

HOUSE BILL REPORT

HB 1579

As Reported by House Committee On:
Business & Financial Services

Title: An act relating to motor vehicle underinsured coverage.

Brief Description: Addressing motor vehicle underinsured coverage.

Sponsors: Representatives Sawyer, G. Hunt and Shea.

Brief History:

Committee Activity:

Business & Financial Services: 2/4/15, 2/13/15 [DP].

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.

HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

Majority Report: Do pass. Signed by 6 members: Representatives Kirby, Chair; Ryu, Vice Chair; Blake, Hurst, Santos and Stanford.

Minority Report: Do not pass. Signed by 4 members: Representatives Vick, Ranking Minority Member; G. Hunt, Kochmar and McCabe.

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

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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.

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.

Staff Summary of Public Testimony:

(In support) The current form presented to consumers regarding a decision to opt out of underinsured motorist coverage is often confusing, and the Commissioner does not have information regarding who opts out of underinsurance. Consumers do not have the ability to evaluate the risk when they make a decision to turn down insurance. It is a very sad situation when people believe that they have insurance and they do not. The requirements of this bill provide clear information to consumers about their options when purchasing automobile insurance. With the rising cost of health care, it is easy to see how quickly one can go through funds. Because of the costs associated with accidents, it is in consumers' best interest to obtain underinsured motorist coverage. This coverage is the most affordable form of health and disability insurance that one can buy. This bill would help insureds know their options, especially where there are more and more people who go online to purchase insurance.

(In support with concerns) The Commissioner can develop a uniform disclosure form and, if the bill is made a little stronger, the Commissioner will have the authority to require that automobile insurance carriers use that form. There is a difficulty in collecting data regarding underinsured motorists. The Commissioner does not necessarily see every claim, and the State Patrol and the Department of Licensing collect accident data, not the Commissioner. Further guidance is needed to carry out this mission. Many insurers already emphasize that underinsured motorist coverage is important, and many agents want to sell this product. Although more consumers should know about it, this bill will not help very much. The insurance statutes already require that consumers provide a written rejection of insurance for underinsured motorists. Caution should be used in putting more work on the Commissioner.

(Opposed) None.

Persons Testifying: (In support) Representative Sawyer, prime sponsor; and Liz Berry, Washington State Association for Justice.

(In support with concerns) Jean Leonard, Washington Insurers and State Farm; and Lonnie Johns-Brown, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: None.