

# SENATE BILL REPORT

## SB 5797

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As of January 11, 2024

**Title:** An act relating to fines levied upon authorized insurers in addition to or in lieu of suspension, revocation, or refusal to renew certificate of authority.

**Brief Description:** Concerning fines levied upon authorized insurers.

**Sponsors:** Senators Kuderer, Stanford, Dhingra, Nobles and Wellman.

**Brief History:**

**Committee Activity:** Business, Financial Services, Gaming & Trade: 1/11/24.

**Brief Summary of Bill**

- Increases the amount an authorized insurer may be fined to \$25,000 per violation.

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### SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

**Staff:** Kellee Gunn (786-7429)

**Background:** The Office of the Insurance Commissioner (OIC) regulates insurance companies and individuals that work in the insurance industry. The OIC is responsible for enforcing insurance laws and rules in this state. A violation of the insurance code or administrative rule may result in a fine and, depending on the nature of the violation, license or certificate of authority suspension, revocation, nonrenewal, or other action. Some fines may be levied in lieu of revocation, suspension, or refusal to renew a license or certificate of authority. Fines vary depending on the entity, licensee, and the act committed.

**Summary of Bill:** The amount OIC may fine an authorized insurer in addition to or in lieu of suspension, revocation, or nonrenewal of a certificate of authority is increased from \$250 to not more than \$10,000, to not more than \$25,000 per violation.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

**Appropriation:** None.

**Fiscal Note:** Requested on January 5, 2024.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** PRO: It has been decades since this RCW has been updated. OIC fines on a per violation basis except for this instance. An authorized insurer could act in egregious way, but currently the violation would be limited to \$10,000. This bill is a consumer protection bill. There are 17 different statutes in the code that give OIC fine authority. This will generally affect authorized insurers. This aligns what occurs for surplus lines insurers. And the per violation change makes it more in alignment with all other types of insurance violation fines.

CON: There are many different penalty regimes in the code now. The addition of the per violation where there is no ultimate cap could become a nuclear type of penalty. Intentional and egregious violation is fine, but with a simple clerical error this could be problematic. Consumers benefit from rigorous consumer protection. Insurers also benefit from this consumer protection. This bill changes long standing statutory fines. Currently, if a violation is found, it is \$250 to no more than \$10,000. The minimum is no longer mentioned in the current bill, and there is no maximum. In the event of an error of a policy form, this could result in thousand of violations. Most violations discovered by the OIC results in a negotiated settlement. Increasing the fine without a differentiated fine or a cap, will result in a costly penalty for what could be a simple error.

**Persons Testifying:** PRO: Senator Patty Kuderer, Prime Sponsor; David Forte, Office of the Insurance Commissioner.

CON: Kenton Brine, NW Insurance Council; Kris Teft, American Property Casualty Insurance Association (APCIA).

**Persons Signed In To Testify But Not Testifying:** No one.