

# HOUSE BILL REPORT

## HB 2746

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**As Reported By House Committee On:**  
Financial Institutions & Insurance

**Title:** An act relating to unfair practices when the rates or terms of an insurance policy are being changed.

**Brief Description:** Changing the rates or terms of an insurance policy.

**Sponsors:** Representatives L. Thomas, Sheldon, Wolfe and Benton.

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 2/1/96 [DPS].

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Wolfe, Ranking Minority Member; Scheuerman, Assistant Ranking Minority Member; Benton; Campbell; Dellwo; Dyer; Grant; Huff; Keiser; Kessler; Pelesky and D. Sommers.

**Staff:** Charlie Gavigan (786-7340).

**Background:** An insurance policy is a contract between an insurance company and the policyholder. These contracts are regulated by statute and by rules adopted by the Office of the Insurance Commissioner. A binder is often issued as a temporary summary of the agreement until the actual policy is delivered to the policyholder. Current rules adopted by the Insurance Commissioner limit the ability of insurance companies to correct incorrect premiums without notice to and agreement of the policyholder.

**Summary of Substitute Bill:** Premium discrepancies between the binder and the actual policy that are less than \$10 do not require notice to the policyholder, and the insurer may use the policy amount as the premium.

**Substitute Bill Compared to Original Bill:** Allowing a discrepancy between the binder and actual policy is accomplished through amending current law regarding

binders, rather than by changing and codifying an existing rule of the Insurance Commissioner regarding unfair practices related to premiums.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This change makes it easier for insurance companies to address small discrepancies due to misquoted premiums.

**Testimony Against:** None.

**Testified:** Mike Kapphahn, Farmers Insurance Group (supports).