

SENATE BILL REPORT

HB 1779

As of March 30, 2005

Title: An act relating to homeowners' insurance.

Brief Description: Restricting adverse underwriting decisions for homeowners' insurance.

Sponsors: Representatives Schual-Berke, Roach and Morrell.

Brief History: Passed House: 3/08/05, 57-40.

Committee Activity: Financial Institutions, Housing & Consumer Protection: 3/23/05.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Staff: Joyce Ahlering (360-786-7486)

Background: The Office of the Insurance Commissioner is responsible for the licensing and regulation of insurance companies doing business in Washington, including those selling homeowners policies. Current law prohibits unfair discrimination between insured individuals who have substantially similar risk factors, exposure factors, and expense elements.

Some consumer reporting organizations operate databases of consumer claims information provided by insurance companies. The Fair Credit Reporting Act allows the insured and insurers to access these databases. For underwriting purposes, an insurer may consider information regarding inquiries made by the insured about the nature or extent of coverage even if no claim resulted from that inquiry.

Summary of Bill: An insurer taking adverse action can take into account an insured's homeowners coverage inquiry about the nature or scope of that coverage only if that information is combined with other substantive underwriting factors. This restriction applies solely to inquiries that did not result in the filing of a claim and that the insurer learns from the insured's records or from a consumer reporting organization database.

An adverse action includes: cancellation, denial, or nonrenewal of insurance coverage; charging a higher premium; applying a rating rule or assigning a rating tier that does not have the lowest available rates; placement with an affiliate that does not offer the lowest rates; or any unfavorable change in the terms of coverage under a homeowners insurance policy.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Testimony For: Insured individuals should not have to risk having adverse action taken merely because they make an inquiry about the nature and extent of insurance coverage.

Testimony Against: There is no need for this bill anymore. Internal rules utilized by the industry ensure that mere inquiries are not used by insurers when adverse action is taken. A recent lack of complaints to the Insurance Commissioner on this issue proves that the rules are effective.

Who Testified: PRO: Representative Schual-Berke, prime sponsor.

CON: Jean Leonard, Washington Insurers, State Farm Insurance; Mike Kapphahn, Farmers Insurance.