

HOUSE BILL REPORT

HB 2772

As Reported by House Committee On:
Agriculture & Ecology

Title: An act relating to disclosing information about crop insurance.

Brief Description: Disclosing information about crop insurance.

Sponsors: Representatives Clements, Armstrong, Linville, Grant and Boldt.

Brief History:

Committee Activity:

Agriculture & Ecology: 2/7/02 [DP].

Brief Summary of Bill

- Requires agents, insurers, solicitors, and brokers selling crop insurance to provide applicants with a written disclosure statement.
- Requires the insurance commissioner to adopt rules regarding the content and format of the disclosure statement.

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: Do pass. Signed by 11 members: Representatives Linville, Chair; Hunt, Vice Chair; Schoesler, Ranking Minority Member; Chandler, Cooper, Delvin, Grant, Holmquist, Kirby, Quall and Roach.

Staff: Caroleen Dineen (786-7156).

Background:

Insurance is defined in statute as a contract by which one undertakes to indemnify another or pay a specified amount upon determinable contingencies. Crop insurance generally includes policies of insurance covering loss or damage of agricultural crops related to causes such as weather, pests, and natural disasters.

The United States Department of Agriculture (USDA) regulates crop insurance under federal law. The USDA's Risk Management Agency provides policies for more than 100 crops and is currently conducting feasibility studies for additional crop policies. These

crop insurance policies are sold through private insurance companies and typically include general policy terms, specific crop provisions, and policy endorsements and special provisions.

Insurance agents, brokers, solicitors, and adjusters operating in Washington must be licensed by the Office of the Insurance Commissioner. The insurance commissioner regulates the sale of insurance within the state and has authority to take actions, including cease and desist orders and fines, for unfair business practices.

Summary of Bill:

An insurer, agent, solicitor, or broker offering crop insurance in Washington must provide each applicant for crop insurance coverage with a written disclosure statement clearly describing the terms of the policy. The insurance commissioner must adopt rules specifying the content and format of the required disclosure statement. This disclosure statement must be signed by the applicant.

The insurer, agent, solicitor, or broker selling crop insurance must provide a copy of the signed disclosure statement to the applicant and to the insurer providing the crop insurance coverage. The insurer must verify the disclosure statement has been signed by the applicant and that the statement's form and substance comply with the insurance commissioner's regulations. The insurer also must retain a copy of the signed disclosure statement for at least three years from the effective date of the insurance coverage.

An insurer's failure to comply with the disclosure statement requirements is considered an unfair method of competition and an unfair or deceptive act or practice under the state insurance code. The insurance commissioner is required to pursue statutory remedies and penalties for violations.

Appropriation: None.

Fiscal Note: Requested on February 5, 2002.

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

Testimony For: The storms last summer in eastern Washington caused large losses, including an estimated 70 million boxes of fruit worth \$90 million. Crop insurance did not cover these losses. These policies are complex, and the coverage and exclusions are difficult to understand.

This bill provides needed disclosure. With this bill farmers and the banks that provide them loans will be able to understand the content of these policies, the specific items of

coverage, and the viability of the insurance coverage.

(Concerns) Concern exists that this bill may create another layer of government and a further intrusion into business.

Testimony Against: This bill is not necessary. The Office of the Insurance Commissioner regulates the insurance industry and can discipline agents and brokers for unfair or misleading actions. Crop insurance has federal oversight. More statutory changes creating differences among state systems may increase interest at the federal level in standardizing requirements under federal law.

Testified: (In support) Representative Clements, prime sponsor; Carrie Tellefson, Office of the Insurance Commissioner; Jim Halmstrom, Washington State Horticultural Association.

(Opposed) Bill Stauffacher, Independent Insurance Agents and Brokers.

(With Concerns) Dan Coyne, Farm Credit Services.