
Consumer Protection & Business Committee

ESB 5721

Brief Description: Enhancing consumer protections for automobile insurance coverage.

Sponsors: Senators Stanford, Valdez, Hasegawa, Riccelli, Alvarado, Nobles, Orwall, Slatter, Trudeau and Wellman.

<p style="text-align: center;">Brief Summary of Engrossed Bill</p> <ul style="list-style-type: none">• Requires every automobile insurance policy effective on or after January 1, 2026, to include a right to an appraisal to resolve disputes regarding the value and amount of loss on a damaged vehicle.

Hearing Date: 4/1/25

Staff: Megan Mulvihill (786-7304).

Background:

The Office of the Insurance Commissioner (OIC) has the power and duty to enforce Washington's insurance laws and regulations, including the form and content of insurance contracts. The Insurance Code specifies the categories of information that must be contained in an insurance contract, including the type of risk that is being insured against, the amount of the premium, the starting date of the insurance coverage, and the period during which the insurance coverage is effective. Every person in Washington who operates an automobile must be insured under a motor vehicle liability policy, a liability bond, a certificate of deposit, or be self-insured. Where a person is insured under a motor vehicle liability policy, the policy must include the name and address of the insured, the coverage provided by the policy, the premium charged, the policy period, and the limits of liability.

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.

When a motor vehicle is damaged and an insurance claim is filed, the insurance company has the right to decide whether a vehicle is repairable or if the vehicle is considered a total loss. Total loss means either the vehicle is not repairable or it costs more to repair than it is worth. When a vehicle is deemed a total loss, the insurer has three methods to adjust and settle the claim: (1) replace the vehicle; (2) a cash settlement; or (3) an appraisal if the insurer and the insured fail to agree and the insurance policy contains an appraisal provision. The appraisal process may vary based on the motor vehicle insurance policy.

Washington law provides a cause of action against an insurer for unreasonable denial of a claim for coverage or payment of benefits to recover actual damages, costs, and attorney's fees.

Summary of Bill:

Every automobile insurance policy that includes first-party coverage for physical damage effective on or after January 1, 2026, must include a right to an appraisal to resolve disputes between the insurer and the insured regarding the actual cash value and amount of loss on the damaged vehicle. An appraisal may only be requested 10 days after the insurer receives notification of the claim.

The appraisal clause must include specified language instructing the appraisal process as follows:

- Either party may make a written demand for an appraisal, and within 10 days, each party must select a competent and disinterested appraiser and notify the other party of its selection.
- Each appraiser must appraise the loss, make separate findings, and exchange their completed appraisals. If the appraisers do not agree on the losses, they must submit their differences to a competent and disinterested umpire.
- If the appraisers do not select an umpire within 15 days, either appraiser may notify the OIC to identify a registered competent and disinterested umpire.
- Appraisers must make their appraisals within 30 calendar days of being selected. If more than 30 days are needed, the appraiser must provide a reasonable basis to the other appraiser before 25 days have passed and document the reason for the extension in their file.
- The amount of loss must be determined either by agreement of the appraisers or by agreement of one appraiser and the umpire.
- Each party is responsible for their appraisal expense and equally responsible for the cost of the umpire.

If the appraised loss is greater than what the insurer adjusted prior to the appraisal process by an amount of \$500 or more, then the insurer must reimburse the insured for the appraisal costs.

Appropriation: None.

Fiscal Note: Available.

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