HOUSE BILL REPORT
HB 1779

As Reported by House Committee On:
Financial Institutions & Insurance

Title: An act relating to homeowners' insurance.

Brief Description: Restricting adverse underwriting decisions for homeowners' insurance.

Sponsors: Representatives Schual-Berke, Roach and Morrell.

Brief History:
  Committee Activity:
    Financial Institutions & Insurance: 2/22/05 [DP].

Brief Summary of Bill

- When an insurer obtains the information from the insured's own records or from a consumer reporting organization, absent a claim being filed, an insurer taking an adverse action with respect to homeowner's insurance may consider the fact that an insured made an inquiry about coverage *only* in combination with other substantive underwriting factors.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 6 members: Representatives Kirby, Chair; Ericks, Vice Chair; Santos, Schual-Berke, Simpson and Williams.

Minority Report: Do not pass. Signed by 5 members: Representatives Roach, Ranking Minority Member; Tom, Assistant Ranking Minority Member; Newhouse, Serben and Strow.

Staff: CeCe Clynch (786-7168).

Background:

The Office of the Insurance Commissioner (OIC) is responsible for the licensing and regulation of insurance companies doing business in Washington, including those selling homeowners' policies. Current law prohibits "unfair discrimination" between insureds that have substantially similar risk factors, exposure factors, and expense elements.

Consumer reporting organizations operate databases of consumer claims. Probably the most commonly known of these databases are the Comprehensive Loss Underwriting Exchange (CLUE) operated by ChoicePoint and the A-PLUS Property Database. Reports from these databases contain consumer claim information provided by the insurance companies. They

include policy information such as name, date of birth, and policy number, claim information, and a description of the property covered. Up to five years of claims history information is included.

These reports are accessible by the owner of the property as well as the insurer. Under the Fair Credit Reporting Act (Act), an owner can request a copy of a report and may challenge the accuracy of specific information or enter a statement explaining a loss more fully. The Act also allows the insurer to access the reports for underwriting purposes. An insurer may consider information regarding inquiries made by the insured about the nature or extent of coverage even when no claim resulted.

Summary of Bill:

When an insurer obtains the information from an insured's records or from a consumer reporting organization, absent a claim actually being filed, an insurer taking an adverse action with respect to homeowners' insurance may take into account the fact that an insured made an inquiry about coverage *only* in combination with other substantive underwriting factors.

"Adverse actions" include cancellation; denial; nonrenewal of insurance coverage; charging a higher premium; applying a rating rule or assigning a rating tier that does not have the lowest available rates; placement with an affiliate that does not offer the lowest rates; or any unfavorable change in the terms of coverage under a homeowners' insurance policy.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Insureds should not have to risk having adverse action taken merely because they made an inquiry as to the nature and extent of insurance coverage.

Testimony Against: There is no need for this bill anymore. Internal rules utilized by the industry provide that a mere request for information not be reported. A recent lack of complaints to the Insurance Commissioner on this issue reflects the change in the rules and that this bill is not necessary.

Persons Testifying: (In support) Representative Schual-Berke, prime sponsor.

(Opposed)   Jean Leonard, State Farm Insurance.

Persons Signed In To Testify But Not Testifying: None.