

SENATE BILL REPORT

SB 6481

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, February 5, 2002

Title: An act relating to regulating insurance for rental vehicles.

Brief Description: Regulating insurance for rental vehicles.

Sponsors: Senators Prentice and Winsley.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 1/29/02, 2/5/02 [DPS].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 6481 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Franklin, Hochstatter, Honeyford, Rasmussen and Winsley.

Staff: Kim Johnson (786-7486)

Background: Some rental car companies in Washington currently offer short-term insurance to drivers. These companies usually have group policies with out-of-state insurers, but are currently not regulated by the Office of the Insurance Commissioner.

Summary of Substitute Bill: The Insurance Commissioner may adopt rules necessary to implement this act. Upon receiving an application from the rental car company and a certificate from the insurer providing the insurance to the company, the Insurance Commissioner may issue a limited license to the company.

A limited license allows rental companies to sell personal accident, liability, personal effects, roadside assistance, and emergency sickness insurance. The limited license only permits the company to sell insurance if: the car rental is for 30 days or less; the written materials meet the requirements specified and have been approved by the Insurance Commissioner; and the cost of the insurance is itemized and the customer indicates in writing they have received the written materials.

Companies offering limited license rental car insurance must train all employees before the employees offer the insurance to the public. The syllabus for the training program must be approved by the commissioner and the company must annually certify that the required training has been provided.

A list of prohibited activities is provided including but not limited to: collection of a commission on the sale of the insurance; any offer of insurance that is not related to the

renting of vehicles; and any statement that would lead a customer to believe that the insurance being offered does not duplicate the customer's current policies.

There are provisions concerning enforcement procedures, which list cause for revocation or refusal to issue a license. Also included are notice and hearing requirements and time frames, as well as a clause that permits the commissioner to issue fines.

The commissioner may adopt rules to set fees to defray the cost of administering the program.

Substitute Bill Compared to Original Bill: The insurance company that is providing the insurance must submit a certificate that states: the insurer is satisfied the applicant is trustworthy and competent; the insurer has reviewed the endorsee training and education program and believes that it satisfies the statutory requirements; and the insurer appoints the applicant to act as its rental car agent if the license is issued by the commissioner. Additional enforcement provisions concerning the time frames governing notice and hearing requirements for the suspension or revocation of a license are listed.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Washington is one of only seven states that currently does not regulate car rental companies providing insurance to their customers. This a working agreement between the car rental industry and the Office of the Insurance Commissioner.

Testimony Against: This is a slippery slope. If the Legislature provides one exception for a limited license, it will only open the door for more to come.

Testified: Rick Jensen, Car & Truck Rental & Leasing Association (pro); Mel Sorensen, Professional Insurance Agents Association (neutral); Bill Stauffacher, Independent Insurance Agents & Brokers (con); Carrie Tellefson, Office of the Insurance Commissioner (pro).