

SENATE BILL REPORT

SB 6252

As of January 23, 2024

Title: An act relating to enhancing consumer protections for automobile insurance coverage.

Brief Description: Enhancing consumer protections for automobile insurance coverage.

Sponsors: Senators Stanford, Hasegawa, Kuderer, Nobles and Valdez.

Brief History:

Committee Activity: Business, Financial Services, Gaming & Trade: 1/23/24.

Brief Summary of Bill

- Requires every basic automobile insurance contract to include a provision for the right to an appraisal and a provision requiring that, if repairable, the amount paid under the claim allows the vehicle to be restored to its condition prior to the loss.
- Requires the payment of an automobile insurance claim be based on reasonable and necessary costs at the claimant's chosen repair facility.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Staff: Kellee Gunn (786-7429)

Background: Every person who drives an automobile or motorcycle in Washington State is required to have an automobile insurance policy. If not carrying a liability insurance policy a person may apply for a certificate of deposit to pay for their liability, have a liability bond filed by an authorized surety bond company, or be self-insured if in possession of more than 26 vehicles.

The automobile insurance policy contract must provide that the insurer will give the insured a certain amount of notice prior to cancellation or nonrenewal.

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.

The Office of the Insurance Commissioner is responsible for adopting standard policy forms for property and casualty insurance, including automobile insurance. The Department of Licensing is responsible for ensuring drivers have the mandatory automobile insurance and approves insurance identification cards produced by insurers to be used for proof of compliance.

Summary of Bill: Requires every basic automobile insurance contract issued or renewed on or after January 1, 2025, to include a provision for the right to an appraisal and a provision, if the car is repairable, requiring the amount paid by the insurance company restore the vehicle to its prior condition before the loss.

A basic automobile insurance contract is one that includes first-party coverage for physical damage of an automobile.

Right to an Appraisal. The automobile insurance contract must have an appraisal clause containing specific language on the right to appraisal to resolve disputes between the insurer and the insured regarding actual cash value and amount of loss on the damaged vehicle. The provision requires:

- each party to choose a competent and disinterested appraiser within ten days of a written demand when the insurance company and the policy holder are unable to agree as to the amount of loss;
- the appraiser to pick a competent and disinterested umpire within 15 days. If the appraiser does not wish to appoint an umpire, either party may request a judge of a court of competent jurisdiction to pick an umpire;
- the appraiser to appraise a loss, make separate findings regarding the amount of loss for each element of loss and, if unable to agree on the losses, to submit their differences to the umpire;
- the amount of loss to be determined either by agreement of the appraisers or by agreement of one appraiser and the umpire;
- reimbursement if the amount of loss determined is greater than the amount of loss the insurance company adjusted before the appraisal process was invoked; and
- that the actual costs for the appraiser, attorneys' fees, and other necessary costs be reasonable.

Right to Previous Condition if Repairable. The automobile insurance contract must also have a provision requiring that the amount paid under the claim must allow the vehicle to be restored to its condition prior to the loss, if repairable.

Payment of Claim Be Reasonable. Payment of a claim must be based on reasonable and necessary costs at the claimant's chosen repair facility. The insurance company has the burden to prove the costs at the claimant's chosen repair facility are unreasonable or unnecessary. Nothing mandates an insurance company to pay for parts supplied by the original equipment manufacturer other than that the use of alternative parts would fail to

restore the vehicle to its previous condition.

Appropriation: None.

Fiscal Note: Requested on January 17, 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: The appraisal process is a key provision to a claim dispute and avoids litigation. An appraisal determines the value of loss, and it is not standardized in this state. This bill will help consumers. There are requirements in the bill for insurers to investigate within a certain amount of time. OIC has offered technical amendments. The OIC cannot act on a single complaint. The Insurance Fair Conduct Act (IFCA) does not help with single claims issues that are low value cases. Our auto appraiser and insurance adjuster company has helped get money and value back for the consumer. Many of our company's cases have gone through a mediator, or umpire, to assist in determining the value and money needed to get the automobile back running. Oregon has enacted this law. Nothing in this bill mandates the insurer to pay for parts from the original manufacturer.

Members of the Washington independent Collisions Association have reported that only 2 percent of picture-only-inspections show the actual damage to the automobile. Nothing in law requires an insurer to pay for the repairs fairly. When my automobile was in an accident, my insurance company tried to negotiate for much lower than the actual fair value of the vehicle. Luckily, I had an appraisal clause in my policy. In the end, the cost for the appraisal took up half of the payment received from the insurer for the vehicle repair. It took almost a year to resolve my claim I was rear ended. My insurer refused to inspect my car in person. It was obvious the insurer would not pay for the cost to repair my vehicle. The Subaru shop that looked at my vehicle saw over \$27k in damage. I finally filed a claim to the at fault party, and with the help of my adjuster I was able to get a claim that covered my costs. We need consumer protections like what Oregon has.

CON: Though this bill is well intentioned, we are in opposition. The insurer is required to pay what it takes to get the vehicle back in shape. There is no systemic failure here. The current process works. Thousands of cars roll out of auto repair shops every day. J.D. Power surveys show that the process works. The current model encourages collaboration. This bill works in favor of the repair shop and clouds whether the costs are correct. This will raise the cost of auto insurance to the detriment of Washington insureds. Under Washington law, an insured can go to any repair facility. If a consumer chooses a certain shop, an insurer is not stopping them. In most claims, insureds are satisfied by their claim. During the appraisal process, getting the automobile repaired takes longer. The bill requires an appraisal during a dispute and requires insurers to pay for everything in the dispute process. This bill will

increase costs.

The bill contains new language that is problematic and restrictive. This bill is missing provisions that are crucial in determining the best parts to repair the automobile. This is the wrong time to limit affordable repair solutions. Alternative parts should include viable refurbished automobile parts. Original equipment manufacturer (OEM) parts are expensive and difficult to obtain.

Persons Testifying: PRO: Senator Derek Stanford, Prime Sponsor; David Forte, Office of the Insurance Commissioner; Jeff Butler, Collision Consulting of Washington; Ralph Carpenter; Justin Lewis, Washington Independent Collision Repairers Association; Ron Mondragon; Mark Buchanan; Adrian Delgado Zambrano.

CON: Catalina Jelkh Pareja, LKQ Corporation; Kris Tefft, American Property Casualty Insurance Association; Kenton Brine, Northwest Insurance Council.

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