

Independent Insurance Agents & Brokers of Washington 2014 STATE LEGISLATIVE SESSION IN REVIEW

The Washington State Legislature adjourned on March 13, the 60th and final day of the 2014 regular session. The legislature reached agreement on a modest supplemental operating budget and a supplemental transportation budget, but did not pass a supplemental capital construction budget.

During the 60-day session, lawmakers made modest steps toward complying with the most significant issue facing the legislature – meeting the financial obligations to comply with the state Supreme Court's ruling mandating the full funding of public education by 2018. While legislators are moving into campaign mode, they are already anxious about the challenges awaiting them in 2015. That's when the legislature must have a serious debate about \$1-2.5 billion in new taxes to fund public schools.

In anticipation of a 2015 legislative fight involving B&O tax increases on insurance producers' commissions, IABW will focus its 2014 governmental affairs activities on three key tasks:

- educating legislators and candidates about the impact of increased B&O taxes on insurance producers;
- raising money for the BIG I PAC; and
- increasing grassroots activities that position IABW to protect its current tax rate.

LEGISLATION THAT PASSED:

Review of OIC Health Care Rulemaking

SB 6458 requires the OIC to provide notice of rule making on health care matters to legislative health care committees, the state Health Benefit Exchange, the Health Care Authority and the Governor. If any of these parties have concerns or object to the rule making, the health care committee chairs can request initiation of the formal review and objection process through the Joint Administrative Rules Review Committee. The bill is intended to improve coordination between the OIC and other state agencies when the OIC takes administrative action that impacts the Exchange or the state Health Care Authority. This bill as originally introduced proposed to eliminate the OIC as an elected office and to replace the position with a state insurance board. The bill passed the legislature and awaits signature by the Governor.

LEGISLATION THAT DIED:

Electronic Communication and Website Posting of Insurance Documents (E-Notice and E-Posting)

HB 2662, legislation that proposed optional electronic communication of any insurance notice or document required under law and website posting of standard policy insurance documents,

died in the House Business and Financial Institutions Committee. IIABW will participate in a workgroup throughout the next several months to develop a better proposal for the 2015 legislature to consider. IIABW testified with concerns about the bill due to the potential confusion that may occur when an insurer provides notice of cancellation or non-renewal to the customer and producer and risk of E & O exposure. Additionally, IIABW raised issues about the unintended impact the bill had on insurer communications with agencies that involve appointments and contracts.

Third-Party "Bad Faith" Auto Claims

HB 2600 proposed making insurers pay claims for third-party auto-related damages. The legislation died in the House Business and Financial Services Committee and was strongly opposed by P&C insurers. The tension point is driven by the bill sponsor's belief that insurers have no pressure to timely settle third-party claims – especially when the claims are small and no lawyers are involved. Insurers strongly disagreed, clearly explaining they are not interested in becoming a deep pocket to pay for frivolous claims that result in higher insurance costs for consumers.

OIC's Holding Company Act

Offered as OIC-request legislation, HB 2461 was based on two model laws created by the National Association of Insurance Commissioners (NAIC) and is linked to the OIC's national accreditation requirements that are up for review in 2015. During the last two weeks of the session, HB 2461 morphed into a highly controversial fight between the OIC and Premera, with P&C insurance companies seeking passage of the bill caught in the political crossfire. At the center of the debate: to what extent a wide range of insurer documents are protected from public disclosure. The OIC says it will pursue the bill again in 2015.

Retainage Bonds

SB 6110, legislation clarifying that surety bonds which are executed, posted or given as security are covered by any state law as long as they have an A-minus or better rating, died. Sought by Liberty Mutual/Safeco, this bill was an effort to enable larger insurance company's bonds to work for public entities involved in public works construction projects, most notably the Port of Bellingham.

Navigator Background Checks

SB 6474, legislation that required navigators to submit finger prints for background checks, died in the Senate

Motorcycle Helmet Safety Standards

HB 2495, legislation that removes the requirement that motorcycle helmets comply with federal safety standards, died in the House Transportation Committee.