

# SENATE BILL REPORT

## HB 2772

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As Reported By Senate Committee On:  
Agriculture & International Trade, March 1, 2002

**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 & International Trade: 2/27/02, 3/1/02 [DPA].

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### SENATE COMMITTEE ON AGRICULTURE & INTERNATIONAL TRADE

**Majority Report:** Do pass as amended.

Signed by Senators Rasmussen, Chair; Parlette, Snyder, Spanel and Swecker.

**Staff:** Bob Lee (786-7404)

**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 Amended Bill:** The Insurance Commissioner may provide assistance as requested by the apple industry to address issues relating to providing affordable and meaningful crop insurance to apple producers. The commissioner may assist the apple industry representatives in working with federal agencies on federal crop insurance reform initiatives. The commissioner may convene a work group of agricultural lenders, apple growers and insurance agents to examine issues to improve crop insurance and provide informational forums.

**Amended Bill Compared to Original Bill:** The requirement that insurance agents provide disclosure statements for crop insurance, including coverage provided under the federal crop

insurance program was deleted. In its place, the Insurance Commissioner is authorized to provide assistance as requested by the apple industry to address crop insurance issues relating to apples.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** Last year's storm in the lower Yakima Valley brought issues relating to the lack of benefit of obtaining insurance for hail damage to apples to the forefront. Despite extensive damage done to the apple crop, the current "cider grade or better" criteria resulted in no insurance payment to many farmers. Banks often require farmers to obtain crop insurance as a condition for approving loans. The current crop insurance program is broken and needs revision.

**Testimony Against:** The origin of the problem is the federal crop insurance program. The program is very complex and contains outdated standards. It is not feasible to provide a brief disclosure statement without placing the insurance agent in the position of committing an unfair trade practice. It is difficult to get growers to listen to the full details of the coverage of crop insurance. Getting them to sign a statement will be equally difficult.

**Testified:** Pete Seiler, North Central Crop Insurance (concerns); Jim Halstrom, WA State Horticultural Assn. (pro); Carrie Tellefson, OIC (pro); Mel Sorenson, NW Assn. of Independent Insurers, Professional Insurance Agents (con); Bill Stauffacher, Independent Insurance Agents and Brokers (con); Dan Coyne, NW Farm Credit Services (neutral).