

HOUSE BILL REPORT

HB 2726

As Reported by House Committee On:
Financial Institutions & Insurance

Title: An act relating to exempting certain insurance policy forms from filing requirements.

Brief Description: Exempting certain insurance policy forms from filing requirements.

Sponsors: Representatives Simpson, D., Benson, Schual-Berke and Rockefeller; by request of Insurance Commissioner.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/4/04 [DP].

Brief Summary of Bill

- Authorizes the Insurance Commissioner to exempt, by rule, commercial property casualty forms from the filing requirements.
- Exempts manuscript policies, riders, or endorsements from the commercial insurance filing requirements.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 11 members: Representatives Schual-Berke, Chair; Simpson, G., Vice Chair; Benson, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Cairnes, Carrell, Cooper, Hatfield, Roach, Santos and Simpson, D.

Staff: Carrie Tellefson (786-7127).

Background:

Insurance Commissioner Approval of Rates and Forms:

In general, insurers must file insurance rates and insurance forms (contracts) for review and approval by the Insurance Commissioner (Commissioner). Insurers may not use the rates and forms until they have been approved with certain exceptions. One exception is commercial property casualty forms, which may be issued prior to filing the rates or forms. These rates and forms must be filed with the Commissioner within 30 days after an insurer issues any policy using them.

Commercial insurance pertains to a business, profession, occupation, nonprofit organization, or public entity for certain lines of insurance, such as property insurance, marine and transportation insurance, and general casualty insurance (including liability insurance).

The Commissioner may suspend or modify the requirement of a form or rate filing if the Commissioner believes filing is not necessary for the protection of the public. The Commissioner has, by rule, suspended the rate filing requirement for certain large commercial accounts. Under the rule, large commercial property casualty accounts are those purchased by an entity with experience to negotiate with and meet any two of the following criteria: Annual premiums of \$100,000 or more, excluding workers compensation and certain other types of coverage; net revenues or sales in excess of \$100 million; more than 200 employees; net worth over \$50 million; not-for-profit organization or public entity with an annual budget or assets of at least \$45 million; or municipality with a population over 50,000. In addition, before an insurer can issue a policy under the exemption, the insurer must notify the prospective insured, in writing, that the rates will not be filed with the Commissioner.

While the Commissioner has, by rule, suspended the rate filing requirement for commercial property casualty rates, the Commissioner lacks the authority to suspend the form filing requirement with respect to commercial forms. The result is that the rates for commercial policies are exempt from the filing requirements, but the forms must be filed.

Rating organizations make filings on behalf of subscriber insurers. Rating organizations must apply for, qualify, and receive a license from the Commissioner prior to making filings on behalf of insurers.

Manuscript insurance policies are one-of-a-kind policies that pertain to unique needs.

Summary of Bill:

The Commissioner may, by rule, exempt commercial property casualty forms from the filing requirement.

Manuscript policies, riders, or endorsements are specifically exempt from the form filing requirements.

The general requirement that insurance forms must be filed and approved is amended to exempt from the application of this requirement: Surety bond forms, forms filed under the commercial forms statute, forms exempt from filing under the commercial forms statute, and manuscript policies.

Insurers that subscribe to rating organizations must use the forms filed by the rating organization. If a subscriber wants to use different forms, it must file that form separately with the Commissioner.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (In support) This law clarifies which forms require approval and which ones don't. It harmonizes the discrepancies between commercial forms and commercial rates. The OIC has passed a rule allowing large commercial account rates to be exempt from filing. However, without this bill, they still have to file their forms. This bill allows the OIC to pass a rule that would allow large commercial insurance policies to be exempt from rates and forms filing. These are generally the sophisticated entities that don't need the level of protection that other do. This bill helps facilitate and streamline the regulatory process.

The agents support the bill. It helps the industry and may attract more innovative products into Washington's insurance market.

Testimony Against: None.

Persons Testifying: (In support) Representative D. Simpson, prime sponsor; Lisa Smego, Office of the Insurance Commissioner; and Bill Stauffacher, Independent Insurance Agents & Brokers.

Persons Signed In To Testify But Not Testifying: None.