
**Financial Institutions &
Insurance Committee**

HB 2468

Brief Description: Creating a joint underwriting association for adult family homes.

Sponsors: Representatives Schual-Berke, Cody, Morrell, Rockefeller, Clibborn and Lantz.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Creates a joint underwriting association for adult family homes.
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Hearing Date: 1/20/04

Staff: Carrie Tellefson (786-7127).

Background:

Joint underwriting association.

A joint underwriting association (JUA) is a regulatory tool available to the Insurance Commissioner (Commissioner) when an insurance market becomes so limited that affordable coverage all but disappears. The Commissioner must seek authorization from the Legislature before creating a JUA. Once authorized, the Commissioner has the authority to establish a nonprofit JUA that provides insurance coverage to a specified class of prospective insureds. The JUA is comprised of insurers who can be compelled to participate as a condition of continuing to do business in this state. The Commissioner does not directly control the premium rates established by the JUA's members, though such rates are subject to the same rate setting requirements applicable in the standard market.

There are currently two legislatively authorized JUAs in Washington: one for midwives and one for day care service providers which, though authorized, was never activated by the Commissioner. Approximately 39 states have enacted legislation authorizing the formation of various types of associations.

Summary of Bill:

- By July 1, 2004, the Commissioner must create a plan to establish a nonprofit JUA, which would provide liability insurance for licensed adult family homes.
- The JUA consists of all general casualty insurers in this state, excluding ocean marine insurers. All insurers must be members of the JUA in order to continue doing business in Washington.

- A licensed adult family home can apply to the JUA for liability insurance.
- The JUA must determine the liability limits that are reasonable based on standard industry practices.
- The Commissioner must require a rating plan that allows rates to be adjusted based on the type, size, and past loss experience of the adult family home.
- The Commissioner may select an insurer that is admitted to do business in Washington to administer the plan.
- The Commissioner may adopt rules to implement this law.

Appropriation: None.

Fiscal Note: Requested on January 19, 2004.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.