

SENATE BILL REPORT

SB 6252

As of January 22, 2024

Title: An act relating to enhancing consumer protections for automobile insurance coverage.

Brief Description: Enhancing consumer protections for automobile insurance coverage.

Sponsors: Senators Stanford, Hasegawa, Kuderer, Nobles and Valdez.

Brief History:

Committee Activity: Business, Financial Services, Gaming & Trade: 1/23/24.

Brief Summary of Bill

- Requires every basic automobile insurance contract to include a provision for the right to an appraisal and a provision requiring that, if repairable, the amount paid under the claim allows the vehicle to be restored to its condition prior to the loss.
- Requires the payment of an automobile insurance claim be based on reasonable and necessary costs at the claimant's chosen repair facility.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Staff: Kellee Gunn (786-7429)

Background: Every person who drives an automobile or motorcycle in Washington State is required to have an automobile insurance policy. If not carrying a liability insurance policy a person may apply for a certificate of deposit to pay for their liability, have a liability bond filed by an authorized surety bond company, or be self-insured if in possession of more than 26 vehicles.

The automobile insurance policy contract must provide that the insurer will give the insured a certain amount of notice prior to cancellation or nonrenewal.

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.

The Office of the Insurance Commissioner is responsible for adopting standard policy forms for property and casualty insurance, including automobile insurance. The Department of Licensing is responsible for ensuring drivers have the mandatory automobile insurance and approves insurance identification cards produced by insurers to be used for proof of compliance.

Summary of Bill: Requires every basic automobile insurance contract issued or renewed on or after January 1, 2025, to include a provision for the right to an appraisal and a provision, if the car is repairable, requiring the amount paid by the insurance company restore the vehicle to its prior condition before the loss.

A basic automobile insurance contract is one that includes first-party coverage for physical damage of an automobile.

Right to an Appraisal. The automobile insurance contract must have an appraisal clause containing specific language on the right to appraisal to resolve disputes between the insurer and the insured regarding actual cash value and amount of loss on the damaged vehicle. The provision requires:

- each party to choose a competent and disinterested appraiser within ten days of a written demand when the insurance company and the policy holder are unable to agree as to the amount of loss;
- the appraiser to pick a competent and disinterested umpire within 15 days. If the appraiser does not wish to appoint an umpire, either party may request a judge of a court of competent jurisdiction to pick an umpire;
- the appraiser to appraise a loss, make separate findings regarding the amount of loss for each element of loss and, if unable to agree on the losses, to submit their differences to the umpire;
- the amount of loss to be determined either by agreement of the appraisers or by agreement of one appraiser and the umpire;
- reimbursement if the amount of loss determined is greater than the amount of loss the insurance company adjusted before the appraisal process was invoked; and
- that the actual costs for the appraiser, attorneys' fees, and other necessary costs be reasonable.

Right to Previous Condition if Repairable. The automobile insurance contract must also have a provision requiring that the amount paid under the claim must allow the vehicle to be restored to its condition prior to the loss, if repairable.

Payment of Claim Be Reasonable. Payment of a claim must be based on reasonable and necessary costs at the claimant's chosen repair facility. The insurance company has the burden to prove the costs at the claimant's chosen repair facility are unreasonable or unnecessary. Nothing mandates an insurance company to pay for parts supplied by the original equipment manufacturer other than that the use of alternative parts would fail to

restore the vehicle to its previous condition.

Appropriation: None.

Fiscal Note: Requested on January 17, 2024.

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

Effective Date: Ninety days after adjournment of session in which bill is passed.