
Financial Institutions &
Insurance Committee

SB 5146

Brief Description: Making clarifying, nonsubstantive amendments to and correcting outdated references in the insurance code.

Sponsors: Senators Winsley and Prentice; by request of Insurance Commissioner.

Brief Summary of Bill

- Makes technical amendments to the insurance code in order to clarify statutory language and correct typographic errors, grammatical problems, obsolete terminology, and erroneous internal statutory references.
- Adds nonprofit organizations and public entities to the list of entities that may obtain commercial property casualty insurance.
- Authorizes an insurer to terminate an automobile insurance policy more than 60 days after the date of issuance if the insured's driver's license is cancelled.

Hearing Date: 3/21/03.

Staff: Thamas Osborn (786-7129).

Background:

Technical amendments to the insurance code: The Office of the Insurance Commissioner (OIC) is responsible for the regulation of the insurance industry in Washington. The regulatory scheme from which this authority is derived is set forth in Title 48 of the Revised Code of Washington (RCW), which is known as the "insurance code." The insurance code encompasses 79 chapters of the RCW and contains all of the statutes governing the insurance industry and the operation of the OIC. The code contains general provisions regarding the regulatory authority of the OIC, examination procedures, corporate organization, solvency requirements, licensing of agents/brokers, investment regulations, consumer protection, rate setting, and insurance contracts. The code also contains separate chapters with regulations specific to the various categories of insurance, including property, casualty, liability, life, health, disability, etc.

Periodically, the OIC proposes legislation for the purpose of revising various statutes within the insurance code that are in need of technical, nonsubstantive amendments. Such technical amendments are necessary from time to time to clarify statutory language and correct typographic errors, grammatical problems, obsolete terminology, and erroneous internal statutory references.

Commercial property casualty insurance: An insurer may issue a commercial property casualty insurance policy prior to filing the requisite rates and forms with the OIC. Once the policy is issued, the rates and forms must be filed with the OIC within 30 days. This speeds the process of issuing such commercial policies and is an exception to the general rule that rates and forms must first be filed with the OIC before a policy is issued to an insured. "Commercial property casualty" insurance is defined as insurance pertaining to a "business, profession, or occupation." Nonprofit organizations and public entities are excluded from the definition.

Cancellation of automobile insurance: An insurer cannot cancel a private passenger automobile insurance policy unless prior written notice is provided to the insured. The exact amount of notice required depends upon the circumstances of the cancellation. Subject to certain exceptions, a cancellation notice is not valid if sent to an insured more than 60 days after the issuance of the policy. However, this 60-day rule does not apply if the policy cancellation is the result of the "suspension or revocation" of the insured's driver's license. The termination of a policy due to the *cancellation* of an insured's driver's license is not subject to this exception, in which case the 60-day limitation applies.

Summary of Bill:

Technical amendments to the insurance code: Twenty-two statutes within the insurance code are subject to technical, nonsubstantive amendments. The effect of these amendments is to:

- Clarify statutory language via technical, editorial revisions;
- Update obsolete terminology so that it is consistent with current usage and related statutes;
- Delete internal references to statutes that have been repealed;
- Update internal statutory references where such statutes have been amended or recodified; and
- Correct typographical errors.

Commercial property casualty insurance: Nonprofit organizations and public entities are added to the list of commercial entities that may obtain commercial property casualty insurance. This will allow insurers to issue policies to nonprofit organizations and public entities prior to filing the requisite rates and forms with the OIC.

Cancellation of automobile insurance: If an insured's driver's license is *cancelled*, an insurer may terminate the insured's automobile insurance policy at any time and is not subject to the rule requiring that termination occur within 60 days of policy issuance.

Appropriation: None.

Fiscal Note: Not Requested.

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