

# HOUSE BILL REPORT

## SHB 2329

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### As Passed Legislature

**Title:** An act relating to conducting a study of the insurance market for housing providers receiving housing trust fund resources.

**Brief Description:** Conducting a study of the insurance market for housing providers receiving housing trust fund resources.

**Sponsors:** House Committee on Consumer Protection & Business (originally sponsored by Representatives Macri, Peterson, Alvarado, Chopp, Bateman, Pollet, Reed and Ramel).

**Brief History:**

**Committee Activity:**

Consumer Protection & Business: 1/24/24, 1/30/24 [DPS];  
Appropriations: 2/3/24, 2/5/24 [DPS(CPB)].

**Floor Activity:**

Passed House: 2/13/24, 96-0.  
Passed Senate: 2/27/24, 48-0.  
Passed Legislature.

**Brief Summary of Substitute Bill**

- Directs the Office of the Insurance Commissioner to study the property and liability coverages available to specified housing providers.

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### HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Walen, Chair; Reeves, Vice Chair; Robertson, Ranking Minority Member; McClintock, Assistant Ranking Minority Member; Chapman, Connors, Donaghy, Hackney, Ryu and Santos.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives

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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 part of the legislation nor does it constitute a statement of legislative intent.*

Sandlin and Volz.

**Staff:** Michelle Rusk (786-7153).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill by Committee on Consumer Protection & Business be substituted therefor and the substitute bill do pass. Signed by 30 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Corry, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Connors, Assistant Ranking Minority Member; Couture, Assistant Ranking Minority Member; Berg, Callan, Chopp, Davis, Dye, Fitzgibbon, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Sandlin, Schmick, Senn, Simmons, Slatter, Springer, Stokesbary, Stonier, Tharinger and Wilcox.

**Staff:** Meghan Morris (786-7119).

### **Background:**

#### Housing Providers.

##### *Housing Trust Fund.*

Established in 1986 the Washington Housing Trust Fund program provides grants or loans to help communities develop and preserve affordable housing to meet the needs of low-income and special needs populations. Affordable housing is residential housing for rent which, when occupied by low-income households, limits monthly housing costs to no more than 30 percent of the household's income. Low-income households are those with an adjusted income of less than 80 percent of the median family income of the county where the project is located. The Housing Trust Fund makes funds available for affordable housing projects through a competitive application process.

State law also defines "extremely low-income households" as those households whose adjusted income is at or below 30 percent of the median household income for the county where the household is located.

#### Office of the Insurance Commissioner.

The Office of the Insurance Commissioner (OIC) provides oversight to the insurance industry in Washington through insurance producer and insurance company licensing. The OIC also reviews and approves the insurance products that carriers and insurers sell, making sure policies conform to state laws and regulations.

### **Summary of Substitute Bill:**

#### Office of the Insurance Commissioner (OIC) Study.

The OIC must conduct a study of the property and liability insurance coverages available to

housing providers receiving housing trust fund resources and serving extremely low-income households (Applicable Housing Providers). As part of the study, the OIC must consult with the following: (1) applicable housing providers; (2) authorized insurers; (3) unauthorized insurers; (4) providers of nonprofit insurance services; (5) risk-sharing pools for public housing authorities and nongovernmental owners of affordable housing properties; (6) risk retention groups; (7) relevant association groups; and (8) other relevant state agencies including the Department of Enterprise Services, the Office of Risk Management, and the Department of Commerce.

The OIC must:

1. obtain data, from entities transacting insurance with applicable housing providers from the previous five years, on: (a) the number and type of policies in effect; (b) whether and why policies were not renewed or canceled; (c) claims activity; and (d) premiums and deductibles; and
2. investigate and request any other relevant information that may assist the OIC with analyzing the availability of property and liability coverages for applicable housing providers.

Any identified authorized insurers, unauthorized insurers, and risk retention groups must provide requested information to the OIC. Data requested by the OIC is exempt from disclosure under the Public Records Act.

The report must be submitted to the Legislature by December 31, 2024. It must make recommendations on potential policy or budget options, including considerations regarding development of a high-risk sharing pool and addressing reinsurance market volatility. The OIC may contract with a vendor to conduct actuarial analysis if necessary.

**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 (Consumer Protection & Business):**

(In support) This policy is illuminating a problem we are seeing emerge across Washington, and puts in place a path forward to a solution and some potential future options to solve the problem. The problem is that there are challenges and volatility in the insurance market, particularly the residential market. This is impacting all residential property insurance but more acutely in the multifamily sector, and most acutely in the affordable multifamily sector.

There is not an insignificant number of examples from our state's Housing Trust Fund-

funded affordable housing providers with exorbitant increases in premiums, deductibles, and loss of coverage for some. Loss of insurance coverage is incredibly detrimental to a housing provider's ability to operate, which we know our lowest income constituents need most especially. These housing providers tend to own older buildings with multiple stories where a small fire in a couple of units with sprinklers could result in hundreds of thousands of dollars in damages. These damages are not reimbursed by insurance, given the astronomical deductibles on many policies. Without this bill, there is a risk of nonprofits walking away from supportive housing because they cannot mitigate the financial risk to the organization. Focusing this bill on properties where the state has already made significant capitol investments makes sense.

This bill seeks to understand what is driving these problems, and next step recommendations. The Office of the Insurance Commissioner (OIC) needs authority to get this information from authorized and unauthorized insurers, and it sets a table for information from a broad group of stakeholders.

(Opposed) None.

(Other) As a technical comment, it is good to see that the data collected under the bill is protected from disclosure under the Public Records Act, but the exemption provision still allows for some disclosures in the OIC's discretion, which is an exception that swallows the rule.

There is also concern that insurers do not collect the data that the data call in the bill is designed to collect. Insurers believe they are prohibited from inquiring about the status of insureds in order to accurately respond to this data call.

#### **Staff Summary of Public Testimony (Appropriations):**

(In support) Permanent supportive housing is one of the best state investments through the Housing Trust Fund to get people who need services and housing off the streets. These people often need wraparound services to keep them housed and stable, which are a critical part of addressing the homelessness crisis. However, providers are seeing dramatic increases in liability insurance costs. One provider saw an increase of 19 percent from 2022 to 2023. The rapid increase in operational costs is straining available funding sources. To meet the growing need for low-income housing and supportive services, providers need assistance across the board. This is a hugely technical issue and is common sense. Rising and unsustainable insurance rates should not be what stops otherwise cost-effective and evidence-based housing solutions. Coverage for damages includes fires, floods, pipe problems, and other issues that are driving some providers to pay out of pocket for all damages. Loss of coverage, increasing premiums, and astronomical deductibles are discouraging housing expansions for communities in need.

This bill will allow the Office of the Insurance Commissioner to figure out whether the state

can rely on a market-based solution or whether the state needs to do something like a risk pool. This study is urgently needed and will provide a road map for action.

(Opposed) None.

**Persons Testifying (Consumer Protection & Business):** (In support) Representative Nicole Macri, prime sponsor; Dan Wise and Flo Beaumon, Catholic Community Services of Western Washington; Fawn Schott, Volunteers of America Eastern Washington and Northern Idaho; Andrew Davis, Office of the Insurance Commissioner; James Lovell, Chief Seattle Club; A Calkins, Association of Washington Housing Authorities; and Melanie Smith, Seattle King County Coalition on Homelessness.

(Other) Jean Leonard, Washington Insurers; and Kris Tefft, American Property Casualty Insurance Association.

**Persons Testifying (Appropriations):** Melanie Smith, Seattle and King County Coalition on Homelessness; Sarah Dickmeyer, Plymouth Housing; and Donna Christensen, Catholic Housing Services.

**Persons Signed In To Testify But Not Testifying (Consumer Protection & Business):** None.

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