

# HOUSE BILL ANALYSIS

## HB 2910

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**Title:** An act relating to insurance payments for insureds who are victims of domestic abuse.

**Brief Description:** Regulating insurance payments of insureds who are victims of domestic abuse.

**Sponsors:** Representatives L. Thomas, Kessler, Zellinsky, Grant, Lisk, Anderson, Ballasiotes, Radcliff, DeBolt, Wensman, D. Schmidt, Scott, Doumit, McDonald, Cooke and O'Brien.

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### **HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Meeting Date:** January 29, 1998

**Bill Analysis Prepared by:** Charlie Gavigan, Counsel (786-7340)

**Background:** *Insurance is a contract between the insurance company and the insured. The insurance company promises to pay the insured or his or her beneficiary if a certain event occurs, typically an accident or chance occurrence. The insured pays premiums for this benefit. The general purpose of insurance is to distribute risks that would cause substantial hardship to an individual if they occur to a substantial number of persons, who together can better absorb the costs. Insurance seeks to distribute the risk of economic loss on as many persons as feasible who are subject to the same kind of risk.*

*Generally, insurance companies cannot discriminate against an applicant or customer on the basis of gender, marital status, or the presence of a sensory, mental, or physical handicap.*

*A recent case involving the intentional destruction of a home by an estranged spouse raised questions regarding the interpretation of a homeowners insurance policy as it applied to the innocent co-insured who was the victim of domestic violence. The policy language in the homeowners insurance policy apparently provided that intentional acts by any insured- would not be covered, which the insurance company argued meant no insured persons were entitled to recover under the policy. (Most older policies used the insured,- which meant that innocent co-insureds may recover some benefits under the policy.) The Office of the Insurance Commissioner recently issued a technical advisory indicating that the newer language restricting coverage is improper.*

**Summary of Bill:** An insurance company cannot deny or refuse an application, refuse to issue or renew a policy, charge a higher rate, or cancel a policy on the basis that the person is, was, or may be the victim of domestic abuse. Insurance forms filed with the insurance commissioner after the effective date of this act may exclude coverage for intentional or fraudulent acts of any insured person, except if an otherwise-covered loss is caused by an act of domestic abuse by another insured, the perpetrator is criminally charged for the act, and the innocent-coinsured did not contribute to the loss. Payment of benefits under these circumstances may be limited to the person's insurable interest less payments made to a mortgagee.

Domestic abuse is defined as physical harm, assault, infliction of fear of harm or assault between family members. It also includes sexual assault of one family or household member by another, and stalking as defined in the criminal code of one family or household member by another family or household member, or intentionally or recklessly damaging property so as to intimidate or attempt to control the behavior of another.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Rulemaking Authority:** None Specified.

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