

HOUSE BILL REPORT

HB 2330

As Reported by House Committee On:
Consumer Protection & Business

Title: An act relating to wildfire risk.

Brief Description: Addressing wildfire protection and mitigation.

Sponsors: Representatives Reeves, Ryu, Timmons, Reed, Springer and Ramel.

Brief History:

Committee Activity:

Consumer Protection & Business: 1/24/24, 1/30/24 [DPS].

Brief Summary of Substitute Bill

- Establishes the Wildfire Mitigation and Resiliency Standards Work Group (Work Group), cochaired by the Insurance Commissioner and the Commissioner of Public Lands for the Department of Natural Resources.
- Requires the Work Group to develop recommendations on topics including, but not limited to, the development and alignment of wildfire property mitigation standards, data sharing between appropriate state agencies and the insurance industry, increasing transparency with consumers through consumer disclosures for insurance nonrenewals, and establishing a grant program.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Walen, Chair; Reeves, Vice Chair; Robertson, Ranking Minority Member; McClintock, Assistant Ranking Minority Member; Chapman, Connors, Donaghy, Hackney, Ryu, Sandlin, Santos and Volz.

Staff: Michelle Rusk (786-7153).

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.

Background:

Insurers and Insurance Policies.

The Office of the Insurance Commissioner is responsible for licensing and regulating insurance companies doing business in this state, including regulating the form and content of insurance contracts and approving insurance rates, as provided for in the Insurance Code (Code). Insurers seeking certificates of authority to transact insurance in this state must possess required capital funds, limit insurance transactions to those allowed by the insurer's charter and the Code, and otherwise meet the Code's standards and requirements.

Written Notice Required for the Cancellation or Nonrenewal of an Insurance Policy.

An insurance contract establishes conditions under which the insurer may cancel or not renew an insurance policy. Though the reasons for cancellation or nonrenewal are contract dependent, they may be the result of nonpayment, increased risk, or fraud or misrepresentation by the insured. By state law, an insurer must give the insured a certain number of days written notice prior to the effective date of the cancellation or nonrenewal. The amount of written notice an insurer is required to give is dependent upon the type of insurance policy and whether it is for nonpayment of a premium. Written notice may be delivered by mail, electronic facsimile, or personal delivery.

Summary of Substitute Bill:

Wildfire Mitigation and Resiliency Standards Work Group.

The Wildfire Mitigation and Resiliency Standards Work Group (Work Group) is established. The Work Group is cochaired by the Insurance Commissioner and the Commissioner of Public Lands for the Department of Natural Resources (DNR).

The membership of the Work Group includes the Insurance Commissioner or a designee; the DNR Commissioner of Public Lands or a designee; four representatives from the property and casualty insurance industry; one representative from the insurance institute for business and home safety; and four *ex officio* members total, one from each of the two largest caucuses of the House of Representatives and the Senate. Other state agency or stakeholder group representatives may, at the Work Group's discretion, participate in specific discussions or on subcommittees.

The Work Group must study and make recommendations on the following:

- development and alignment of wildfire property mitigation standards with nationally recognized, science-based wildfire mitigation standards;
- enhancing wildfire mitigation at the community level;
- sharing relevant data between appropriate state agencies and the insurance industry regarding successful implementation of wildfire mitigation efforts including wildfire risk assessment tools;
- increasing transparency with consumers, including through consumer disclosures for

- insurance nonrenewals related to wildfire risk; and
- establishing a grant program to provide grants to Washington homeowners for purposes including retrofitting residential property to resist loss due to wildfire and evaluating whether residential property meets specified wildfire mitigation standards.

The Work Group must submit a report to the Legislature, the Office of the Insurance Commissioner, and the Department of Natural Resources by December 1, 2024.

Substitute Bill Compared to Original Bill:

The substitute bill:

- removes all provisions requiring insurers to make specified consumer disclosures when cancelling, denying, or not renewing specified property insurance or general casualty insurance policies based on the use of a wildfire risk score;
- removes all provisions establishing a grant program within the Office of the Insurance Commissioner (OIC) to help homeowners mitigate against risk of loss from wildfires;
- establishes the Wildfire Mitigation and Resiliency Standards Work Group (Work Group), chaired by the Insurance Commissioner and the Commissioner of Public Lands for the Department of Natural Resources (DNR), with representatives from the OIC, the DNR, the property and casualty insurance industry, and the insurance institute for business and home safety;
- requires the Work Group to make recommendations on: (1) development and alignment of wildfire property mitigation standards with nationally recognized, science-based wildfire mitigation standards; (2) enhancing wildfire mitigation at the community level; (3) sharing relevant data between appropriate state agencies and the insurance industry regarding successful implementation of wildfire mitigation efforts including wildfire risk assessment tools; (4) increasing transparency with consumers, including through consumer disclosures for insurance nonrenewals related to wildfire risk; and (5) establishing a grant program to provide grants to Washington homeowners for purposes including retrofitting residential property to resist loss due to wildfire and evaluating whether residential property meets specified wildfire mitigation standards; and
- requires the Work Group to submit a report to the Legislature, OIC, and DNR by December 1, 2024.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available. New fiscal note requested on January 31, 2024.

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) We have watched California face challenges in response to climate change, including seeing consumers struggle with their insurance coverages with respect to wildfire risk. This bill came forward as an effort to address insurance nonrenewals in the context of wildfire risk. One component of the bill is getting at insurer's underlying data and consumer disclosures, and the second is getting at mitigation. There will be a proposed substitute to highlight that a lot of the desired data may not be held by insurance providers, and the wildfire risk modeling scores need more discussion. This bill will become a work group to actually determine the best path forward to industry transparency with consumers. The other goal is to move toward adoption of the wildfire prepared home standards developed by the Insurance Institute for Business and Home Safety (IBHS).

Currently, the DNR is our state's wildfire fighting agency, and is doing mitigation work and community engagement and outreach. They are doing that work to their "wildfire ready neighbors" standard. Instead of spending money to start up a new program within the OIC, the DNR and the OIC will work together to help the DNR work toward the IBHS wildfire prepared home standards.

The OIC is committed to working with the bill sponsor and others to address the integrity of the insurance market so Washington does not end up in a situation like California. Consumers need to have a lot of opportunities to secure coverage. The Office of the Insurance Commissioner and the insurance industry both desire to positively impact the state's property insurance market, including introducing new wildfire certification standards in Washington, which will help reduce insurance claims. That standard is through the IBHS standard. It is also a good thing if the insurance industry can help property owners understand their risk and ways to improve it. This will lead to better resiliency in the insurance market. Additionally, developing a grant program is a great opportunity to stay ahead of the curve and avoid pressures that other states are experiencing.

(Opposed) None.

(Other) It is exciting to work with the committee sponsor to develop this bill and there is a lot of support for the direction of the work group. Wildfire risk issues are a high priority and insurers are supportive of efforts to move toward wildfire resilient homes. It will be key as we all work toward stabilizing the homeowners' insurance market to bring existing homes up to current standards for wildfire safe homes.

Persons Testifying: (In support) Representative Kristine Reeves, prime sponsor; and David Forte and Bryon Welch, Office of the Insurance Commissioner.

(Other) Jean Leonard, Washington Insurers; Kenton Brine, Northwest Insurance Council; Brandon Vick, National Association of Mutual Insurance Companies; and Kris Tefft, American Property Casualty Insurance Association.

Persons Signed In To Testify But Not Testifying: None.