
Business & Financial Services Committee

HB 1579

Brief Description: Addressing motor vehicle underinsured coverage.

Sponsors: Representatives Sawyer, G. Hunt and Shea.

Brief Summary of Bill

- Requires the Office of the Insurance Commissioner (Commissioner) to adopt rules regarding the development of a standard form for opting out of underinsured motorist coverage and informing consumers of the risk of opting out.
- Requires the Commissioner to collect data regarding motorists involved in accidents in Washington who are underinsured and to use that data to periodically update the form for opting out of underinsured motorist coverage.

Hearing Date: 2/4/15

Staff: Linda Merelle (786-7092).

Background:

Under Washington law, an "underinsured motor vehicle" is a motor vehicle for which there is either no bodily injury or property damage liability bond or insurance policy that applies at the time of an accident, or for which there is insufficient insurance to cover property damage, injury, or death suffered by a person entitled to relief. An uninsured motor vehicle falls within the statutory definition of an underinsured motor vehicle.

When issuing new policies, insurers in Washington must offer the option of purchasing underinsured motorist coverage. Unless the insured has opted out of underinsured motorist coverage, the insurer must also offer such coverage upon the renewal of an existing policy. The insured may reject all or part of any coverage for uninsured motorists. Any rejection must be by the named insured or his or her spouse, and it must be in writing. If an insured has rejected coverage for underinsured motorists, the insurer is not required to offer the option in subsequent renewals of the policy.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

According to a 2014 report issued by the Insurance Research Council (IRC Report), a nonprofit research organization, approximately one out of every eight motorists across the United States is uninsured or underinsured. The IRC Report estimated that in Washington there is approximately a one-in-six chance that an at-fault driver in Washington is uninsured, placing Washington among the top 10 states with the highest estimates of uninsured motorists. Oklahoma was estimated to have the highest rate, with just over a one-in-three chance that an at-fault driver is uninsured. Massachusetts had the lowest rate, with an estimate of approximately one out of 25 at-fault drivers being underinsured, or 4 percent.

The Office of the Insurance Commissioner (Commissioner) does not keep data regarding the number of underinsured motorists who are involved in accidents.

Summary of Bill:

The Commissioner must adopt rules requiring the development and use of a standard form to be signed by an insured who chooses to opt out of underinsured motorist coverage. The form must be written in plain language and inform the insured of the risk of opting out of uninsured motorist coverage.

The Commissioner must also collect data regarding the number of underinsured motorists involved in accidents in Washington and must use this data to periodically update the standard form for opting out of coverage, based upon the data obtained.

Appropriation: None.

Fiscal Note: Available.

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