

SENATE BILL REPORT

SB 5527

As of January 13, 2022

Title: An act relating to adding sublimits of coverage to an insurance policy's declaration page.

Brief Description: Adding sublimits of coverage to an insurance policy's declaration page.

Sponsors: Senators Wellman, Kuderer, Frockt and Wilson, C..

Brief History:

Committee Activity: Business, Financial Services & Trade: 1/13/22.

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| <p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Requires all sublimits of coverage to be included on the declarations page of residential insurance policies. |
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SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Kellee Gunn (786-7429)

Background: The Insurance Contract. An insurance policy is a contract between the insured and the insurance company and establishes what the company agrees to do in exchange for the premium paid by the insured. The contract also describes the insured's responsibilities and general terms of coverage. The contract is divided into a declarations page and the policy itself.

The Declarations Page. The declarations page, commonly referred to as a "dec sheet," includes basic details of the insurance contract and typically includes the policy number, the effective dates, the address of the insured property, the mortgage holder, the coverages, coverage limits, the premium, and any discounts.

The Insurance Policy and Limits of Coverage. The insurance policy is the entire insurance contract, and includes the insuring agreements, definitions, and conditions. For a

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homeowner's insurance policy, a description of the property coverage and the loss it covers, as well as liability coverage, will be provided. There may be an exclusions section of the policy, which outlines specific coverages or perils not covered by the policy. Typically flood and earthquake coverage are excluded from homeowners and renter's policies unless purchased as an endorsement or rider. An endorsement or rider addresses issues or items not in the original contract and can be added to a homeowner or renter's policy, life insurance policy, or auto insurance policy.

Insurance policies may also have limits of coverage providing the insured the largest dollar amount covered for different types of losses, and sublimits which further limit that coverage. For example, a policy may have a dollar limit for personal property, with an additional limit within that amount for certain items, such as computers.

Summary of Bill: The declarations page on residential policies must include a listing of all sublimits of coverage within the insurance policy, including any endorsements, and show either the amount of coverage, the percentage of coverage, or both, that is being limited below the overall policy coverage limits. The entire declarations page must be delivered to the insured at every policy renewal.

Residential policies include homeowners, renters, condominium, mobile home, and manufactured home noncommercial insurance policies.

Appropriation: None.

Fiscal Note: Available.

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

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

Staff Summary of Public Testimony: PRO: This is contract law, which is not easy for the average person to understand. I had a loss, a landslide, and I was not covered. I could afford to cover my loss, but many insureds would not be able to. And many insureds would not be able afford to sue to get covered. Only a lawyer could understand these contracts. Sublimits in insurance policies are different between policies. Many consumers are not informed that there are lower limits for different circumstances and items. Including sublimits on the declarations page will provide transparency to consumers. This would especially help when consumers purchase insurance online. The OIC suggests making a couple of changes, including a later enactment date, allowing OIC to do rule making, and excluding surplus lines.

CON: Our organization provides information to consumers about understanding their insurance policies. We believe this bill will add costs to insurers which would then be passed on to consumers. The declarations page will become a mini version of the policy

itself. This is the wrong approach. The declarations sheet is supposed to be a summary. The sublimits portion in my own homeowners policy is much longer than the declarations sheet itself. If all those items were listed in the declarations sheet, it would only add confusion to the policy holder. The purpose of the declarations sheet is to be a summary of what the policy provides. It is very broad and intended to be readable to a policy holder. Just like a bill report provides a summary of a bill, a declarations sheet provides a summary of an insurance policy.

Persons Testifying: PRO: Senator Lisa Wellman, Prime Sponsor; Mark Dietzler, Office of the Insurance Commissioner.

CON: Kenton Brine, NW Insurance Council; Jean Leonard, WA Insurers, NAMIC, Nationwide Insurance, and State Farm Insurance; Mel Sorensen, American Property Casualty Insurance Assoc.

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