

# HOUSE BILL REPORT

## HB 1564

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**As Reported by House Committee On:**  
Financial Institutions & Insurance

**Title:** An act relating to flood insurance coverage.

**Brief Description:** Requiring the disclosure of information on flood insurance coverage.

**Sponsors:** Representatives Rodne, Kirby, Kelley, Roach, Williams, Hasegawa, Simpson and Nelson; by request of Insurance Commissioner.

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 1/29/09, 2/5/09 [DPS].

**Brief Summary of Substitute Bill**

- Requires insurers to notify certain policyholders that their policies do not cover damage caused by flooding.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, Roach, Rodne, Santos and Simpson.

**Staff:** Jon Hedegard (786-7127)

**Background:**

Flood coverage may be offered by an insurer in a homeowners policy but it is typically excluded from coverage. Coverage is generally purchased separately via the National Flood Insurance Program (NFIP). The NFIP was established in 1968 by the federal government. The stated goals of the NFIP are to:

- protect communities from potential flood damage through floodplain management; and
- provide people with flood insurance.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The NFIP requires that communities adopt and enforce measures to help reduce the consequences of flooding.

According to the NFIP, approximately 32 insurers participate in the NFIP in Washington. There is no state oversight of the NFIP policies. The NFIP policies may be offered by participating insurers and their agents. Agents licensed in Washington who sell federal flood insurance policies are required by state law to comply with the minimum training requirements required by the Federal Emergency Management Agency.

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**Summary of Substitute Bill:**

Every insurer must provide written notice that specific insurance policies do not cover damage caused by flooding. The notice must be provided to policyholders of:

- homeowners insurance;
- condominium unit owners insurance;
- residential tenants insurance; and
- residential fire insurance.

The notice must be provided when the policy is issued and then annually. The notice must also inform the policyholder how to contact the NFIP, or a NFIP agent. Specific language that satisfies the notice requirement is provided for insurers.

Exclusions allowed for the specified insurance policies are not invalidated.

**Substitute Bill Compared to Original Bill:**

Language is clarified regarding who receives the notices and when the notice is received. Language is added to clarify that the section does not invalidate any policy exclusions. Additional language and grammar changes are made.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This is a good bill that concerns an important issue. The NFIP believes that only 8 percent of the people that lived in the areas that flooded in 2007 had insurance. This is a notice bill that will help educate people about their policy and flood insurance and may drive up the number of people who decide to purchase flood coverage.

(Opposed) None.

**Persons Testifying:** Representative Rodne, prime sponsor; and Drew Bouton, Office of the Insurance Commissioner.

**Persons Signed In To Testify But Not Testifying:** None.