

April 2nd, 2025

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

House Committee on Consumer Protection & Business
John L. O'Brien Building
P.O. Box 40600
Olympia, WA 98504-0600

Dear Chair Walen and members of the Committee:

We, the undersigned Consumer Representatives of the National Association of Insurance Commissioners (NAIC), urge your support for SB 5331—Strengthening Consumer Protections Through Increased Insurer Accountability for Violations of the Insurance Code. This bill gives the Insurance Commissioner the power to order restitution from insurance companies to consumers who have been unfairly treated or overcharged.

As consumer representatives, we support the work of state regulators in their primary objective of protecting insurance consumers. Our letter of support for SB 5331 is based on many years of experience, conducting research on insurance markets, making insurance more affordable and accessible, and advocating for consumers.

The Washington State Office of the Insurance Commissioner (OIC) is 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. Currently there is a significant loophole in the 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 consumers 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. But 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 consumers who have overpaid their premiums. If insurance companies defraud consumers, 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 consumer 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 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. SB 5331 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. Insurers must face meaningful consequences if they harm consumers, not just a slap on the wrist.

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 if consumers are harmed or defrauded of their money, they should receive prompt repayments. A law that doesn't require insurers to return their illicit gains diminishes the disincentive to mistreat customers and leaves consumers without badly needed protection. And fines paid to the state are necessary, but no substitute for the return of money due to consumers.

We thank Commissioner Kuderer and the OIC for their work and urge your support for SB 5331. Please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

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