
HOUSE BILL 2746

State of Washington

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By Representatives L. Thomas, Sheldon, Wolfe and Benton

Read first time 01/18/96. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to unfair practices when the rates or terms of an
2 insurance policy are being changed; and adding a new section to chapter
3 48.30 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 48.30 RCW
6 to read as follows:

7 (1) It is an unfair practice to utilize a twenty-day notice to
8 increase premiums by a change of rates or to change the terms of a
9 policy to the adverse interest of the insured thereunder, except on a
10 one time basis in connection with the renewal of a policy as permitted
11 by RCW 48.18.2901(2), or to utilize such notice if it is not, by its
12 contents, made clearly and specifically applicable to the particular
13 policy and to the insured thereunder or does not provide sufficient
14 information to enable the insured to understand the basic nature of any
15 change in terms or to calculate any premium resulting from a change of
16 rates.

17 (2) In the unusual situation where a contract permits a midterm
18 change of rates or terms, other than in connection with a renewal, it
19 is an unfair practice to effectuate such change with less than forty-

1 five days' advance written notice to the named insured, or to utilize
2 a contract provision which is not set forth conspicuously in the
3 contract under an appropriate caption of sufficient prominence that it
4 will not be minimized or rendered obscure.

5 (3) It is an unfair practice to effectuate a change of rates or
6 terms other than prospectively. Such changes may be effective no
7 sooner than the first day following the expiration of the required
8 notice.

9 (4) If an insured elects not to continue coverage beyond the
10 effective date of any change of rates or terms, it is an unfair
11 practice to refund any premium on less than a pro rata basis.

12 (5) The cancellation and renewal provisions set forth in chapter
13 48.18 RCW do not apply to surplus line policies. To avoid unfair
14 competition and to prevent unfair practices with respect to consumers,
15 it is an unfair practice for any surplus line broker to procure any
16 policy of insurance pursuant to chapter 48.15 RCW that is cancelable by
17 less than ten days' advance notice for nonpayment of premium and twenty
18 days for any other reason, except as to a policy of insurance of a kind
19 exempted by RCW 48.15.160. This subsection does not prevent the
20 cancellation of a fire insurance policy on shorter notice in accord
21 with chapter 48.53 RCW.

22 (6) Except where the insurance policy is providing excess liability
23 or excess property insurance including so-called umbrella coverage, it
24 is an unfair practice for an insurer to make a common practice of
25 giving a notice of nonrenewal of an insurance policy followed by its
26 offer to rewrite the insurance, unless the proposed renewal insurance
27 is substantially different from that under the expiring policy.

28 (7) Where the rate has not changed but an incorrect premium has
29 been charged and a discrepancy between the correct amount and the
30 incorrect amount exceeds ten dollars, if the insurer elects to make a
31 midterm premium revision, it is an unfair practice to treat the insured
32 less favorably than as follows:

33 (a) If the premium revision is necessary because of an error made
34 by the insurer or its agent, the insurer shall:

35 (i) Notify the applicant or insured of the nature of the error and
36 the amount of additional premium required; and

37 (ii) Offer to cancel the policy or binder pro rata based on the
38 original, incorrect, premium for the period for which coverage was
39 provided; or

1 (iii) Offer to continue the policy for its full term with the
2 correct premium applying no earlier than twenty days after the notice
3 of additional premium is mailed to the insured.

4 (b) If the premium revision results from erroneous or incomplete
5 information supplied by the applicant or insured, the insurer shall:

6 (i) Correct the premium or rate retroactive to the effective date
7 of the policy; and

8 (ii) Notify the applicant or insured of the reason for the amount
9 of the change. If the insured is not willing to pay the additional
10 premium billed, the insurer shall cancel the policy, with appropriate
11 statutory notice for nonpayment of premium, and compute any return
12 premium based on the correct premium; or

13 (c) This subsection recognizes that an insurer may elect to allow
14 an incorrect premium to remain in effect to the end of the policy term
15 because the insured is legally or equitably entitled to the benefit of
16 a bargain made.

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