

# HOUSE BILL REPORT

## EHB 1578

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### As Passed Legislature

**Title:** An act relating to authorizing insurers to offer customer satisfaction benefits.

**Brief Description:** Authorizing insurers to offer customer satisfaction benefits.

**Sponsors:** Representatives Kirby and Vick.

#### Brief History:

##### Committee Activity:

Business & Financial Services: 2/11/15, 2/18/15 [DP].

##### Floor Activity:

Passed House: 2/16/16, 97-0.

Passed Senate: 3/1/16, 47-0.

Passed Legislature.

#### Brief Summary of Engrossed Bill

- Permits an insurer to include in an insurance contract provisions regarding benefits for an insured that are based upon customer satisfaction.

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### HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

**Majority Report:** Do pass. Signed by 10 members: Representatives Kirby, Chair; Stanford, Vice Chair; Vick, Ranking Minority Member; McCabe, Assistant Ranking Minority Member; Parker, Assistant Ranking Minority Member; Blake, Kochmar, Ryu, Santos and G. Hunt.

**Staff:** Peter Clodfelter (786-7127).

#### Background:

Pursuant to RCW 48.30.140, unless it is expressly provided for in an insurance policy, no insurer, insurance producer, or title insurance agent shall offer, promise, or pay to the insured or any employee of an insured, any of the following:

- a rebate, discount, abatement, or reduction of a premium or a commission on a premium; or

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- earnings, profits, dividends, or other benefit, or any other valuable consideration or inducement.

If it is not expressly provided for in the policy, any of these otherwise prohibited offerings must be provided for in an applicable filing with the Office of the Insurance Commissioner (Commissioner).

A "premium" under RCW 48.18.170 means all sums charged, received, or deposited as consideration for an insurance contract or the continuance of such contract.

**Summary of Engrossed Bill:**

An insurer may include contractual benefits based on customer satisfaction as part of a personal insurance policy. The insurer must file the policy or endorsement for approval, and the contractual benefits may include sums of money provided or credited to a policyholder if the policyholder is dissatisfied with the service provided by the insurer.

A sum that is provided to or credited to a policyholder as part of an approved contractual benefit based on customer satisfaction is not a premium for the purposes of RCW 48.18.170. A policy premium reduced by such a credit will be taxed on the full cost of the premium before application of the customer satisfaction credit.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) There was a time when insurance companies would advertise that they would give money back if a customer was not satisfied. The Commissioner did not like it, and those advertisements did not run any longer. Insurance companies in other states are allowed to have these advertisements, but it is not allowed in Washington. The basic idea is that companies want to provide assurance that they are doing a good job. If a customer expresses dissatisfaction with the process for any reason, that customer will get a repayment. This provides better service for all insureds and offers them a certain peace of mind. This has been allowed in other states since 2011 but has not yet been allowed in Washington.

(Opposed) If there is a credit against the premium that the customer pays, it is unclear how that is fair to everyone else who has not filed a complaint. In statute, there is a requirement that policy holders who are in the same position are treated the same. The Commissioner is concerned about who would most benefit from this. Those who are at higher income levels would benefit more. The bill is not written in a clear manner, and the specifics have not been spelled out. A different design might ensure that benefits proposed in the bill would be distributed fairly.

**Persons Testifying:** (In support) Representative Kirby, prime sponsor; Mel Sorensen and Jon Hedegard, Allstate.

(Opposed) Lonnie Johns-Brown, Office of the Insurance Commissioner.

**Persons Signed In To Testify But Not Testifying:** None.