Financial Institutions & Insurance Committee

HB 1670

Brief Description: Concerning underwriting actions for insurance on residential property.

Sponsors: Representatives Williams and Moeller.

Brief Summary of Bill

- Prohibits an insurer from taking an underwriting action on a policy insuring residential property based on claim history if an insured has fewer than three excluded insurance claims in the preceding 36 months.

- Requires an insurer to notify an insured with two excluded claims that that the insurer may take an underwriting action if a third excluded insurance claim is filed.

Hearing Date: 2/5/09

Staff: Jon Hedegard (786-7127)

Background:

The Insurance Commissioner oversees the claims practices and market conduct activities of residential insurers in this state. The process of cancellations and non-renewals by an insurer has statutory time-lines and standards but there are only a few limitations on the ability of an insurer to cancel and non-renew. Some of those specific areas where an insurer's ability to cancel and non-renew may be limited or prohibited in the area of residential property insurance include:
- where the insurer is basing the decision on a credit scores;
- where the insured is a victim of domestic abuse;
- where the insured is a victim of malicious harassment; and
- where insurer is basing the decision on the fact that the homeowner is a foster parent.

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.

Additionally, an insurer is not allowed to unfairly discriminate. So as a general rule, an insurer may not cancel or non-renew any type of insurance policy due to:
- sex;
- marital status;
- sexual orientation;
- race;
- creed;
- color;
- national origin;
- the presence of any sensory, mental, or physical disability; or
- the use of a trained dog guide or service animal by a disabled person.

Summary of Bill:

An "excluded insurance claim" is a claim:
- resulting from a loss due to natural causes, including any weather- related event where the loss is not the result of negligence by the insured; and
- that is filed but not paid or payable under the policy.

An "underwriting action" is when an insurer:
- cancels or refuses to renew an insurance policy; or
- changes the terms or benefits in an insurance policy.

An insurer may not take an underwriting action on a policy insuring residential property based on claim history if an insured has made less than three excluded insurance claims for any loss that occurred during the preceding 36 months.

An insurer must provide written notice to an insured who has filed two excluded residential property insurance claims with the insurer in the preceding 36 months informing the insured that the insurer may take an underwriting action if a third excluded insurance claim is filed. If the notice is not provided to the insured prior of the filing of a third excluded insurance claim, the insurer may not take any underwriting action based on the excluded insurance claims.

The notice must:
- include information regarding the previous claims;
- state that the insured may face an underwriting action if another excluded insurance claim is submitted within a specified time period; and
- state that the insured may face an underwriting action for claims that are not excluded insurance claims or for other reasons allowed under Title 48 RCW.

An insurer may take an underwriting action due to other factors that are not prohibited by this section. Nothing in this section prevents an insurer from taking an underwriting action where a claim involves fraud by an insured or a claim results from an intentional act of an insured.

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.