

# SENATE BILL REPORT

## ESHB 2816

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As Reported By Senate Committee On:  
Financial Services, Insurance & Housing, February 24, 2004

**Title:** An act relating to cancellation and nonrenewal of medical malpractice liability insurance policies.

**Brief Description:** Regulating medical malpractice liability insurance policies.

**Sponsors:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Schual-Berke, Benson, G. Simpson, Clibborn, Linville, Morrell, Edwards and Kagi; by request of Insurance Commissioner).

**Brief History:**

**Committee Activity:** Financial Services, Insurance & Housing: 2/24/04 [DPA].

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### SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

**Majority Report:** Do pass as amended.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Berkey, Keiser, Murray, Prentice and Roach.

**Staff:** Tanya Karwaki (786-7447)

**Background:** With certain exceptions, state insurance law requires policies to be renewable. An insurer is exempt from this requirement if the insurer provides the insured with written notice that it proposes to refuse to renew the insurance policy. Generally, the cancellation notice must be actually delivered or mailed to the insured no fewer than 45 days before the effective date of the cancellation. Shorter notice periods are specified for cancellation based on nonpayment of premiums (10 days) and for cancellation of fire insurance policies (five days). The written notice must state the actual reason for cancellation of the insurance policy.

**Summary of Amended Bill:** The mandatory notice period for cancellation of medical malpractice liability insurance policies is increased. An insurer must actually deliver or mail to the insured a written notice of cancellation of a medical malpractice liability insurance policy no fewer than 90 days before the effective date of the cancellation.

For policies requiring 45 or 90 days' notice that the insurer is not intending to renew, the notice must state that the insurer will not renew the policy upon its expiration date.

**Amended Bill Compared to Original Bill:** The bill as passed, clarifies that the 90 days' notice provision for medical malpractice liability insurance policies does not apply to policies cancelled prior to expiration.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** The Office of the Insurance Commissioner received complaints last year that people have trouble finding insurance upon cancellation.

Testimony neutral: The bill should be amended to leave the notice requirement at 45 days for midterm cancellation because insurers typically reserve these for the most egregious situations.

**Testimony Against:** None.

**Testified:** Gary L Morse, Physicians Insurance (neutral); Lisa Smego, Office of Insurance Commissioner (pro).