

SENATE BILL REPORT

SB 5798

As Reported by Senate Committee On:
Business, Financial Services, Gaming & Trade, January 23, 2024

Title: An act relating to extending the required notice of cancellation or nonrenewal of certain types of insurance policies to 60 days.

Brief Description: Extending certain insurance notice requirements.

Sponsors: Senators Kuderer, Shewmake, Hasegawa and Wellman.

Brief History:

Committee Activity: Business, Financial Services, Gaming & Trade: 1/11/24, 1/23/24 [DPS].

Brief Summary of First Substitute Bill

- Extends the written notice requirement for cancellation or nonrenewal of an auto insurance policy from 20 days to 30 days.
- Extends the written notice requirement for cancellation or nonrenewal of health, and property and casualty insurance policies from 45 days to 60 days.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Majority Report: That Substitute Senate Bill No. 5798 be substituted therefor, and the substitute bill do pass.

Signed by Senators Stanford, Chair; Frame, Vice Chair; Dozier, Ranking Member; Boehnke, Gildon, Hasegawa, Lovick, MacEwen and Mullet.

Staff: Kellee Gunn (786-7429)

Background: Written Notice Required for the Cancellation or Nonrenewal of an Insurance

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.

Policy. An insurance contract establishes conditions in which the insurer may cancel or not renew an insurance policy. Though the reasons for cancellation or nonrenewal are contract dependent, they may be the result of nonpayment, increased risk, excessive claims, or fraud or misrepresentation by the insured. By state law, an insurer must give the insured a certain number of days written notice prior to the effective date of the cancellation or nonrenewal. The amount of written notice an insurer is required to give is dependent on the type of insurance policy and whether it is for nonpayment of a premium.

The following lists insurance policies and the amount of written notice required to be given by the insurer before the effective date of the nonrenewal or cancellation as prescribed under Washington State Law:

- property and casualty insurance policies require 45 days' notice;
- auto insurance policies require 20 days' notice;
- fire insurance policies for abandoned and at-risk buildings requires either 5 days' or 20 days' notice, dependent on the situation; and
- medical malpractice insurance policies require 90 days' notice.

If there is nonpayment of a premium for a health, property and casualty or medical malpractice insurance policy the amount of written notice required is 10 days before the effective date of cancellation. If there is nonpayment of a premium for an auto insurance policy, or it is within the first 30 days of the contract, the amount of written notice required for cancellation by the insurer is also at least 10 days.

Written notice may be delivered by mail, electronic facsimile, or personal delivery.

Summary of Bill (First Substitute): The amount of time an insurer must give written notice for either cancellation or nonrenewal of an auto insurance policy is extended from 20 days' to 30 days' notice before the effective date.

The amount of time an insurer must give written notice for a cancellation or nonrenewal of a property and casualty insurance policy is extended from 45 days' to 60 days' notice before the effective date.

Written notice requirements will apply to all affected policies issued on or after July 1, 2025.

EFFECT OF CHANGES MADE BY BUSINESS, FINANCIAL SERVICES, GAMING & TRADE COMMITTEE (First Substitute):

- Establishes that insurers must provide 30 days written notice to an insured for a cancellation or nonrenewal of an auto insurance policy.
- Includes an effective date of July 1, 2025.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on July 1, 2025.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill is simple and comes from a constituent. The constituent received a cancellation notice because of the type of roof she had. The current notice is 45 days for property and casualty, and 20 days for auto insurance. This simply extends that notice requirement. As auto insurance is required of all drivers in Washington, this was an important addition. This would not affect an insurer for cancellation of nonpayment of premium, or whether the insurance risk has changed. This just provides an additional 2 weeks notice for insureds.

OTHER: We are aware that the property insurance market is challenging. The market for auto insurance is robust and competitive. Insurers were not contacted by the agency or the bill sponsor on this bill. Changing the notice will be a costly system change. A nonrenewal typically occurs when the risk exposure has changed. Cancellation happens when some bigger issues are occurring. Auto insurance contracts are only six months long, extending it to 60 days will be problematic.

Persons Testifying: PRO: Senator Patty Kuderer, Prime Sponsor; David Forte, Office of the Insurance Commissioner.

OTHER: Kenton Brine, NW Insurance Council.

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