
Consumer Protection & Business Committee

SSB 5720

Brief Description: Concerning risk mitigation in property insurance.

Sponsors: Senate Committee on Business, Financial Services, Gaming & Trade (originally sponsored by Senator Stanford).

Brief Summary of Substitute Bill

- Allows property insurers to include specified risk mitigation and prevention goods and services as part of commercial property insurance policies.
- Increases the maximum value of specified goods and services that insurers can provide to an insured in a 12-month period from \$1,500 to \$7,500.

Hearing Date: 3/14/23

Staff: Michelle Rusk (786-7153).

Background:

Risk Mitigation in Property Insurance.

With the exception of commercial property insurance policies, property insurers may, with prior approval of the Insurance Commissioner (Commissioner), provide the following specified goods and services with a property insurance policy to assist in reducing the probability or extent of loss under the policy:

- goods, including a water monitor;
- foundation strapping to mitigate losses due to an earthquake;

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- ongoing services, including home monitoring or brush clearing to mitigate losses due to wildfires; and
- other goods and services as the Commissioner may identify in rule.

In any 12-month period, the aggregate value of risk mitigation or prevention goods and services cannot exceed a total of \$1,500.

Rate Filing.

A property insurer's rate filing must include the following information to obtain the Commissioner's prior approval for inclusion of risk mitigation or prevention goods and services with a non-commercial property insurance policy:

- a description of either the specific goods or services, or both, to be offered;
- a description of the method of delivering either the specific goods or services, or both, being offered; and
- the selection criteria for insureds receiving either the specific goods or services, or both, being offered.

The rate filing must also demonstrate that its rates account for the expected costs of the provided goods and services and anticipated reductions in claims costs. When the Commissioner's approval is given, inclusion of risk mitigation or prevention goods and services does not violate insurance laws concerning prohibited inducements or rebates.

Insurers are exempt from these rate-filing requirements if they are conducting a pilot program providing risk mitigation or prevention goods and services in connection with an insurance policy, in accordance with rules adopted by the Commissioner. Such a pilot program may not last longer than two years.

Summary of Bill:

Commercial Property Insurance Policies.

Property insurers are allowed to include specified risk mitigation or prevention goods and services with a commercial property insurance policy, subject to certain requirements, including the types of goods and services permitted, rate filing requirements, and limits on the aggregate value of the goods and services provided. Property insurers may also conduct a pilot program in connection with a commercial property insurance policy.

Maximum Value of Allowable Goods and/or Services.

The maximum limit on the value of goods and services that property insurers can provide to an insured in any 12-month period is increased to \$7,500.

Appropriation: None.

Fiscal Note: Available.

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