
Changes are coming to auto, home, renters, boat and RV insurance in Washington. Here's what you need to know.

Washington Insurance Commissioner Mike Kreidler has issued an [emergency rule](#) that prohibits insurance companies from considering credit information in setting rates for auto, boat, RV, homeowners and renters insurance policies. Insurers must file new rating plans that exclude the use of credit information by **May 6**, and must use the new rates in the insurance market by **June 20, 2021**.

The Commissioner's rule is already causing significant disruption in Washington's insurance market, and the negative effects will be felt over the next several weeks – by consumers and insurance producers, as well as lenders, realtors, auto dealers and others who conduct transactions that require insurance, such as home sales, auto, RV and boat sales, auto leases, rental agreements and more.

What is the problem?

Consideration of credit-based insurance scores – which measure consumer behavior and predict the likelihood of future claims, and help insurers more accurately set rates for policies – has been authorized in Washington statutes and regulations for more than 20 years. But during the 2021 session of the Washington Legislature, Commissioner Kreidler requested legislation to ban this practice. Legislators rejected his proposal. Then, ignoring over two decades of established law and the will of the Legislature, the Commissioner issued a ban by emergency rule in March, giving insurers only weeks to file new rating plans for millions of policies now in force in Washington.

While insurance companies are working on the complex operational changes necessary to comply with the new rule, many may not be able to do so, due to the limited time provided under the rule. Those companies unable to file and gain approval for their rating plans on time will not be allowed to write these policies in Washington. Even those insurers able to comply may be forced by the rule to stop writing new business in the state for some period of time, as some will be wary of accepting new risks that are now more difficult to predict and rate.

How will lenders, realtors and dealers be affected?

Lenders, realtors and auto dealers seeking to assist consumers with closing on the purchase of a home or the purchase or lease of a vehicle (or RV or boat purchase) may run into unexpected or unusual delays due to lack of insurance coverage for the consumer. This may come very late in the process of completing loan or closing documents, as the lender, realtor or dealer is made aware that the insurer the consumer requested has announced a moratorium on writing new insurance business in response to the emergency rule.

How will insurance producers and consumers be affected?

The extremely short time frame required for filing and approval of new rating plans affecting millions of policies means that not all insurers can be ready on time. Whether or not the deadline is met by all insurers, some carriers may not accept new, less predictable risks that result from the ban on credit-

based insurance scores. In either case, some insurers are now in the process of notifying producers they work with if they will not be writing new policies on or after June 20. For consumers shopping for coverage – through agents & brokers, or online or by phone – they may be surprised to learn that some companies are not writing new coverage.

But also, because the use of credit information has been used by insurers to *reduce* the cost of coverage for most consumers, there is a strong likelihood that the emergency rule will force some insurers to *increase* rates for their policyholders. How many policies and how much of an increase will vary widely among insurers – but for some consumers, the increase could total **hundreds of dollars** annually.

What should consumers, insurance producers, lenders, realtors, dealers and others do now?

Insurers – including companies, trade associations and insurance agents & brokers – **opposed** the legislation sought by Commissioner Kreidler during the 2021 session, fearing it would result in market disruption, policyholder displacement and dramatic cost increases for many consumers. And organizations representing insurers and agents have filed a lawsuit challenging the Commissioner’s rule. But insurers must comply with the rule unless/until it is overturned by the courts or the Legislature.

At this time, our organizations urge consumers and those who rely on obtaining and confirming insurance coverage in retail transactions to begin insurance coverage inquiries *early*, providing as much time as possible to obtain and confirm auto, home, renters, boat and/or RV coverage. There is still an active and competitive insurance market for these products, but it will be more challenging – and for many, more costly – to find coverage.

If you are experiencing difficulty finding coverage, or finding the available coverage has increased in cost, we urge you to share your experience with us, as well as with Washington Legislators and the Office of the Insurance Commissioner (OIC).

What will happen next?

The OIC emergency rule is effective for not more than 120 days, but Commissioner Kreidler has already announced he will seek to replace the emergency rule with a permanent rule to be in effect for up to three years.

Unlike the Commissioner’s emergency rule - **which was issued without the knowledge of or input from legislators, consumers, insurance companies or producers** - the adoption of a permanent rule requires prior notice of the proposed rule, open public hearings and the opportunity for comment from stakeholders and state residents.

Insurers will be prepared to provide information about the impact of these rules if/when those hearings are held by the OIC, and we invite all those negatively affected by the emergency rule to share their concerns with the OIC during the public comment process.

Provided by the [American Property Casualty Insurance Association \(APCIA\)](#), the [National Association of Mutual Insurance Companies \(NAMIC\)](#), the [NW Insurance Council](#), the [Independent Insurance Agents & Brokers of Washington \(IIABW\)](#) and the [Professional Insurance Agents Association of Washington \(PIAWA\)](#).

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