

Multiple Agency Fiscal Note Summary

Bill Number: 2011 HB	Title: Automobile insurance
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Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts	No fiscal impact					
Loc School dist-SPI						
Local Gov. Other						
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Administrative Office of the Courts	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Insurance Commissioner	1.0	0	0	320,074	1.2	0	0	339,218	1.2	0	0	339,218
Total \$	1.0	0	0	320,074	1.2	0	0	339,218	1.2	0	0	339,218

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts	No fiscal impact								
Loc School dist-SPI									
Local Gov. Other									
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Administrative Office of the Courts	.0	0	0	.0	0	0	.0	0	0
Office of Insurance Commissioner	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts	No fiscal impact								
Loc School dist-SPI									
Local Gov. Other									
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

Prepared by: Jason Brown, OFM	Phone: (360) 742-7277	Date Published: Final 1/18/2024
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Judicial Impact Fiscal Note

Bill Number: 2011 HB	Title: Automobile insurance	Agency: 055-Administrative Office of the Courts
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note for Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.

Legislative Contact: Megan Mulvihill	Phone: 360-786-7304	Date: 01/09/2024
Agency Preparation: Jackie Bailey-Johnson	Phone: 360-704-5545	Date: 01/16/2024
Agency Approval: Chris Stanley	Phone: 360-357-2406	Date: 01/16/2024
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 01/16/2024

189,808.00

Request # 051-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact on the Courts

This bill relates to enhancing consumer protections for automobile insurance coverage.

II. B - Cash Receipts Impact

None

II. C - Expenditures

Minimal court impact due to possible increase in case filings but court will be able to absorb into the current workload. Existing codes can be used, no system impact.

Part III: Expenditure Detail

III. A - Expenditure By Object or Purpose (State)

NONE

III. B - Expenditure By Object or Purpose (County)

NONE

III. C - Expenditure By Object or Purpose (City)

NONE

III. D - FTE Detail

NONE

III. E - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B1 - Expenditures by Object Or Purpose (State)

NONE

IV. B2 - Expenditures by Object Or Purpose (County)

NONE

IV. B3 - Expenditures by Object Or Purpose (City)

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

189,808.00

Form FN (Rev 1/00)

Individual State Agency Fiscal Note

Bill Number: 2011 HB	Title: Automobile insurance	Agency: 160-Office of Insurance Commissioner
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	2.1	1.0	1.2	1.2
Account					
Insurance Commissioners Regulatory Account-State 138-1	0	320,074	320,074	339,218	339,218
Total \$	0	320,074	320,074	339,218	339,218

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Megan Mulvihill	Phone: 360-786-7304	Date: 01/09/2024
Agency Preparation: Andrew Davis	Phone: 360-725-7170	Date: 01/15/2024
Agency Approval: Michael Wood	Phone: 360-725-7007	Date: 01/15/2024
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 01/18/2024

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1 requires all automobile insurance companies to include an appraisal clause in first party contract language. Insurers are required to reimburse the insured their reasonable appraisal costs if the appraisal process resulted in a larger payout than initially offered by the insurance company.

Section 2(1) requires every basic contract of automobile insurance to contain: “When a vehicle is deemed repairable by [the insurance company], the amount paid under the claim must allow the vehicle to be restored to its condition prior to the loss.”

Section 2(2) requires automobile insurance companies to pay for reasonable and necessary costs based on a claimant’s chosen repair shop estimate. The insurance company has the burden to prove the costs at the claimant’s repair shop are not reasonable and necessary.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Section 1 requires all automobile insurance companies to include an appraisal clause in first party contract language. Insurers are required to reimburse the insured their reasonable appraisal costs if the appraisal process resulted in a larger payout than initially offered by the insurance company. The OIC will require additional review of all automobile insurer contract form filings to ensure the appraisal clause is included. The OIC will require one-time costs, in FY2025, of 6 hours of a Functional Program Analyst 3 to update filing review standards, update checklist documents and train staff. Based on the Market Share report from the National Association of Insurance Commissioners, there were 146 insurers writing private passenger auto and we assume approximately 30% of those insurers issue more than one type of private passenger auto policy. Each contract form filings will result in an additional 10 minutes of review per form filing requiring one-time costs, in FY2025, of 32 hours (190 form filing x 10 minutes) of a Functional Program Analyst 3.

Section 1 will generate additional consumer inquiries, calls, and complaints regarding appraisal rights. Unsatisfactory settlement offers are one of the largest drivers of consumer contacts to the OIC. Over the last 5 years, the OIC has averaged 559 complaints per year involving unsatisfactory settlement offers for private passenger auto policies. The OIC estimates a 10% increase in these complaints as a result of the requirements in this section. In addition, the OIC is expected to receive an additional 1,560 written inquiries and 2,080 calls per year. For purposes of this fiscal note, it is assumed that informational cases will take 10 minutes per case and complaint cases will take 3.25 hours per case requiring a total of 789 hours (3,640 info cases x 10 minutes + 56 complaint cases x 3.25 hours) of a Functional Program Analyst 3 each year beginning in FY2025.

Section 2(1) requires every basic contract of automobile insurance to contain: “When a vehicle is deemed repairable by [the insurance company], the amount paid under the claim must allow the vehicle to be restored to its condition prior to the loss.” Section 2(2) requires automobile insurance companies to pay for reasonable and necessary costs based on a claimant’s chosen repair shop estimate. The insurance company has the burden to prove the costs at the claimant’s repair shop are not reasonable and necessary.

Section 2 will generate additional consumer and repair shop inquiries, calls, and complaints regarding appraisal rights as both repair shops and consumers expect the OIC’s analyst staff to determine if a company has met the burden of proof that the repair shop estimate was not reasonable or necessary. Unsatisfactory settlement offers are one of the largest drivers of consumer contacts to the OIC. Over the last 5 years, the OIC has averaged 559 complaints per year involving unsatisfactory settlement offers for private passenger auto policies. The OIC estimates a 20% increase in these complaints as a result of the requirements in this section. In addition, the OIC is expected to receive an additional 1,560 written inquiries and 780 calls per year. For purposes of this fiscal note, it is assumed that informational cases will take 10 minutes per case and complaint cases will take 3.25 hours per case requiring a total of 754 hours (2,340 info cases x 10 minutes + 112 complaint cases x 3.25 hours) of a Functional Program Analyst 3 each year beginning in FY2025.

The provisions in section 1 and 2 will also lead to an increase in enforcement actions, including the potential for enforcement in situations in which an insurer does not comply with the appraisal provision or if the provision regarding repairable vehicles and the amount paid by the insurers, which may result in hearings. The OIC anticipates an average of an additional 10 investigations and 2 enforcement actions that will result in 2 hearings per year to address compliance issues. Investigations generally take anywhere between 25-80 hours per case, enforcement actions require the equivalent of approximately 40 hours per case and hearings generally require between 50-100 hours. For purposes of this fiscal note, it is assumed that investigations will require an average of 30 hours per case, enforcement actions will require an average of 40 hours per case, and hearing will require an average of 50 hours per case requiring 320 hours (10 cases x 30 hours + 2 hearings x 10 hours) of an Investigator 3 and 160 hours (2 cases x 40 hours + 2 hearings x 40 hours) of an Insurance Attorney beginning in FY2025.

Section 1 and 2 will require ‘normal’ rulemaking in FY2025 to revise WAC 284-30-390(2)-(4) to ensure consistency with the bill. WAC 284-30-390(2) will also be amended to state that the companies’ reasons for paying less than the estimate should be based upon proof that the estimates costs were unreasonable or necessary, as in Section 2(2). Additionally, section 1 of this bill allows insurers to create their own appraisal clause provided the insurer “certifies that the appraisal clause is more favorable to the insured”. Rules are needed to be created to implement a certification process.

Ongoing Costs:

Salary, benefits and associated costs for .95 FTE Functional Program Analyst 3, .19 FTE Investigator 3, and .09 FTE Insurance Attorney.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
138-1	Insurance Commissioners Regulatory Account	State	0	320,074	320,074	339,218	339,218
Total \$			0	320,074	320,074	339,218	339,218

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		2.1	1.0	1.2	1.2
A-Salaries and Wages		192,341	192,341	200,480	200,480
B-Employee Benefits		63,718	63,718	70,894	70,894
C-Professional Service Contracts					
E-Goods and Other Services		64,015	64,015	67,844	67,844
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	320,074	320,074	339,218	339,218

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Functional Program Analyst 3	78,468		1.0	0.5	1.0	1.0
Functional Program Analyst 4	86,712		0.2	0.1		
Insurance Attorney	103,500		0.1	0.1	0.1	0.1
Investigator 3	86,208		0.2	0.1	0.2	0.2
Senior Policy Analyst	116,148		0.7	0.3		
Total FTEs			2.1	1.1	1.2	1.2

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 1 and 2 will require ‘normal’ rulemaking in FY2025 to revise WAC 284-30-390(2)-(4) to ensure consistency with the bill. WAC 284-30-390(2) will also be amended to state that the companies’ reasons for paying less than the estimate should

be based upon proof that the estimates costs were unreasonable or necessary, as in Section 2(2). Additionally, section 1 of this bill allows insurers to create their own appraisal clause provided the insurer “certifies that the appraisal clause is more favorable to the insured”. Rules are needed to be created to implement a certification process.