

# FINAL BILL REPORT

## ESB 5721

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Synopsis as Enacted

**Brief Description:** Enhancing consumer protections for automobile insurance coverage.

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

**Senate Committee on Business, Financial Services & Trade**  
**House Committee on Consumer Protection & Business**

**Background:** Appraisal Clauses in Motor Vehicle Insurance Policies. According to the *Washington Motor Vehicle Accident Insurance Deskbook*, published by the Washington State Bar Association, most collision and comprehensive coverages in motor vehicle insurance policies provide for appraisal in the event that the insurer and the insured cannot agree on the value of a loss in first-party insurance coverage claims for automobile damage.

Washington courts have generally held appraisal provisions in insurance contracts to be valid and enforceable, and have found appraisal awards to be conclusive as to the amount of loss except in cases of bias, prejudice, or lack of disinterestedness on the part of either an appraiser or the umpire—for example, *Montler v. Belfor USA Grp., Inc.* (2023), citing *Goldstein v. Nat'l Fire Ins. Co. of Hartford, Conn.* (1919); *Bainter v. United Pac. Ins. Co.* (1988).

Current state law does not require or prohibit the use of, or specify requirements for, appraisal provisions in motor vehicle insurance policies. A rule adopted in 2009 by the Office of the Insurance Commissioner (OIC) specifies methods and standards of practice for the settlement of total loss vehicle claims, but does not require, prohibit, or specify requirements for appraisal.

According to the OIC, it is experiencing a historic rise of complaints relating to auto insurance, with 88 percent of auto insurance complaints relating to valuation disputes and claims handling disagreements.

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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.*

**Summary:** Right to Appraisal in Automobile Insurance Policies with First-Party Coverage for Physical Damage. Every automobile insurance policy that includes first-party coverage for physical damage issued or renewed effective on or after January 1, 2026, is required to include a provision for the 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 automobile.

Specified language is to be included in the appraisal clause, but authorizes corresponding language that the insurer certifies is at least as favorable to the insured.

Timeframes for Invoking Appraisal, Requirements for Selecting Appraisers, and Appraisals.

If the insurer and the policyholder are unable to agree as to the amount of loss, either party may make a written demand for an appraisal, and within ten days, each party must select a competent and disinterested appraiser and notify the other party of its selection.

The appraisers must then each appraise the actual cash value and the amount of loss, make separate findings regarding the amount of loss for each element of loss, and exchange their completed appraisals. The appraisers must make their appraisals within 30 calendar days of selection. If an appraiser needs more than 30 days, the appraiser must provide a reasonable basis to the other appraiser before 25 days has passed. The appraiser must document the reason or reasons for the extension in their file.

The following terms are defined:

- appraiser means a person selected by the insurer or the insured to place a value on or estimate the amount of loss under an appraisal clause in an insurance contract;
- competent means the person has subject matter expertise, relevant training, and experience to make decisions and valuations relating to the amount of loss; and
- disinterested means the person does not have a direct financial interest in the outcome of the appraisal process.

Appointment of an Umpire and Determination. An umpire is defined as a person selected by the appraisers representing the insurer and the insured, or, if the appraisers cannot agree, by the OIC, who is charged with resolving issues that the appraisers are unable to agree upon during the course of an appraisal.

If the appraisers are unable to agree on the losses, they must appoint a competent and disinterested umpire and submit their differences to the umpire. If the appraisers do not appoint a competent and disinterested umpire within 15 days, either appraiser may notify the OIC, which must identify a registered competent and disinterested umpire that will be used according to the process that the OIC specifies by rule.

The amount of loss must be determined either by agreement of the appraisers or by agreement of one appraiser and the umpire. An agreement of any two is binding.

Bearing of Appraisal Costs. Each party is responsible for their appraisal expenses, and each

party is equally responsible for the cost of the umpire.

Rulemaking. The OIC may adopt implementing rules.

**Votes on Final Passage:**

Senate 29 20

House 96 1 (House amended)

Senate 46 2 (Senate concurred)

**Effective:** July 27, 2025