

SENATE BILL REPORT

SB 5497

As of February 2, 2017

Title: An act relating to transparency in underwriting and rating personal insurance.

Brief Description: Requiring transparency in underwriting and rating personal insurance.

Sponsors: Senators Hunt, Rivers and Kuderer.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/31/17.

Brief Summary of Bill

- Requires insurance providers to provide written notification to insured customers at renewal, disclosing clearly the reasons for any premium increases.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Jeff Olsen (786-7428)

Background: An insurance provider must renew an insurance policy unless certain circumstances have occurred, including the policy is canceled, an insured customer has decided not to renew or obtains alternative coverage, the insurance has expired, the coverage is nonrenewable by contract, or the insurance provider provides proper notice regarding nonrenewal. At least 20 days prior to an insurance policy cancellation date, the insurance provider must provide a written notice to the insured customer describing the amount of premium that is due, including the amount of any premium or deductible changes. If the insurance provider fails to provide proper notice of any premium changes or changes in contract provisions, the provider shall renew the policy according to the existing terms in the expiring policy.

If the insurance provider is canceling an insurance policy, they must deliver or mail written notice of cancellation to an insured customer at least 45 days before the effective date of the cancellation. The cancellation notice must include the insurance provider's actual reason for canceling the policy and describe the significant risk factors that led to that action.

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: If an insurance provider is increasing premiums at renewal for a personal insurance policy, the insurer must provide written notice at least 20 days before the expiration of the insurance policy, describing the significant reasons for the premium increase. The written notice must be included along with existing requirements for notification of premiums due and changes in premium amounts at the time of insurance renewal. Examples of significant reasons for the premium increase may include a change in rating territories, no longer qualifying for a discount, a change in scope of insurance coverage, the addition of another insured customer to the coverage, the policy is subject to a premium capping rule, driving history, claims history, credit history, or an address change.

Personal insurance policies, for purposes of providing notice of describing significant reasons for a premium increase, include private automobile insurance, homeowner's insurance, dwelling property coverage, earthquake coverage, personal liability and theft coverage, personal inland marine coverage, and mechanical breakdown coverage for auto and home. Insurance score is clarified to mean a rating derived from a process that is based in whole on credit history, not partially on credit history.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on January 1, 2018.

Staff Summary of Public Testimony: PRO: The concept to increase transparency originated from constituents seeking information about what data is being used to set their insurance rates. Insurance agents and consumers want to know why their rates are increasing and what factors are contributing to those rate changes, and the notification would inform consumers and help them to understand the rate changes.

CON: Despite good intentions, processes in the legislation are ambiguous and there are not clearly defined terms. There are significant compliance issues, and without clear standards for compliance, the OIC is granted authority to draft rules. The new rules may add further unknown examples and processes, which is a concern to industry. There is no threshold that triggers a notification requirement for a premium increase. The process could be expensive and cumbersome to implement. There is also a change to the definition of an industry score that is problematic.

Persons Testifying: PRO: Senator Sam Hunt, Prime Sponsor; Lonnie Johns-Brown, OIC.

CON: Mel Sorensen, Property Casualty Insurers Assn. of America, Allstate, American Family Ins.; Cliff Webster, American Insurance Association; Jean Leonard, WA Insurers, NAMIC, State Farm, Nationwide; Dan McGrady, PEMCO Insurance, WA Insurers.

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