

SENATE BILL REPORT

EHB 1578

As Reported by Senate Committee On:
Financial Institutions & Insurance, February 24, 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, 2/24/16 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators Benton, Chair; Angel, Vice Chair; Mullet, Ranking Minority Member; Fain, Hobbs, Litzow, Nelson, Pedersen and Roach.

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;

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- personal inland marine coverage; and
- mechanical breakdown coverage for personal auto or home appliances.

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.

Staff Summary of Public Testimony: PRO: This bill gives insurance companies the opportunity to give money back to the customer if they are dissatisfied with a service or product. This benefit exists in 42 other states. The insurance industry didn't think there was a statutory impediment to providing the benefit in this state but it turns out that statutory clarification is needed. The benefit cannot be given without affirmative approval of the Insurance Commissioner. It is a point of customer service to be able to provide a benefit to the customer for an unsatisfactory product or service. This bill has been negotiated with the Commissioner's office. OIC had initial questions as to whether this is a rate driver. Apparently this has not been a highly utilized program in other states. The Commissioner will be keeping a close eye to make sure the program is working as promised and applied fairly for consumers.

Persons Testifying: PRO: Mel Sorensen, Allstate Insurance Company; Lonnie Johns-Brown, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: No one.