Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Consumer Protection & Business Committee

SB 6178

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

Sponsors: Senators Hunt, Cortes, Frame and Nobles; by request of Insurance Commissioner.

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.

Hearing Date: 2/18/26

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.

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.

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.