
SUBSTITUTE SENATE BILL 6319

State of Washington

53rd Legislature

1994 Regular Session

By Senate Committee on Labor & Commerce (originally sponsored by Senators Moore, Prentice and Prince)

Read first time 02/04/94.

1 AN ACT Relating to insurance; amending RCW 48.30.320; adding a new
2 chapter to Title 48 RCW; and declaring an emergency.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that personal lines
5 residential property insurers, as a condition of doing business in this
6 state, have a responsibility to contribute to an orderly market for
7 personal lines residential property insurance and that there is a
8 compelling state interest in maintaining an orderly market for personal
9 lines residential property insurance. The legislature further finds
10 that massive cancellations and nonrenewals that are announced,
11 proposed, or contemplated by insurers in the event of a natural
12 disaster, including but not limited to a fire, flood, explosion, wind
13 storm, or volcanic eruption, constitute a significant danger to the
14 public health, safety, and welfare.

15 NEW SECTION. **Sec. 2.** In the state of Washington an insurer
16 authorized under this title to write property insurance as defined
17 under chapter 48.11 RCW, and writing homeowners' policies; mobile home
18 owners' policies; or dwelling, fire, and allied lines policies shall

1 not in any calendar year cancel or refuse to renew more than five
2 percent of its total homeowners' policies in force as of December 31 of
3 the prior year; five percent of its total mobile home owners' policies
4 in force as of December 31 of the prior year; or five percent of its
5 total dwelling, fire, and allied lines policies of all types and
6 classes in force as of December 31 of the prior year, for the purpose
7 of reducing the insurer's future exposure to claims resulting from
8 natural disasters, including but not limited to fire, flood, explosion,
9 wind storm, or volcanic eruption.

10 NEW SECTION. **Sec. 3.** In any county in the state of Washington an
11 insurer authorized under this title to write property insurance as
12 defined under chapter 48.11 RCW, and writing homeowners' policies;
13 mobile home owners' policies; or dwelling, fire, and allied lines
14 policies, shall not in any calendar year cancel or refuse to renew more
15 than ten percent of its total homeowners' policies in force as of
16 December 31 of the prior year; ten percent of its total mobile home
17 owners' policies in force as of December 31 of the prior year; or ten
18 percent of its total dwellings, fire, and allied lines policies of all
19 types and classes in force as of December 31 of the prior year, for the
20 purpose of reducing the insurer's future exposure to claims resulting
21 from natural disasters, including but not limited to fire, flood,
22 explosion, wind storm, or volcanic eruption.

23 NEW SECTION. **Sec. 4.** If prior to the effective date of sections
24 1 through 3 and 5 through 10 of this act, an insurer proposes to cancel
25 or refuse to renew personal lines residential policies to an extent not
26 authorized by section 2 or 3 of this act for the purpose of reducing
27 future exposure to claims resulting from natural disasters, the insurer
28 shall file a phase-out plan with the commissioner at least ninety days
29 prior to the effective date of the plan. In the plan, the insurer
30 shall demonstrate to the commissioner that the insurer is protecting
31 market stability and the interests of its policyholders. The plan may
32 not be implemented unless it is approved by the commissioner. In
33 developing the plan, the insurer shall consider policyholder longevity,
34 the use of voluntary incentives to accomplish the reduction, and
35 geographic distribution.

1 NEW SECTION. **Sec. 5.** If the insurer considers the number of
2 cancellations and nonrenewals under section 2 or 3 of this act as
3 insufficient the insurer shall apply for approval of additional
4 cancellations or nonrenewals on the basis of an unreasonable risk of
5 insolvency. In evaluating a risk under this section, the commissioner
6 shall consider and shall require the insurer to provide information
7 relevant to: The insurer's size, market concentration, and general
8 financial condition; the portion of the insurer's business in this
9 state represented by personal lines residential property insurance; and
10 the extent to which the insurer's assets have been voluntarily
11 transferred by dividend or otherwise from the insurer to its
12 stockholders, parent companies, or affiliated companies since January
13 1, 1994.

14 NEW SECTION. **Sec. 6.** A policy shall not be counted as having been
15 canceled or nonrenewed for purposes of this section if:

16 (1) The policy was canceled or nonrenewed for an underwriting
17 reason, nonpayment of premium, or any other lawful reason that is
18 unrelated to the risk of loss from a natural disaster;

19 (2) The cancellation or nonrenewal was initiated by the insured; or

20 (3) The cancellation or nonrenewal was due to a failure of the
21 insured to comply with a condition of coverage that was approved by the
22 commissioner in order to reduce the risk of loss from a natural
23 disaster.

24 NEW SECTION. **Sec. 7.** The commissioner shall approve or disapprove
25 a waiver under section 4, 5, or 6 of this act within ninety days after
26 the commissioner receives the application for waiver.

27 NEW SECTION. **Sec. 8.** In a contract or agreement to purchase
28 dwelling fire or homeowner insurance, the following or substantially
29 similar warning must be set forth in ten-point print on the face of the
30 policy:

31 WARNING

32 THIS POLICY DOES NOT PROVIDE EARTHQUAKE OR FLOOD COVERAGE
33 UNLESS AN ADDITIONAL PREMIUM HAS BEEN PAID AND THE POLICY IS
34 ENDORSED TO PROVIDE SUCH COVERAGE.

1 NEW SECTION. **Sec. 9.** Sections 1 through 8 of this act shall
2 constitute a new chapter in Title 48 RCW.

3 **Sec. 10.** RCW 48.30.320 and 1979 c 133 s 1 are each amended to read
4 as follows:

5 Every authorized insurer, upon canceling, denying, or refusing to
6 renew any individual life, individual disability, homeowner, dwelling
7 fire, or private passenger automobile insurance policy, shall(~~(, upon~~
8 ~~written request,~~)) directly notify in writing the applicant or insured,
9 as the case may be, of the reasons for the action by the insurer. Any
10 benefits, terms, rates, or conditions of such an insurance contract
11 which are restricted, excluded, modified, increased, or reduced because
12 of the presence of a sensory, mental, or physical handicap shall, upon
13 written request, be set forth in writing and supplied to the insured.
14 The written communications required by this section shall be phrased in
15 simple language which is readily understandable to a person of average
16 intelligence, education, and reading ability.

17 NEW SECTION. **Sec. 11.** Section 4 of this act is necessary for the
18 immediate preservation of the public peace, health, or safety, or
19 support of the state government and its existing public institutions
20 and shall take effect immediately.

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