

HOUSE BILL REPORT

HB 2399

As Reported by House Committee On:
Consumer Protection & Business

Title: An act relating to prohibiting the post-loss assignment of benefits in property insurance.

Brief Description: Prohibiting the post-loss assignment of benefits in property insurance.

Sponsors: Representatives Hackney, Berry, Ormsby and Zahn; by request of Insurance Commissioner.

Brief History:

Committee Activity:

Consumer Protection & Business: 1/23/26, 2/4/26 [DP].

Brief Summary of Bill

- Prohibits an assignment agreement whereby any post-loss insurance benefit under property insurance coverage is assigned or transferred from the insured to another person.
- Establishes fines of \$50,000 per violation to be enforced by the Insurance Commissioner.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: Do pass. Signed by 8 members: Representatives Walen, Chair; Hackney, Vice Chair; Berry, Donaghy, Kloba, Morgan, Ryu and Santos.

Minority Report: Do not pass. Signed by 4 members: Representatives Abbarno, Corry, Steele and Volz.

Minority Report: Without recommendation. Signed by 3 members: Representatives McClintock, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Reeves.

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.

Staff: Megan Mulvihill (786-7304).

Background:

According to the National Association of Insurance Commissioners, an assignment of benefits (AOB) is an agreement signed by a policyholder that allows a third party, such as a repair company, to act on behalf of the insured. The AOB transfers insurance claim rights and benefits to the third party, allowing a third party to deal directly with the insurer, including filing the claim, negotiating repairs, making decisions about repairs, and collecting payment directly, without the policyholder's involvement. An AOB also assigns the policyholder's rights and benefits in resolving a claim to the third party, including the right to sue after a denial and mediate the claim.

Current state law does not specifically address the assignment of benefits under property insurance policies.

Summary of Bill:

An assignment agreement is defined as "any instrument by which post-loss benefits under any property insurance coverage, including but not limited to, any right of action against the insurer or any proceeds acquired from the insurer, are assigned or transferred to a person providing services to the insured, including but not limited to, inspecting, protecting, repairing, restoring, constructing, or replacing the insured's property or mitigating the insured's property against further damage."

Assignment agreements whereby any post-loss insurance benefit is assigned or transferred from the insured to another person are prohibited. Any such assignment agreement is void and unenforceable.

The prohibition does not apply to:

- a public adjuster representing a policyholder's financial interest on a loss;
- an attorney who is compensated based on a percentage of monetary recovery;
- an assignment, transfer, pledge, or conveyance granted to a federally insured financial institution, mortgagee, or subsequent purchaser of the property; or
- liability coverage under a personal or commercial line insurance policy.

For violations, the Insurance Commissioner may take action and impose a fine of \$50,000 per violation. Any fine collected by the Insurance Commissioner must be paid to the State General Fund.

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:

As part of a pilot project, testimony in this section of the bill report was summarized by generative artificial intelligence and reviewed for accuracy by non-partisan legislative staff. Generative artificial intelligence was used only in this section of the bill report; all other sections were prepared by non-partisan legislative staff without the use of any generative artificial intelligence.

(In support) The testimony emphasized that property owners are often highly vulnerable in the aftermath of disasters such as fires, floods, or severe water damage, when they are overwhelmed and less able to carefully review repair contracts. In these circumstances, some contractors include provisions that assign the benefits of an insurance policy to themselves, effectively stepping into the role of the policyholder. This practice removes the property owner's ability to control their insurance claim, negotiate or settle with the insurer, participate meaningfully in litigation, or access other policy benefits beyond repair costs, such as temporary housing. Testimony described these assignments of benefits as predatory, rarely serving consumers' interests, and frequently executed without the policyholder's full awareness. Witnesses noted that such practices have led to inflated claims, increased litigation, higher insurance premiums, and a rise in consumer complaints, while also creating opportunities for fraud and abuse. The bill was presented as a proactive measure to prohibit post-loss assignments of benefits, preserve consumer rights, clarify the proper roles of contractors and insurers, reduce fraud and frivolous lawsuits, and ensure that homeowners retain control over their insurance benefits while still obtaining timely repairs during periods of significant stress and loss.

(Opposed) None.

Persons Testifying: Representative David Hackney, prime sponsor; Janet McDaniel, PEMCO MUTUAL INSURANCE COMPANY; Marian Smith, National Insurance Crime Bureau; Kelli Carson, Washington State Association for Justice; Rory Paine-Donovan, Office of the Insurance Commissioner; and David Forte, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: None.