
**Consumer Protection & Business
Committee**

HB 2011

Brief Description: Enhancing consumer protections for automobile insurance coverage.

Sponsors: Representatives Peterson, Reed, Kloba, Pollet, Ramel, Lekanoff, Doglio, Nance, Riccelli and Macri.

Brief Summary of Bill

- Requires basic automobile insurance contracts to include an express right to an appraisal to resolve disputes regarding the actual cash value and amount of loss on a damaged vehicle.
- Requires basic contracts of automobile insurance to provide that, when an automobile is deemed repairable, it must be restored to its condition prior to the loss.
- Requires a claim to be paid based on reasonable and necessary costs at the claimant's chosen repair facility.
- Provides that insurance companies are not required to pay for parts supplied by the original equipment manufacturer, unless necessary to restore the vehicle to pre-loss condition.

Hearing Date: 1/16/24

Staff: Megan Mulvihill (786-7304).

Background:

The Office of the Insurance Commissioner (OIC) has the power and duty to enforce Washington

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

insurance law and regulations, including the form and content of 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 an automobile 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 name and address of the insured, the coverage provided by the policy, the premium charged, the policy period, and the limits of liability.

When a motor vehicle is damaged and an insurance claim is filed, the insurance company has the right to decide whether a vehicle is repairable or if the vehicle is considered a total loss. Total loss means either the vehicle is not repairable or it costs more to repair than it is worth. When a vehicle is repaired, typically policy holders have a choice as to where to have their vehicle repaired. The insurance adjuster may recommend that original equipment manufacturer (OEM) parts or non-OEM parts be used to repair the vehicle. If the policy holder demands that new, OEM parts be used, the policy holder may have to pay for the difference in cost. When a vehicle is deemed a total loss, insurance companies are required to have an appraisal provision in the insurance contract for when the policy holder and the insurance company cannot agree on the value of a totaled vehicle. This process may vary based on the motor vehicle insurance policy.

Washington law provides a cause of action against an insurer for unreasonable denial of a claim for coverage or payment of benefits, to recover actual damages, costs, and attorney's fees.

Summary of Bill:

Appraisal Clause.

Every basic contract of automobile insurance issued or renewed effective on or after January 1, 2025, 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.

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 10 days, each party must select a competent and disinterested 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 their appraisal expenses, and each party is equally responsible for the cost of the umpire.
- If the appraised loss is greater than what the insurer adjusted prior to the appraisal process, the insurer must reimburse the policyholder for costs incurred for the appraisal.

Automobile Repairs.

Every basic contract of automobile insurance must contain the following: "When a vehicle is deemed repairable by the insurance company, the amount paid under the claim must allow the vehicle to be restored to its condition prior to the loss."

Payment of a claim under a basic contract of automobile insurance for physical damage must be based upon the reasonable and necessary costs at the claimant's chosen repair facility. The insurance company has the burden to prove the unreasonableness of vehicle repair procedures, charges, or both. Automobile insurance companies are not required to pay for parts supplied by the OEM, except to the extent that the use of alternate parts would fail to restore the vehicle to its condition prior to the loss.

Appropriation: None.

Fiscal Note: Requested on January 9, 2024.

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