

SENATE BILL REPORT

EHB 1578

As of February 23, 2016

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

Committee Activity: Financial Institutions & Insurance: 2/24/16.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Shani Bauer (786-7468)

Background: Unless it is expressly provided for in an insurance policy, an insurer may not offer or pay to the insured:

- a rebate, discount, abatement, or reduction of a premium or a commission on a premium; or
- earnings, profits, dividends, or other benefit, or any other valuable consideration or inducement.

Insurance policy forms and any application form, rider, or endorsement that will be attached to a policy must be filed with and approved by the Insurance Commissioner.

A "premium" means all sums charged, received, or deposited as consideration for an insurance contract or the continuance of such contract. "Personal insurance" is defined to include:

- private passenger automobile coverage;
- homeowner's coverage;
- dwelling property coverage;
- earthquake coverage for a residence or personal property;
- personal liability and theft coverage;
- personal inland marine coverage; and
- mechanical breakdown coverage for personal auto or home appliances.

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.

Summary of Bill: An insurer may include contractual benefits based on customer satisfaction as part of a personal insurance policy. The policy or endorsement providing for customer satisfaction benefits must be filed with the Insurance Commissioner. Contractual benefits may include sums of money to be provided or credited to the policyholder if the policyholder is dissatisfied with the service provided by their insurer.

Sums provided or credited to the policyholder do not constitute premiums. Even if a premium is reduced by a credit, the premium will be taxed on the full cost of the premium.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.