
**Consumer Protection & Business
Committee**

HB 2782

Brief Description: Concerning automobile insurance policies.

Sponsors: Representative Kirby.

Brief Summary of Bill

- Defines basic contract of automobile insurance creates requirements for such policies related to automobile repairs.

Hearing Date: 2/4/20

Staff: Robbi Kesler (786-7153).

Background:

The Office of the Insurance Commissioner (OIC) is responsible for the regulation of property casualty insurance in the state of Washington. The OIC is authorized to regulate both the rates and contracts of the companies doing business in this state. Automobile insurance must include coverage for damages resulting from underinsured motor vehicles. An insurer must provide coverage for insureds who are legally entitled to recover damages for bodily injury, death, or property damage from owners or operators of underinsured motor vehicles, hit-and-run motor vehicles, and phantom vehicles. Existing statutes require the coverage to apply to "accidents."

The Washington Consumer Protection Act declares that unfair and deceptive practices in trade or commerce that harm the public interest are illegal. Washington law also includes specific practices that the Legislature has determined to be unfair or deceptive practices. The OIC has the authority to adopt rules to prohibit unfair or deceptive practices. Violations of the statutes and rules can be punished by fine by the OIC. The OIC may also issue a cease and desist order.

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.

Violations of provisions of the unfair practice statutes and rules have been held to be violations of the CPA.

Summary of Bill:

"Basic contract of automobile insurance" is defined as any automobile insurance policy that includes first-party coverage for automobile physical damage. Claims paid under a basic contract of automobile insurance must be based upon the reasonable and necessary costs at the claimant's chosen repair facility, and when the automobile is deemed repairable the insurer must pay to restore the vehicle to its condition prior to the loss, including paying for repairs that follow the original equipment vehicle manufacturer's instructions or guidelines. The insurance company has a the burden to prove unreasonableness of repair procedures and charges. Insurance companies are not required to pay for parts supplied by the original equipment manufacturer unless the use of alternate parts would fail to restore the vehicle to its condition prior to the loss.

Every basic contract of automobile insurance must include a provision for the right to an appraisal to resolve disputes, between the insured and the insurer, regarding the actual cash value and all losses. The appraisal process is specified and required to be included in the insurance contract. Either party may make a written demand for an appraisal. Within ten days each party must select a competent appraiser and notify the other party of its selection. The selected appraisers must appoint a competent and disinterested umpire. If the appraisers do not appoint an appraiser within fifteen days, either party may request that a judge from the venue identified in the policy may select an umpire. The appraisers must then appraise the loss and submit their findings to the umpire if they are unable to agree. The amount of the loss will be determined by agreement of both appraisers or one appraiser and the umpire. Each party is responsible for expenses of the appraisal, and each party is equally responsible for the cost of the umpire unless the the amount of the loss, as determined by the appraisal process, is greater than the amount of loss the insurer adjusted before the appraisal process. If the appraised loss is greater, the insurer shall reimburse the reasonable cost of the appraisal process, reasonable attorneys' fees, and other necessary and actual costs.

Violations of the basic contract of automobile insurance constitute a violation of the Consumer Protection Act and are considered unfair or deceptive practices related to insurance policies.

Appropriation: None.

Fiscal Note: Requested on January 27, 2020.

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