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Docket No.: TV-971477

Company: Amends WAC 480-12, Relating to Household Goods Movers

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WASH. UT. & TP. COMM.

June 15, 1998

Ms. Pat Dutton
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Dear Pat:

On June 5th I offered testimony at a hearing your department chaired concerning valuation and insurance for the household goods industry in Washington. I thought the discussion by the various people in attendance was valuable, but at the end of the day I felt somewhat frustrated that some of the key issues were never really discussed and it seemed like most of the time was spent simply defining what the major subjects were all about.

The following paragraphs are written to elaborate on these issues and I would like to ask that you put these comments into the record for the hearing. If you would like, you can use these as a starting point for future hearings on this subject.

1. Valuation vs. Transit Insurance Certificates - Our discussion at the hearing concentrated on the differences between these two concepts for protecting moving and storage customers for damage to their household goods. It didn't quite focus on the advantages and disadvantages to the mover or the public. In my opinion, both valuation and the insurance certificate should be offered to the mover and the moving customer as an option to protect the household goods. The primary need for both is that the individual needs of the mover and the shipping customer vary greatly depending on their own individual circumstances. For example, a small moving company that does not have a support office staff would probably be more interested in selling his customers the insurance certificate because he would not have the time or the staff to deal with claim and/or repair issues, and can easily defer this activity to the insurance company who would adjust the claim. A medium-to-large moving company who has such a support staff would probably like to sell Valuation to his customers and if a claim does occur, they would be in a stronger position to serve their customer with their own claims and repair service – which may be more predictable than an adjuster hired by the insurance company. Many shippers would probably not be interested in any

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added cost or claims expense associated with a Trip Transit Certificate and would prefer straight Valuation protection with a $0. deductible and look to the mover to settle any damage claims. A larger, more sophisticated shipper might prefer a deductible and the "all risk" protection and would prefer to negotiate claim settlement terms directly with an insurance company rather than going through the mover. In the final analysis, both of these options need to be offered to the moving company to present to his customers. Most cargo insurance programs for movers today offer both categories.

2. Should the minimum liability of the moving company be raised to a higher level ($1.50 per pound)? This is probably a fairness issue and perhaps the public would be better served with a higher minimum liability to avoid misunderstandings and expectations concerning such a huge gap between the current $.60 per pound per article protection vs. Declared Value protection, or the possibility of a Trip Transit Certificate. Unless there is a total loss or a heavy object, $.60 per pound offers very little protection and perhaps a higher level is needed. If the minimum current liability level was raised, then the current $1.25 Valuation option could be eliminated as it currently serves as an in-between option between Declared Value and $.60 per pound and would cease to serve this function.

3. Should the increased minimum liability and/or the depreciated declared value and replacement cost declared value options be offered at no additional cost to the shipper? This area needs to have a financial impact study as to what the added cost would be to the moving company due to increased claims cost and increased insurance rates for the added exposure. If the minimum liability was raised to $1.50 per pound per article, the average cargo claim cost and resultant insurance premium would go up approximately 25-50%. The movers claim cost under his insurance deductible would also increase. Any action taken on the regulation of the shipping rates would have to reflect this issue. If the depreciated valuation and replacement cost valuation options were cost-free to the shipping customer, the claim cost to the moving company would go up between 50-75%. Keep in mind, the primary purpose of the valuation charge the mover retains is to pay the deductible claim cost. Without this revenue the mover absorbs 100% of the under-deductible claim cost. In conclusion, a financial impact study is needed and no action should be taken without this analysis.

4. How should the "financial responsibility" of purchasing adequate cargo insurance and funding under-deductible claims be reflected in the financial requirements for new-entry moving companies? I feel that a cargo insurance filing should be filed with the state, until the policy is cancelled, requiring a minimum limit of $100,000 per conveyance and a $300,000 limit per disaster or aggregate. Without this type of filing requirement, new operators could simply ignore the cargo insurance requirements and it would take a catastrophe loss and an injured member of the public to raise the ultimate enforcement issue. The financial condition requirement should take into consideration a certain level of liquid assets to contemplate the under-deductible cargo legal liability exposure the moving companies have. If enforcement department has insufficient staffing, perhaps a minimum level bond requirement would suffice as most bond underwriters (for a limit of $25,000 or higher) would carefully review the financial requirements of the moving company for them to qualify for the bond.

While these are just a few of the issues. I think they are the most important and certainly need to be discussed at further length as a part of the hearing process.

Sincerely yours,

Dick Goff

DG/cr