

## Table of Contents

<b>Table of Contents</b> .....	<b>- 1 -</b>
<b>Washington State Laws Relating to Property &amp; Casualty Insurance</b> .....	<b>2</b>
A. Surplus Lines Broker... (48.15.040) .....	2
B. Cancellation and Nonrenewal... (48.18.289, .290, .291, .2901, .300) .....	2
1. Independent Evaluation .....	2
2. Day-Care Operations .....	2
3. Nonrenewal .....	2
4. Cancellation .....	2
C. Application and Binders... (284-30-560, 48.18.070, 220-240) .....	3
D. Termination of Agency Contract... (48.17.591) .....	4
E. Credit Scoring and Adverse Action... (48.18.545 (2, 3, 4, 5), 284-24-140, 48.19.035-1-d) .....	4
F. Required Records and Record Retention... (48.17.470).....	5
<b>Laws pertinent to Casualty Insurance Only</b> .....	<b>6</b>
A. Definitions: 46.04.382.....	6
“Passenger car” .....	6
The “named insured” .....	6
“First Party” .....	6
1. Personal Injury Protection (PIP)... (48.22.085, .090, .095, .100; 284-30-395) .....	6
2. Underinsured Motorist... (48.22.030) .....	7
3. Underinsured Coverage where liability insurer is insolvent (48.22.040).....	8
4. Total Loss... (284-30-391) .....	8
5. Auto Renewal, Non-Renewal/Cancellation of Coverage... (48.18.289, .290, 291, 292) ..	8
6. Unfair Practice... (284-30-570) .....	9
7. Cancellation by commissioner. ....	9
8. The Assigned Risk Pool... (48.22.020).....	9
B. Financial Responsibility Liability Law... (46.29.060, 090, 260, 46.30.020).....	9
1. “Proof of financial responsibility for the future” defined... (46.29.260) .....	9
• Failure to demonstrate financial responsibility .....	9
• The minimum amount required.....	10
<b>Laws pertinent to Property Insurance Only</b> .....	<b>11</b>
A. Over-Insurance... (48.27.010, .020) .....	11
B. The Washington F.A.I.R. Plan... (284-19-010, 020, 050,060, 070, 080, 100, 110,120, 130, 165)11	
<b>Federal Regulations</b> .....	<b>13</b>
A. Fair Credit Reporting Act.....	13
B. Fraud and false statements (18 USC Sections 1033 and 1034) .....	13
C. National Flood Insurance Program (www.fema.gov/nfip) .....	14
D. Terrorism Risk Insurance Act / (TRIA) .....	15

## Washington State Laws Relating to Property & Casualty Insurance

**A. Surplus Lines Broker...** (48.15.040) a licensed person who is hired to find “unauthorized” insurers that accepts risks not otherwise insurable in Washington. Coverage may not be procured for securing lower premiums.

**Person** means any individual, company, partnership, trust, corporation, etc.

A surplus lines broker needs to **pass the surplus lines broker’s exam** and pay the required fees.

1. **A surplus lines broker must maintain two bonds:** One in the penal (penalty) amount of **\$2,500 or five percent** of the premiums brokered in the previous calendar year, whichever is greater, not to exceed \$100,000, in favor of the people of the state of Washington; and one in the **penal amount of \$20,000** in favor of Washington State.
2. At the time of procuring surplus lines insurance, a **certificate stating the facts must be submitted** by the broker and filed **within 60 days at the Department of Insurance**. The **certification must** state the facts supporting the surplus line broker’s diligent effort to first place the business with an authorized insurer in Washington.

**B. Cancellation and Nonrenewal...** (48.18.289, .290, .291, .2901, .300) When a notice of renewal, nonrenewal or cancellation is mailed, the insurance company is not required to prove that the insured actually received the notice. It is required to prove only that the written notice was mailed to the named insured at the mailing address on the policy.

1. **Independent Evaluation...** It is an unfair practice for any insurer to rely solely on another insurer’s denial, cancellation, or nonrenewal of insurance to support a denial or termination of coverage. **An insurer must make its own independent decision.**
2. **Day-Care Operations...** It is an unfair practice for any insurer to deny or terminate homeowners insurance for the reason that an insured is engaged in an incidental day care operation at the insured location. However, this rule does not prevent an insurer from excluding coverage for losses arising out of the operation of day care facilities.
3. **Nonrenewal** of a policy requires a minimum **45-day written notice** (except auto - 20 days).
4. **Cancellation:** A **10-day notice** is required for cancellation due to non-payment of premium, whereas a **45-day notice** is required for other reasons (except auto - 20 days).
  - **45 days required for return of premium** on a pro rata basis should the **insurance company cancel** the policy. **Pro rata** means *all unearned* premium must be returned but no service fee is allowed.
  - **30 days required for return of premium** on a short rate basis should **the insured cancel** the policy. **Short Rate** means *all unearned* premium must be returned but a service fee is allowed to be charged by the insurer.

5. If a **notice** of cancellation, nonrenewal or offer to renew is issued to an insured, a **copy of any notice** must be provided to the producer or broker of record for the insured, **within five (5) working days**. The copy to the agent or broker may be provided electronically.
6. Any notice must disclose the reason for cancellation or refusal to renew insurance. **The reason must be in clear, simple language**. It is not sufficient to state that the insured *does not meet the company's underwriting standards*.

### C. Application and Binders... (284-30-560, 48.18.070, 220-240)

1. Every **Application** form used in connection with insurance must contain a clear and conspicuous statement setting forth whether or not coverage is in effect. If coverage has commenced, the effective date must be stated. If coverage has not commenced, there must be an explanation as to the circumstances which will cause coverage to commence and the time when coverage will become effective.

Any application for insurance in writing by the applicant shall be altered solely by the applicant or by his or her written consent, except that insertions may be made by the insurer for administrative purposes only in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant. Violation of this provision shall be a misdemeanor.

The statement concerning commencement of coverage **must not** be minimized, rendered obscure, or presented in an ambiguous fashion as to be confusing, misleading or not readily evident

A copy of such application must be delivered or mailed to the applicant promptly following its execution (put into effect).

2. A **Binder** is used to give **temporary-guaranteed** coverage prior to the policy being issued by the insurer. When an agent **receipts premium** at the time that coverage is bound, the receipt must state:
  - a) **that it is a binder**
  - b) **a brief description of the coverage bound**
  - c) **the identity of the insurer in which the coverage is bound**
  - d) **the current date, the date and time coverage is effective**
  - e) **acknowledgement of the amount of any premium received**
3. Under **this regulation**, **the name and address of the agent are NOT needed**. Every binder used pending the issuance of a policy for insurance must be in writing or printed form and delivered or mailed to the insured no later than the next business day.
4. Binders should be replaced promptly with insurance policies. Insurance companies must replace binders **within ninety days of their effective date**. **A binder may be extended past 90 days with the permission of the Insurance Commissioner**.

5. It is an unfair practice and unfair competition for an insurer or insurance producer to engage in acts or practices which are contrary to the requirements of this section. Any violation will be subject to actions by the Insurance Commissioner.
6. Each insurer must inform its insurance producers of the requirements of this section.

**D. Termination of Agency Contract...** (48.17.591) *No insurer authorized to do business in this state may cancel or refuse to renew any policy because that insurer's contract with the independent insurance producer through whom such policy is written has been terminated by the insurer, the insurance producer, or by mutual agreement.*

If an insurer intends to terminate an agency contract with an "independent" property and casualty agent, the insurer may **give not less than 120 days' advance written notice** of the intent to terminate.

**1. However, such notice is not needed if the termination is based upon the agent's:**

- a) Abandonment of agency
- b) Gross and willful misconduct
- c) Loss of license by order of the commissioner
- d) *Sale of or material change of ownership in the agency*
- e) Fraud or material misrepresentation relative to the business of insurance
- f) Default in payments due to the insurer

2. During the 120 days, the agent may not bind or write any new business on behalf of the terminating insurer, other than to make routine changes, i.e., add a new car.
3. However, the terminating insurer may continue to **renew all policies in the agent's book and pay commission to the agent for a period of one year**. The appointment is terminated after one year. The terminated independent agent must have a reasonable opportunity to transfer affected policies to other insurers.

**E. Credit Scoring and Adverse Action...** (48.18.545 (2, 3, 4, 5), 284-24-140, 48.19.035-1-d) (Personal Lines)... The insurance industry has used credit scores to set prices for many years. Companies have statistically shown that people with bad credit histories are more likely to file insurance claims.

**"Credit history"** means communication of information by a consumer reporting agency regarding a consumer's creditworthiness or credit standing. The credit history is used for the purpose of serving as a factor in determining insurance premiums or eligibility for coverage.

**"Insurance score"** means a number or rating that is derived from a computer application, model, or other process that is based on credit history.

To set premiums or deny coverage in Washington for property and casualty insurance, the insurers **may not use:**

1. **The absence of credit history**
2. *Collection accounts for medical bills*
3. **Recent purchase of a financed home or vehicle**
4. *A consumer's available line of credit*
5. **The use of a particular type of credit card**
6. *The number of credit inquiries made*

- 1) An insurer may not **cancel or non-renew** personal insurance based on a consumer's credit history or insurance score.
- 2) The insurance score **must** be updated at least every 3 years and the most recent one used for premium calculation.
- 3) *An offer of placement with an affiliate insurer does not constitute cancellation or nonrenewal.*
- 4) *An insurer that takes adverse action against a consumer based on credit history must provide written notice to the named insured on why the credit history resulted in the adverse action and inform the consumer that he is entitled to a free copy of his report.*
- 5) An insurer may use credit history to deny personal insurance only in combination with other substantive underwriting factors.

**F. Required Records and Record Retention...** (48.17.470) Every producer and adjuster must keep a record of all transactions that occur under his or her license **for 5 years after the transaction is completed.** These records must be kept at the address listed on the license.

A record of each insurance contract procured or issued, together with the names of the insurers and insureds, the amount of premium paid or to be paid, and a statement of the subject of the insurance. The names of any other licensees from whom business is accepted, and of persons to whom commissions or allowances of any kind are promised or paid.

**(Home office keeps records for 3 years)**

## Laws pertinent to Casualty Insurance Only

### A. Definitions: 46.04.382

“Passenger car” means every motor vehicle *except motorcycles and motor-driven cycles*, designed for carrying ten passengers or fewer and used for the transportation of persons.

The “named insured” is defined to include the individual named in the declarations of the policy and his or her spouse if a resident of the same household.

#### “First Party” is defined as

- The named insured or any family member residing in the named insured’s household who is injured while occupying a motor vehicle or a trailer which is designed for use on public roads, and members of the household who are injured if struck as a pedestrian by a motor vehicle or a trailer used for public roads.
- Anyone who is injured while occupying a covered auto. Occupying means in, on, getting into, or out of.

1. **Personal Injury Protection (PIP)...** (48.22.085, .090, .095, .100; 284-30-395) (a.k.a. *First Party Coverage*) pays for bodily injury, lost wages and lost services of a **first party** injured in an insured’s auto, **regardless of who is at fault**. Payments are made on a per person, single limit, occurrence basis.

- 1) No new automobile liability insurance policy or renewal of such an existing policy may be issued unless personal injury protection coverage is offered as an optional coverage.
- 2) A named insured may reject, **in writing**, P.I.P. coverage. If a named insured rejects personal injury protection coverage, the insurer is not required to include personal injury protection coverage in any supplemental, renewal, or replacement policy unless a named insured subsequently requests such coverage in **writing**.

### P.I.P. benefits may be terminated

Within a reasonable time after receipt of actual notice of an insured’s intent to file a personal injury protection medical and hospital benefits claim, and in every case prior to denying, limiting, or terminating an insured’s medical and hospital benefits, an insurer shall provide an insured with a written explanation of the coverage provided by the policy, including a notice that the insurer may deny, limit, or terminate benefits if the insurer determines that the medical and hospital services: **are not reasonable, necessary, and related to the accident, or are not incurred within 3 years of the accident**.

An insurer is not required to provide P.I.P. coverage to a person:

- ✚ who intentionally causes injury to himself
- ✚ who is injured while participating in organized racing
- ✚ whose bodily injury is due to war
- ✚ whose bodily injury results from the insured’s use of an automobile in the commission of a felony

- ✚ whose bodily injury results from radioactive, toxic, or hazardous properties of nuclear material.
- ✚ who is the named insured or a relative, while occupying a motor vehicle owned by the named insured or furnished for the named insured's regular use, if such vehicle is not described on the declaration page of the policy under which a claim is made.

**Occurrence Limits (range) of P.I.P. coverage which are required to be offered...**

<b><u>MINIMUM LIMITS</u></b> (of at least)	<b><u>COVERAGES</u></b>	<b><u>MAXIMUM LIMITS</u></b> (of at least)
<b>\$10,000</b> payable for up to <b>three years</b>	<b>Medical payments</b>	<b>\$35,000</b> payable for up to <b>three years</b>
<b>\$10,000</b> , max. \$200 per week	<b>Lost Income</b>	<b>\$35,000</b> , max. \$700 per week
<b>\$40/day max.</b> , not to exceed \$200/week, up to \$5,000	<b>Loss of Services</b>	<b>\$40/day max.</b> , not to exceed \$14,600
\$2,000	<b>Funeral Costs</b>	\$2,000

There is a 14-day waiting or elimination period before lost income will be paid. Any amount paid will not exceed 80% of a person's gross salary or the policy limits, whichever is lower.

**2. Underinsured Motorist... (48.22.030) *must be offered*** to all **new and renewing auto liability insurance applicants**. Each policy will include underinsured motorists coverage, unless the named insured or spouse specifically rejects either the BI or PD portion of the coverage, or both, in writing, and must be part of the insurer's records. **First Party Coverage** means this coverage protects the vehicle as well as the first party (driver, passenger, any family member residing in the insured household, etc.) from incidents involving other vehicles that are uninsured or underinsured.

**a) Bodily Injury must be offered for the same limit** for which the insured is covered under coverage "A" of the auto policy(Liability). The insured may elect a lower limit on UIM than on coverage "A", but may not be insured for more than "A".

- **Insurers must get a signed request from the named insured for UIM limits that are lower than the third party liability limit (Coverage A)**. This rejection must be in writing and kept by the insurer for 3 years.
- **Pays for Bodily Injuries to the insured** when injured by a driver who is uninsured or underinsured. It also pays the insured if hit by a hit-and-run driver, a phantom vehicle, or ***if the other insurer who should pay becomes insolvent within 3 years from the date of the accident.***

A "**phantom vehicle**" means a motor vehicle which causes bodily injury, death or property damage to an insured and has no physical contact with the insured or the vehicle which the insured is

occupying at the time of the accident, as long as there is a witness and the accident is reported within 72 hours after the accident.

**b) Underinsured Motorist Property Damage, UMPD... (48.22.030)** protects the insured's covered auto if damaged by an uninsured, underinsured or hit-and-run motorist. There is a \$100 deductible for all losses, except for damage caused by a hit-and-run or phantom vehicle, which has a \$300 deductible.

**c) Stacking Is Not Permitted...** The limit of liability for UIM coverage may be defined as the maximum limits of liability for all damages resulting from one accident, regardless of the number of vehicles involved in the accident or number of vehicles covered under the insurance contract.

**d) All insurers** must also make Personal Injury Protection (PIP) and Underinsured Motorist (UIM) coverage available to all policyholders at renewal of the policy.

**3. Underinsured Coverage where liability insurer is insolvent (48.22.040)** If an insurer, who has liability for property damage or bodily injury becomes insolvent, the underinsured coverage would pay any claims made first (not the guarantee association). Medical pays for three years from the date of the accident.

**4. Total Loss... (284-30-391)** In the event of a total loss indemnification must be made on a **fair market value basis, not wholesale**. The carrier may elect to replace the vehicle with a comparable vehicle or make a cash settlement.

**5. Auto Renewal, Non-Renewal/Cancellation of Coverage... (48.18.289, .290, 291, 292)** Whenever a notice of cancellation or nonrenewal or an offer to renew is furnished to an insured in accord with any provision of this chapter, a copy of such notice or offer shall be provided within five working days to the insurance producer or title insurance agent on the account. When possible, the copy to the insurance producer or title insurance agent may be provided electronically.

- A minimum 20-day written notice is required to be mailed to the named insured's last known address for cancellation, renewal or non-renewal of an auto policy. The notice sent by the insurer must state the actual reason for the non-renewal or cancellation.
- If cancellation is for nonpayment of premium or is within the first thirty days after the contract has been in effect, at least ten days' notice of cancellation, accompanied by the reason therefor, shall be given.
- After the first 60 days of an auto contract, cancellation is permitted only for nonpayment of premium, or suspension or revocation of the driver's license of the named insured, or any regular operator of an insured vehicle during the policy term, or during the 180 days immediately prior to the last policy renewal date.
- *It is an unfair practice for any insurer to consider traffic violations more than **three (3) years past** in order to accept, reject, cancel, or refuse to renew a policy.*
- No insurer can refuse to renew the liability and/or collision coverage of a policy on the basis that an insured has submitted one or more claims under comprehensive, road service or



towing coverage. However, an insurer may decline to renew the comprehensive coverage on the basis of claims submitted

6. **Unfair Practice... (284-30-570)** Whenever an insurer cancels, denies, or refuses to renew insurance, **it must give the true and actual reason for its action in clear and simple language**, so that the insured or applicant will not need to resort to additional research to understand the real reason for the action. It is not sufficient to state that an insured “does not meet the company’s underwriting standards.” If the actual reason relates to medical information, the insurer may make a broad reference and limit specific disclosure of details to the applicant’s or insured’s physician.
7. **Cancellation by commissioner... (48.18.310)** The commissioner may order the immediate cancellation of any policy the procuring or effectuation of which was accomplished through or accompanied by a violation of this code, except in cases where the policy by its terms is not cancellable by the insurer and the insured did not knowingly participate in any such violation.
8. **The Assigned Risk Pool... (48.22.020)** (WA Auto Insurance Plan) allows people with bad driving records who cannot secure auto insurance the opportunity to purchase coverage. The insured is **apportioned** among the **authorized** insurers for a maximum of three years. All insurers licensed to write auto insurance in Washington must participate in the plan.
  - Agents do not have binding authority in the plan and they must submit the application to the plan for approval and apportionment.
  - The state’s insurance industry administers, funds and sets the premiums.

## **B. Financial Responsibility Liability Law... (46.29.060, 090, 260, 46.30.020)**

1. **“Proof of financial responsibility for the future” defined... (46.29.260)** Proof of ability to respond in damages for liability, on account of accidents occurring subsequent to the effective date of said proof, arising out of the ownership, maintenance, or use of a vehicle of a type subject to registration under the laws of this state, in the amount of twenty-five thousand dollars because of bodily injury to or death of one person in any one accident, and, subject to said limit for one person, in the amount of fifty thousand dollars because of bodily injury to or death of two or more persons in any one accident, and in the amount of ten thousand dollars because of injury to or destruction of property of others in any one accident.

Beginning 10/1/1987 this law requires that following an accident which involves **bodily injury or losses above \$500 of property damage**, proof of the ability to pay for damages to the third party must be provided. This amount may be adjusted every 2 years.

- This law applies to both the **driver and the owner** of the vehicle.
- Failure to demonstrate financial responsibility liability may result in loss of driving privileges, which could include vehicle registration and driver’s license suspension, and/or a fine of about \$550.
- The Department of Financial Responsibility will determine the amount of security sufficient in its estimation to satisfy any judgment for damages resulting from the accident.

- 1) If the amount of security required by the Department is not deposited within 60 days, an order of driver's license suspension will be made.
  - 2) **If a license is suspended**, the license will not be renewed or reinstated until that person makes ***the required security deposit or 3 years have passed***. Meaning *a driver's license could be suspended for up to 3 years for failing to meet the Washington Financial Responsibility Liability Law*.
- A law enforcement officer may also check for proof of financial responsibility. An insurance certificate showing minimum limits and effective days is required.
  - *Failure to provide proof of motor vehicle insurance is a traffic infraction and is subject to penalties as set under Washington Law.*
  - For the purposes of this section, when a person uses a portable electronic device to display proof of financial security to a law enforcement officer, the officer may only view the proof of financial security and is otherwise prohibited from viewing any other content on the portable electronic device.
  - Whenever a person presents a portable electronic device pursuant to this section, that person assumes all liability for any damage to the portable electronic device.
  - If the person cited provides written evidence that at the time the person was cited, he was in compliance with the financial responsibility requirements, the citation will be dismissed and ***the court or violations bureau may assess court administrative costs of twenty-five dollars at the time of dismissal***.
  - **The minimum amount required** to satisfy this financial responsibility liability law is:
    - 1) **\$60,000** Combined Single Limit for BI and PD with auto insurance or
    - 2) **25/50/10** Split Limit for BI and PD with auto insurance or
    - 3) **\$60,000** surety bond or
    - 4) **\$60,000** deposited in cash with the state
  - **A person may be released from financial responsibility** when he:
    - 1) is **judged not to be liable in the accident**
    - 2) **has obtained a release from the other party**
    - 3) **has paid all damages in cash, or through a written agreement or contract**

**Vehicles exempt from the mandatory liability law include:** motor scooters, mopeds, ATV's, specially-licensed antique vehicles over 40 years old and collector's vehicles over 30 years old, publicly-owned vehicles, and vehicles registered with the Washington Utilities and Transportation Commission.

*Effective July 2019, motorcycles are required to show proof of financial responsibility liability.*

## Laws pertinent to Property Insurance Only

**A. Over-Insurance... (48.27.010, .020)** No person may knowingly issue or accept insurance which would result in over-insurance. No person may compel an insured or applicant to procure insurance in an amount in excess of the amount which could reasonably be expected to be paid in the event of a loss, whether the insurance is required in connection with a loan or otherwise.

When a contract is in place insuring property or other insurable interest, the insurer may insure the cost or replacement of such property if damaged or destroyed by a hazard insured against and without deduction of depreciation, as long as it is in connection with a special provision or endorsement that is part of the policy, subject to reasonable rules and regulations by the commissioner.

**B. The Washington F.A.I.R. Plan... (284-19-010, 020, 050,060, 070, 080, 100, 110,120, 130, 165)** (Fair Access to Insurance Requirements) These rules and regulations are titled the **Washington essential property insurance inspection and placement program** (referred to as the program).The FAIR Plan is administered at the state level and participation is mandatory for all insurers who are authorized to sell property insurance in our state. In general, the FAIR Plan makes property insurance **available and affordable** to individuals who have properties which might otherwise be **uninsurable because of environmental hazards**.

The purposes of this program are:

- To assure stability in the property insurance market of this state.
- To encourage maximum use, in obtaining essential property insurance, of the available, normal insurance market provided by authorized insurers.
- To make essential property insurance available where it cannot be obtained through the normal insurance market, subject to the conditions stated in this chapter.
- To encourage the improvement of the condition of properties located in the state of Washington and to further orderly community development.
- To establish a FAIR plan (fair access to insurance requirements), an industry placement facility and a joint reinsurance association for the equitable distribution and placement of risks among insurers in the manner and subject to the conditions stated in this chapter.

**Industry Placement Facility** (referred to as the facility) means the organization formed by insurers to assist applicants in securing essential property insurance and to administer the FAIR Plan and the Joint Reinsurance Association.

- The facility shall not require that the applicant demonstrates that he or she is unable to obtain insurance in the normal market, as a precondition to the placement of business under the FAIR plan. The facility, however, may require an insurance producer to furnish copies of documents or information showing what effort was made by the insurance producer to obtain insurance in the normal market. The facility shall forward to the commissioner the names of insurance producers who fail to cooperate or who appear to fail to make reasonable efforts on behalf of applicants for insurance to obtain insurance in the normal market.

- No application may be rejected simply because of environmental hazards which are beyond the insured's control.
- *Insurers are assessed to support the program.* The **maximum limit** of coverage which may be placed through this program on any one property is **\$1,500,000**.
- **Agents do not have binding authority in the FAIR Plan.** A licensed producer must provide full cooperation in carrying out the aims and the operation of the FAIR plan. **A 10% commission is paid to the licensed producer designated by the applicant.**
- **If the risk is accepted, the policy or binder must be delivered within two business days after receipt of premium.** If the risk is declined, the **Facility** will notify the applicant and Insurance Commissioner.
- All policies issued must be for essential property insurance on standard (basic) policy forms. The policies must be separately coded and issued for a **term of one year**, at rates set by the inspection bureau under filings approved by the Commissioner.

#### FAIR plan—Inspections and reports.

(1) Any person having an insurable interest in real or tangible personal property at a fixed location is entitled to an inspection of the property by the inspection bureau at no cost, upon application to the facility. The inspection may be requested by the property owner, a representative of the property owner, the insurer, or the insurance producer and need not be in writing. Requests for inspections shall be transcribed on a form approved by the facility. A deposit premium is not required as a precondition to inspection.

#### Procedure after inspection and submission

Within three business days after receipt of the inspection report, the facility shall notify the insured and agent whether the risk is acceptable, not acceptable until the improvements noted in the report are made by the applicant and confirmed by reinspection, or not acceptable for the reasons stated in the report. If the risk is accepted and premium received, the policy or binder shall be delivered within two business days. There is no coverage until the application is accepted and the premium is paid.




If the application is not acceptable, the inspecting facility will notify the applicant and commissioner. Reasonable underwriting standards include the following:


- a) Physical condition of the property, such as its construction, heating, wiring, evidence of previous fires or general deterioration;
- b) Its present use or housekeeping, such as vacancy, overcrowding, storage of rubbish or flammable materials;
- c) Other specific characteristics of ownership, condition, occupancy or maintenance which are violative of public policy and result in unreasonable exposures to loss. Neighborhood or area location or any environmental hazard beyond the control of the property owner is not an acceptable criterion for declining a risk.

If the risk is conditionally not acceptable until improvements are made, the facility shall promptly advise the applicant and commissioner what improvements should be made to the property. Upon the completion of the improvements by the applicant or property owner, the facility will promptly re-inspect the property.

If the property inspection reveals one or more substandard conditions, surcharges which conform to the substandard rating plan approved by the commissioner will be imposed and the facility will advise the applicant of which improvements, if any, would allow the surcharge to be removed.

The **facility** may cancel or nonrenew a policy issued under this program:

-  for cause
-  for nonpayment of premium
-  with the approval of the governing committee

 Notice of cancellation or nonrenewal, together with a statement of the reason, must be sent to the insured and accompanied by a statement that the insured has a right of appeal.

## Federal Regulations

**A. Fair Credit Reporting Act...** Consumer Report / Credit Check says any report may be run by the insurance company when underwriting an application, however:

1. The consumer must be notified that a credit report or any other report will be sought and told how it will be used. You must be told if information in your file has been used against you.
2. You have the right to ask for your (credit) score.
3. The consumer must be told how to obtain a copy of your report. The consumer has the right to know what is on the report.
4. Information on the report can be disputed, and if the reporting agency cannot prove the disputed information is accurate, the information must be removed from the person's file within 30 days.
5. **A Bankruptcy will show for 7 to 10 years on your credit report (7 years if the debt was paid, 10 if it was not).**

**B. Fraud and false statements (18 USC Sections 1033 and 1034) A.K.A. the Violent Crime Control and Law Enforcement Act: 1033...** It is a criminal offense for an individual who has been convicted of a felony involving dishonesty or breach of trust to willfully engage or participate (in any capacity) in the business of insurance without first obtaining a **“Letter of Written Consent to Engage in the Business of Insurance”** from the regulating insurance department of the individual's state of residence. Such a 'prohibited person' is required to submit a written request to the **Commissioner of Insurance** and the Commissioner of Commerce for permission prior to doing business.

**1034...** The Attorney General may bring a civil action in the appropriate United States district court against any person who engages in conduct constituting an offense under section 1033 and, upon proof of such conduct by a preponderance of the evidence, such person shall be subject to a civil penalty of not more than \$50,000 for each violation or the amount of compensation which the person received or offered for the prohibited conduct, whichever amount is greater.

Insurance companies, as well as persons employing anyone to conduct the business of insurance, may be in violation of this Code if they willfully permit participation by a prohibited person. It is the responsibility of the employer to ensure that any prohibited person who they employ is not permitted to conduct the business of insurance affecting interstate commerce without written consent.

**C. National Flood Insurance Program ([www.fema.gov/nfip](http://www.fema.gov/nfip))** is managed and subsidized by the Federal Insurance Administration (FIA) which is a branch of the Federal Emergency Management Agency (FEMA). Coverage becomes effective **30 days** after application is made (***no waiting period on new loans or refinanced loans***). Flood coverage is required by the mortgagee (a.k.a. *lien holder*) when it has a lien on property which is in a *flood zone*.

Anyone may obtain this coverage, even if they are not in a flood zone, as long as the property is in a participating community. If the community agrees to adopt flood control measures and land use regulations, the community may apply for participation.

All Washington state licensed insurance producers who sell federal flood insurance policies must comply with the minimum training requirements of the Flood Insurance Reform Act of 2004 and basic flood education.

**Three hours of continuing education credits can be earned by producers who complete this required training.** Go to: [www.slaterinsuranceschool.com](http://www.slaterinsuranceschool.com) for more information on this online training course.

Licensed insurers must demonstrate to the Commissioner, upon request, that their licensed and appointed agents who sell federal flood insurance policies have complied with the minimum federal flood insurance training requirements.

Flood refers to a temporary, partial, or complete inundation of normally dry land areas by: an overflow of inland or tidal waters or spray from any of these, whether driven by wind or not. Flood also includes unusual and rapid accumulation or runoff of surface water, and collapse of land as a result of erosion by flood.

Flood insurance is a single peril policy and covers losses to property (NOT THE LAND) caused by flooding. Flood cover includes: structural damage; furnace, water heater and air conditioner; flood debris clean up and surface clean-up for carpeting and tile.

**Maximum coverage under the regular program: Single Family Dwelling is \$250,000 (loss valuation is RC) and Personal Property is \$100,000 (loss valuation is ACV).**

**D. Terrorism Risk Insurance Act / (TRIA)** requires insurance companies to offer terrorism insurance to their commercial policyholders. The TRIA directs the Secretary of the Treasury to administer a program for sharing terrorism losses. The government pays approximately 80% of insured losses over the deductible, with the insurer paying the remaining 20%.

Coverage for acts of terrorism is not excluded by most ISO policies. However, most ISO policies have other exclusions such as war and nuclear perils. The TRIA defines “terrorism” to be any act that is certified by three individuals to be an act of terrorism and thus covered under the TRIA. These three individuals are:

- The Secretary of the Treasury
- The Secretary of Homeland Security (formerly Secretary of State)
- The Attorney General of the United States

The United States Government defines terrorism as follows:

“International Terrorism” means activities that—

- a) involve violent acts or acts dangerous to human life that are a violation of the criminal laws of the United States or of any State, or that would be a criminal violation if committed within the jurisdiction of the United States or of any State;
- b) appear to be intended—
  - i) to intimidate or coerce a civilian population
  - ii) to influence the policy of a government by intimidation or coercion; or
  - iii) to affect the conduct of a government by mass destruction, assassination, or kidnapping
- c) occur primarily outside the territorial jurisdiction of the United States, or transcend national boundaries in terms of the means by which they are accomplished, the persons they appear intended to intimidate or coerce, or the locale in which their perpetrators operate or seek asylum;

“Domestic Terrorism” means activities that—

- a) involve acts dangerous to human life that are a violation of the criminal laws of the United States or of any State;
- b) appear to be intended—
  - i) to intimidate or coerce a civilian population;
  - ii) to influence the policy of a government by intimidation or coercion; or
  - iii) to affect the conduct of a government by mass destruction, assassination, or kidnapping; and
- c) occur primarily within the territorial jurisdiction of the United States