
SENATE BILL 6319

State of Washington

53rd Legislature

1994 Regular Session

By Senators Moore, Prentice and Prince

Read first time 01/19/94. Referred to Committee on Labor & Commerce.

1 AN ACT Relating to insurance; amending RCW 48.30.320; and adding a
2 new chapter to Title 48 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature finds that personal lines
5 residential property insurers, as a condition of doing business in this
6 state, have a responsibility to contribute to an orderly market for
7 personal lines residential property insurance and that there is a
8 compelling state interest in maintaining an orderly market for personal
9 lines residential property insurance. The legislature further finds
10 that massive cancellations and nonrenewals that are announced,
11 proposed, or contemplated by insurers in the event of a natural
12 disaster, including but not limited to a fire, flood, explosion, wind
13 storm, or volcanic eruption, constitutes a significant danger to the
14 public health, safety, and welfare.

15 NEW SECTION. **Sec. 2.** In the state of Washington a personal lines
16 residential property insurer may not in any calendar year, cancel or
17 refuse to renew, more than five percent of its homeowners' policies in
18 effect as of December 31 of the prior year, five percent of its mobile

1 home owners' policies in effect as of December 31 of the prior year, or
2 five percent of its personal lines residential policies of all types
3 and classes in effect as of December 31 of the prior year, for the
4 purpose of reducing the insurer's future exposure to claims resulting
5 from natural disasters, including but not limited to fire, flood,
6 explosion, wind storm, or volcanic eruption.

7 NEW SECTION. **Sec. 3.** In any county in the state of Washington a
8 personal lines residential property insurer may not in any calendar
9 year cancel or refuse to renew more than ten percent of its homeowners'
10 policies in effect as of December 31 of the prior year, or ten percent
11 of its mobile home owners' policies in effect as of December 31 of the
12 prior year, or ten percent of its personal lines residential policies
13 of all types and classes in effect as of December 31 of the prior year,
14 for the purpose of reducing the insurer's future exposure to claims
15 resulting from natural disasters, including but not limited to fire,
16 flood, explosion, wind storm, or volcanic eruption.

17 NEW SECTION. **Sec. 4.** If prior to the effective date of this act,
18 an insurer proposes to cancel or refuse to renew personal lines
19 residential policies to an extent not authorized by section 2 or 3 of
20 this act for the purpose of reducing future exposure to claims
21 resulting from natural disasters, the insurer must file a phase-out
22 plan with the commissioner at least ninety days prior to the effective
23 date of the plan. In the plan, the insurer must demonstrate to the
24 commissioner that the insurer is protecting market stability and the
25 interests of its policyholders. The plan may not be implemented unless
26 it is approved by the commissioner. In developing the plan, the
27 insurer must consider policyholder longevity, the use of voluntary
28 incentives to accomplish the reduction, and geographic distribution.

29 NEW SECTION. **Sec. 5.** If the insurer considers the number of
30 cancellations and nonrenewals under section 2 or 3 of this act as
31 insufficient the insurer may apply for approval of additional
32 cancellations or nonrenewals on the basis of an unreasonable risk of
33 insolvency. In evaluating a risk under this section, the commissioner
34 shall consider and shall require the insurer to provide information
35 relevant to: The insurer's size, market concentration, and general
36 financial condition; the portion of the insurer's business in this

1 state represented by personal lines residential property insurance; and
2 the extent to which the insurer's assets have been voluntarily
3 transferred by dividend or otherwise from the insurer to its
4 stockholders, parent companies, or affiliated companies since January
5 1, 1994.

6 NEW SECTION. **Sec. 6.** A policy shall not be counted as having been
7 canceled or nonrenewed for purposes of this section if:

8 (1) The policy was canceled or nonrenewed for an underwriting
9 reason, nonpayment of premium, or any other lawful reason that is
10 unrelated to the risk of loss from a natural disaster;

11 (2) The cancellation or nonrenewal was initiated by the insured; or

12 (3) The cancellation or nonrenewal was due to a failure of the
13 insured to comply with a condition of coverage that was approved by the
14 commissioner in order to reduce the risk of loss from a natural
15 disaster.

16 NEW SECTION. **Sec. 7.** The commissioner must approve or disapprove
17 a waiver within ninety days after the commissioner receives the
18 application for waiver.

19 NEW SECTION. **Sec. 8.** Sections 1 through 7 of this act constitute
20 a new chapter in Title 48 RCW.

21 **Sec. 9.** RCW 48.30.320 and 1979 c 133 s 1 are each amended to read
22 as follows:

23 Every authorized insurer, upon canceling, denying, or refusing to
24 renew any individual life, individual disability, homeowner, dwelling
25 fire, or private passenger automobile insurance policy, shall(~~(, upon~~
26 ~~written request,~~)) directly notify in writing the applicant or insured,
27 as the case may be, of the reasons for the action by the insurer. Any
28 benefits, terms, rates, or conditions of such an insurance contract
29 which are restricted, excluded, modified, increased, or reduced because
30 of the presence of a sensory, mental, or physical handicap shall, upon
31 written request, be set forth in writing and supplied to the insured.
32 The written communications required by this section shall be phrased in

- 1 simple language which is readily understandable to a person of average
- 2 intelligence, education, and reading ability.

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