related products are excluded from regulation under the Insurance Commissioner.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Auto clubs have operated in this state for years absent regulation by the Insurance Commissioner. Recently, the Insurance Commissioner ruled that one auto club's products are insurance. Further, the Insurance Commission suggested the company is not in compliance with state insurance law, and directed the company to stop selling products. Auto clubs contend that there have been no problems over the years, and nothing has changed to warrant additional regulation. The majority of auto club products are not insurance and should be excluded from insurance law. This bill clearly separates those products that are insurance and should be regulated as such from those products that are not insurance.

Testimony Against: None.

Testified: John Woodall, Office of the Insurance Commissioner; Clark Sitzes, Allstate (pro); Greg Hanon, AAA of Washington (pro).