
**Consumer Protection & Business
Committee**

HB 1979

Brief Description: Concerning the appraisal clause found in motor vehicle insurance policies.

Sponsors: Representatives Kirby and Leavitt.

Brief Summary of Bill

- Defines "basic contract of motor vehicle insurance" and requires that such contracts include an express right to an appraisal to resolve disputes regarding the actual cash value and amount of loss on a damaged vehicle.

Hearing Date: 1/24/22

Staff: Michelle Rusk (786-7153).

Background:

The regulation of insurance is governed by the Insurance Code (Code) in Title 48 RCW. The Office of the Insurance Commissioner (OIC) regulates insurance transactions in the State of Washington, including the form and content of insurance contracts.

Insurance Contracts.

The Insurance Code specifies the categories of information that must be contained in an insurance contract, including the type of risk that is being insured against, the amount of the premium, the starting date of the insurance coverage, and the period during which the insurance is to continue. Every person in Washington who operates a motor vehicle must be insured under a motor vehicle liability policy, a liability bond, a certificate of deposit, or be self-insured. Where a person is insured under a motor vehicle liability policy, the policy must include the

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name and address of the insured, the coverage provided by the policy, the premium charged, the policy period, and the limits of liability.

Summary of Bill:

Motor Vehicle Insurance Contracts.

Unless an insurer certifies that it is not less favorable to the insured, 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 amount of loss on a damaged vehicle. "Basic contract of motor vehicle insurance" means any motor vehicle insurance policy that includes first-party coverage for physical damage.

The appraisal clause must be included in the insurance contract and include the following:

- Either party may make a written demand for an appraisal, and 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 one within 15 days, either party may request that a judge 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.

This requirement applies to policies issued or renewed effective on or after January 1, 2023.

Appropriation: None.

Fiscal Note: Not requested.

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