

HOUSE BILL REPORT

HB 1257

As Reported by House Committee On:
Financial Institutions & Insurance

Title: An act relating to motorcycle or motor-driven cycle insurance coverage.

Brief Description: Providing an opportunity to reject motorcycle or motor-driven cycle insurance coverage.

Sponsors: Representatives Roach, Kirby, Newhouse, Simpson, Holmquist, Haler, Upthegrove, O'Brien and Nixon.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/1/05, 2/8/05 [DPS].

Brief Summary of Substitute Bill

- An insurer who elects to write motorcycle or motor-driven cycle insurance must offer coverage against underinsured vehicles and provide an opportunity for prospective insureds to reject the coverage in writing.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Kirby, Chair; Ericks, Vice Chair; Roach, Ranking Minority Member; Newhouse, Santos, Schual-Berke, Serben, Simpson, Strow and Williams.

Staff: Jon Hedegard (786-7127).

Background:

Definition of underinsured motor vehicle.

An "underinsured motor vehicle" is defined as a vehicle in which the party legally responsible (by virtue of ownership, maintenance, or use) for the bodily injury or property damage has either no insurance coverage or insufficient coverage to cover the full amount of the damage costs to which the injured party is legally entitled.

Requirements for automobile coverage.

Automobile insurance must include coverage for damages resulting from underinsured motor vehicles. An insurer must include protection for insureds who are legally entitled to recover damages for bodily injury, death, or property damage from owners or operators of underinsured motor vehicles, hit-and-run motor vehicles, and phantom vehicles.

Waiver of underinsured coverage.

An insured or their spouse may reject underinsured coverage for bodily injury, death, or property damage. The rejection must be in writing. The rejection requirement applies only to original issuance of policies and not to renewal or replacement policies.

Exemptions from the coverage offering.

The coverage requirement does not apply to operating a motorcycle or motor-driven cycle. The coverage requirement also does not apply to general liability policies or other policies acting as excess to the insurance directly applicable to the vehicle insured.

Summary of Substitute Bill:

An insurer who elects to write motorcycle or motor-driven cycle insurance must provide an opportunity for prospective insureds to reject coverage against underinsured vehicles in writing.

Substitute Bill Compared to Original Bill:

The opportunity to reject coverage is limited to named insureds or their spouses.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Last year's bill required notification that coverage was available. This year's bill requires a rejection in writing. It protects the insurers by proving that the offer was made and the insured rejected coverage. It puts motorcyclists on the same level as automobile drivers.

Testimony Against: (With concerns) Many companies do offer the coverage. Many do require a rejection in writing. Our problem is record-keeping. Our records are examined by the Office of the Insurance Commissioner. If documents are lost or misplaced, it is a violation that may result in an enforcement action. The bill requirements do not seem onerous but we ask that the committee be mindful of our current record-keeping burdens. It might be appropriate to provide that a failure to keep adequate records on this subject is not enough to take enforcement action. We do keep these records for auto coverage and that is a basis for enforcement action. We have a problem with the requirement in the context of a "prospective insured." We would have to offer the coverage and receive a rejection in writing even if they never actually bought insurance from us. With auto coverage, the written rejection requirement applies to a named insured.

Persons Testifying: (In support) Representative Roach, prime sponsor; Larry Walker, Washington Road Riders Association.

(With concerns) Mel Sorensen, Property Casualty Insurers Association and Allstate Insurance Company; and Cliff Webster, American Insurance Association.

Persons Signed In To Testify But Not Testifying: None.