

***Financial Institutions &
Insurance Committee***

HB 1618

Brief Description: Restricting service providers who pass on costs to casualty or property insurers.

Sponsors: Representatives Cairnes and Keiser.

Brief Summary of Bill

- *The general prohibition against a service provider either waiving or paying a claimant's deductible under an insurance policy is revised so as to be effective only under specified circumstances.*
- *Insurance service providers are required to provide consumers with itemized disclosures of the estimated costs of repair and the costs of any deductibles to be borne by the consumer.*
- *Subject to several exceptions, an insurance service provider cannot require a consumer to pay a deductible larger than the deductible stated in the original cost estimate.*

Hearing Date: 2/13/01

Staff: Thamas Osborn (786-7129).

Background:

The legislature has recognized that insurance fraud on the part of some service providers has become a significant problem, and has thus responded with legislation designed to combat fraudulent business practices on the part of entities providing repairs or other services pursuant to insurance policy claims.

It is currently unlawful for an insurance service provider to pay a kickback to any person

in return for the referral of business stemming from an insurance claim. It is also unlawful for a service provider to engage in a regular practice of waiving, paying or rebating all or part of a claimant's deductible under a property or casualty insurance policy.

Summary of Bill:

The current statutory language prohibiting a service provider from waiving, paying, or rebating deductibles is now made subject to certain qualifications. Under the bill, such practices are prohibited only if 1) the costs are passed on to an insurer and 2) the claimant notifies the service provider of his or her intention of making a claim for the property repair upon his or her insurance policy.

It is unlawful for a service provider to commence a repair without giving notice, both oral and written, of the estimated cost of the repair and the out-of-pocket cost (i.e., the deductible) to be borne by the consumer. The cost to be paid by the consumer cannot exceed the amount of the deductible under the insurance policy.

It is unlawful for a service provider to ask a consumer to pay a deductible greater than the deductible amount initially requested by the provider at the time of the original estimate, even if such amount is less than the full amount of the deductible specified by the policy. However, a service provider is not bound by this provision, if: 1) The insurer denies coverage of the repair cost, in which case the consumer may be liable for the entire repair cost; or 2) the consumer misrepresents the amount of his or her deductible, in which case the consumer may be charged a deductible up to the amount specified in the policy; or 3) the consumer is directly reimbursed by the insurer for the costs of repairs, in which case the provider may seek payment from the consumer for the full amount of the insurance reimbursement.

Appropriation: None.

Fiscal Note: Not Requested.

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