
**Agriculture & Ecology
Committee**

HB 2772

Brief Description: Disclosing information about crop insurance.

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

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.

Hearing Date: 2/7/02

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.