

SENATE BILL REPORT

EHB 2987

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

Title: An act relating to underinsured motorist coverage.

Brief Description: Offering motorcycle or motor-driven cycle insurance.

Sponsors: Representatives Roach, G. Simpson, Dunshee, Murray, Anderson, Hatfield, Cairnes, Delvin, Buck and Woods.

Brief History:

Committee Activity: Financial Services, Insurance & Housing: 2/23/04, 2/24/04 [DPA].

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: Do pass as amended.

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

Staff: Jennifer Arnold (786-7543)

Background: 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.

In general, there is a statutory requirement to obtain insurance for bodily injury, death, or property damage caused by underinsured motor vehicles, hit-and-run vehicles, and phantom vehicles. This insurance must be obtained at the time a new policy is purchased, as well as when that policy is renewed, unless the insured opts in writing to not accept underinsured insurance upon the initial purchase of the policy.

The above requirements for underinsured insurance are not applicable in three primary instances: (1) policies for motorcycles or motor-driven cycles, (2) umbrella policies, or (3) any other policies that serve solely as excess to the policy covering the insured vehicle.

Under current law, a rejection in writing of underinsured coverage is required for all automobiles, but not motorcycles. This requirement applies regardless of whether the insurance is rejected in whole or in part.

Summary of Amended Bill: An additional requirement relating to underinsured insurance is created. The new requirement provides that any insurers that choose to provide motorcycle or motor-driven cycle insurance in Washington must provide coverage information on such insurance to prospective insureds.

A rejection in writing is only required if underinsured coverage is rejected in its entirety. If the insured or the insured's spouse opts for underinsured coverage relating to property damage that is less than the insured's property damage coverage for third party liability, a written rejection is not required. This provision applies to all motor vehicles, expressly including motorcycles.

Amended Bill Compared to Original Bill: A new provision is added to clarify existing law for all motor vehicles and provides that if an insured accepts underinsured insurance, but at a lesser level than the property damage coverage the insured has for third party liability insurance, a written rejection is not required. Thus, a rejection in writing is only required if the coverage is rejected in its entirety. This provision is expressly applicable to motorcycles, in addition to other motor vehicles.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: There is a problem with the House amendatory language. There are concerns that written notification to reject should be inserted back into the bill. The changes proposed to the Senate committee address the concerns of the bills' proponents.

Testimony Against: None.

Testified: PRO: Representative Roach, prime sponsor; Larry Walker, WA Long Riders Association.