

Business & Financial Services Committee

HB 2322

Brief Description: Allowing property insurers to assist their insureds with risk mitigation goods or services.

Sponsors: Representatives Stanford, Kirby and Vick; by request of Insurance Commissioner.

Brief Summary of Bill

- Authorizes a personal property insurer to include goods and services intended to reduce either the probability of loss, or the extent of loss, or both, from a covered event as part of a policy of personal property insurance, with the prior approval of the Office of the Insurance Commissioner (OIC).
- Specifies examples of authorized goods and services and grants the OIC authority to identify additional authorized goods and services by rule and to generally adopt rules to implement the act.
- Requires a rate filing by a personal property insurer to include information pertaining to any of the specific goods or services offered and a demonstration that the insurer's rates account for the expected costs of the goods and services and the reduction in expected claims costs resulting from the goods and services.

Hearing Date: 1/10/18

Staff: Peter Clodfelter (786-7127).

Background:

The Prohibition on Inducements and Rebates to Purchase Insurance, and Exceptions.
Insurers, insurance producers, and title insurance agents are limited in what non-insurance benefits they may offer insureds or prospective insureds. Except to the extent provided for in a filing with the Office of the Insurance Commissioner (OIC), no insurer, insurance producer, or title insurance agent may, directly or indirectly, offer or pay to any insured, potential insured, or an employee of an insured, any rebate, discount, or reduction of premium, or any other valuable

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consideration or inducement whatsoever that is not expressly provided for in the insurance policy.

Additionally, insurers, insurance producers, and title insurance agents are prohibited from providing or offering, as inducements to insureds or prospective insureds, the following:

- any shares of stock or other securities, or any kind of contract or agreement providing for or promising profits or special returns or dividends; and
- any prizes, goods, wares, gift cards, gift certificates, or merchandise of an aggregate value in excess of \$100 per person in any consecutive 12-month period.

There are various exceptions to the above prohibitions, including the following:

- advertising or promotional programs conducted by insurers or insurance producers (but not title insurers or title insurance agents) in which prizes, goods, gift cards, or merchandise, not exceeding \$100 in value per person in the aggregate in any 12-month period are given to all insureds or prospective insureds under similar qualifying circumstances;
- certain health wellness programs conducted by a health carrier or disability insurer;
- commissions paid to an insurance producer or title insurance agent for insurance placed on their own property or risk;
- the allowance by a marine insurer, or marine insurance producer, to any insured, in connection with marine insurance, of such discount as is sanctioned by custom among marine insurers as being additional to the insurance producer's commission; and
- certain sales or purchases of securities.

Insurance Rate Filings.

Premium rates for insurance may not be excessive, inadequate, or unfairly discriminatory. Before offering insurance policies to consumers, a personal property insurer must file proposed rates with the OIC. The filing must indicate the type and extent of the coverage contemplated and must be accompanied by sufficient information to permit the OIC to determine whether it meets the requirements of the Insurance Code.

Insurers may file their proposed rates on their own behalf, or may do so through a licensed insurance rating organization. An insurer or rating organization must include all of the following information with a rate filing:

- the experience or judgment of the insurer or rating organization making the filing;
- an exhibit detailing the major elements of operating expense for the types of insurance affected by the filing;
- an explanation of how investment income has been taken into account in the proposed rates; and
- any other information which the insurer or rating organization deems relevant.

A filing must state its proposed effective date. The OIC must review a filing as soon as is reasonably possible upon its receipt. A filing is deemed to meet the requirements of the Insurance Code unless disapproved by the OIC within a 30 day waiting period or any extension thereof. The 30 day waiting period may be extended for an additional period not to exceed 15 days by the OIC if notice is provided to the insurer or rating organization.

Summary of Bill:

The Prohibition on Inducements and Rebates to Purchase Insurance, and Exceptions.

With the prior approval of the Office of the Insurance Commissioner (OIC), a personal property insurer may include the following goods and services intended to reduce either the probability of loss, or the extent of loss, or both, from a covered event as part of a policy of personal property insurance:

- goods, including a water monitor;
- foundation strapping to mitigate losses due to earthquake;
- ongoing services, including home safety monitoring or brush clearing to mitigate losses due to wildfire; and
- such other goods and services as the OIC may identify by rule.

For any ongoing services, an insured must affirmatively sign up for the service and it must be made clear that the insured may stop the services at any time without being locked into an ongoing contract for which the insured makes payments.

Even if insurance is subsequently cancelled after an insured receives goods, the insured is the owner of the goods.

The value of goods and services to be provided is limited to \$500 in value in the aggregate in any 12-month period.

The OIC is not required to approve any particular proposed benefit. The OIC may disapprove any proposed noninsurance benefit that the OIC determines may tend to promote or facilitate the violation of any other provision of the Insurance Code.

If the OIC approves the inclusion of such goods and services in a policy of property insurance, it does not constitute a violation of the prohibitions on inducements to purchase insurance or the prohibition on rebates following the purchase of insurance.

Insurance Rate Filings.

In order to receive prior approval of the OIC to include goods and services intended as risk mitigation in a personal insurance policy, the personal property insurer must include the following in its rate filing:

- 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.

A rate filing by a personal property insurer for a policy that includes risk mitigation goods and services must demonstrate that its rates account for the expected costs of the goods and services and the reduction in expected claims costs resulting from the goods and services.

The OIC is granted rule-making authority to implement the act.

Appropriation: None.

Fiscal Note: Requested on 1/3/18.

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