

# HOUSE BILL REPORT

## SSB 5417

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### As Passed House:

March 13, 2009

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

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

**Sponsors:** Senate Committee on Financial Institutions, Housing & Insurance (originally sponsored by Senators Berkey, Franklin, Shin and Roach; by request of Insurance Commissioner).

### Brief History:

#### Committee Activity:

Financial Institutions & Insurance: 3/10/09 [DP].

#### Floor Activity

Passed House: 3/13/09, 92-0.

### 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:** Do pass. Signed by 10 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, 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:

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

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.

**Summary of Substitute Bill:**

Every insurer must provide written notice to a policyholder if the policyholder's insurance policy does 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.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** 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 provides important disclosures to consumers. There is a minor change from companion bill that was passed out of the committee. Some language was clarified so that an insurer that is actually providing flood coverage under a specified policy is not required to send a notice to the policyholder stating that the policy does not provide that coverage.

(Opposed) None.

**Persons Testifying:** Drew Bouton, Office of the Insurance Commissioner.

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