

HOUSE BILL REPORT

HB 1716

As Passed House:
March 8, 2005

Title: An act relating to underinsured motorist property damage waivers.

Brief Description: Waiving certain underinsured motorist property damage coverage.

Sponsors: By Representatives Roach and Kirby.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/15/05, 2/16/05 [DP].

Floor Activity:

Passed House: 3/8/05, 96-1.

Brief Summary of Bill

- Removes the requirement for a written rejection when a named insured or spouse chooses a lower limit of property damage coverage related to uninsured motorists.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 11 members: Representatives Kirby, Chair; Ericks, Vice Chair; Roach, Ranking Minority Member; Tom, Assistant Ranking Minority Member; Newhouse, Santos, Schual-Berke, Serben, Simpson, Strow and Williams.

Staff: Jon Hedegard (786-7127).

Background:

Definition of underinsured motor vehicle.

An "underinsured motor vehicle" is defined as a vehicle in which the party legally responsible (by virtue of ownership, maintenance, or use) for the bodily injury or property damage has either no insurance coverage or insufficient coverage to cover the full amount of the damage costs to which the injured party is legally entitled.

Requirements for automobile coverage.

Automobile insurance must include coverage for damages resulting from underinsured motor vehicles. An insurer must provide protection for insureds who are legally entitled to recover damages for bodily injury, death, or property damage from owners or operators of underinsured motor vehicles, hit-and-run motor vehicles, and phantom vehicles.

Generally, the amount of coverage must be in the same amount as the insured's third party liability coverage unless the insured or their spouse rejects all or part of the coverage. A rejection must be in writing. The rejection requirement applies only to original issuance of policies. It does not apply to renewal or replacement policies.

Exemptions from the coverage offering.

The coverage requirement does not apply to operating a motorcycle or motor-driven cycle. The coverage requirement also does not apply to general liability policies or other policies acting as excess to the insurance directly applicable to the vehicle insured.

Summary of Bill:

A written rejection is not required when a named insured or spouse chooses a coverage amount less than the third party liability coverage for property damage.

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: This is a technical amendment that clarifies existing law. Under current law, coverage must be in the same amount as third party liability coverage. Current law seems to have an exception for property damage but this has proven to be confusing in application. When a consumer buys coverage, they may want to have an amount of coverage that correlates to the value of their car. This bill allows a consumer to choose a lesser coverage without triggering the need for a written rejection of a higher amount. This will reduce record-keeping burdens on insurers. It does not reduce consumer protections.

Testimony Against: None.

Persons Testifying: (In support) Representative Roach, prime sponsor; and Mike Kapphan, Farmers Insurance.

Persons Signed In To Testify But Not Testifying: None.