



February 21st, 2025

**Support SB 5331-- Strengthening Consumer Protection
Through Increased Insurer Accountability for Violations of the
Insurance Code**

Washington State Senate
P.O. Box 40482
Olympia, WA 98504-0482

Dear Senator:

The Consumer Federation of America (CFA) urges your support for SB 5331—Strengthening Consumer Protections Through Increased Insurer Accountability for Violations of the Insurance Code. This bill, which was just approved by the Senate Business, Financial Services and Trade Committee, gives the Insurance Commissioner the power to order restitution from insurance companies to policyholders who have been unfairly treated or overcharged.

CFA is an association of consumer organizations that was founded in 1968 and works to advance consumer interests through research, advocacy, and education. Our letter of support is based on years of work conducting research on insurance markets, making insurance more affordable and accessible, fighting for fair claims practices, and combatting unfair discrimination.

The Washington State Office of the Insurance Commissioner (OIC) is, among other responsibilities, charged with enforcing insurance laws and protecting consumers from unfair treatment. OIC's specific duties include investigating consumer complaints about insurance companies, issuing cease and desist orders, imposing fines, and bringing enforcement actions to stop wrongdoing. There is, however, a significant error in current law that prevents consumers from getting fair repayments when the OIC determines an insurer's practice overcharged them or denied them money or services they were due.

Under the current system, if insurance companies break Washington state law in ways that financially harm policyholders, the OIC can bring an

action against the company, which can lead to penalties, including fines and prohibiting the insurer from doing business in the state. While OIC regularly exercises its enforcement authority it does not have the authority to order restitution to the impacted consumers. For example, the \$1.86 million in fines stemming from OIC actions in 2024 was paid to the state general fund, but the actions led to no return of money to the consumers victimized by the insurers' improprieties and illegalities.

If insurance companies charge an illegal rate, there is no mechanism to order refunds to policyholders who have overpaid their premiums. If insurance companies defraud policyholders, the Insurance Commissioner can fine the companies but cannot make them repay the money they stole. And finally, if an insurance agent collects premiums but does not give the money to the insurance company, leaving the policyholder without coverage, the Commissioner cannot require them to repay the money they stole. SB 5331 would fix this error and ensure consumers who have been cheated get their money back.

The bill also clarifies that the maximum fine that the OIC can impose on property and casualty insurers is \$10,000 per violation, to ensure that the scale of the fine reflects the scale of the misbehavior.

The bill gives the Commissioner the power to order restitution payments to consumers who have been financially harmed by insurance companies or agents. After the order is issued, the money has to be paid to the policyholders within thirty days and the restitution will also be paid with 8% simple interest from the date the obligation arose.

Accountability for insurers is critically important for a fair and functioning insurance marketplace. If policymakers want insurers to abide by the laws and consumer protections passed by the Legislature, they need to face meaningful consequences for abuses. And consumers, if they are harmed or defrauded of their money, should receive prompt repayments. Without ensuring that insurers must return illicit gains, the law diminishes the disincentive to mistreat customers and leaves consumers without the protection they need. A fine paid to the state is an appropriate addition but no substitute for the return of money due to consumers.

**Consumer
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CFA thanks Commissioner Kuderer and the OIC for their work and urges your support for SB 5331. Please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

Michael DeLong

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Consumer Federation of America

