

FINAL BILL REPORT

SHB 2322

C 239 L 18
Synopsis as Enacted

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

Sponsors: House Committee on Business & Financial Services (originally sponsored by Representatives Stanford, Kirby, Vick, Barkis, McDonald and Ryu; by request of Insurance Commissioner).

House Committee on Business & Financial Services
Senate Committee on Financial Institutions & Insurance

Background:

Prohibition on Inducements and Rebates to Purchase Insurance.

Insurers, insurance producers, and title insurance agents are limited in what noninsurance 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 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 consideration or inducement 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:

- 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 prohibitions, including:

- 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;

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- commissions paid to an insurance producer or title insurance agent for insurance placed on their own property or risk; and
- 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.

Insurance Rate Filings.

Premium rates for insurance may not be excessive, inadequate, or unfairly discriminatory. Before offering insurance policies to consumers, a 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 the filing 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 the insurer or rating organization deems relevant.

Summary:

Prohibition on Inducements and Rebates to Purchase Insurance.

With the prior approval of the Office of the Insurance Commissioner (OIC), a 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 property insurance other than commercial 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.

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 \$1,500 in value in the aggregate in any 12-month period. However, the OIC may increase this limit through rule.

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 provision of the Insurance Code.

The provisions of approved goods and services does not violate the prohibitions on inducements to purchase insurance or rebates following the purchase of insurance.

Insurance Rate Filings.

To receive prior approval of the OIC to include goods and services intended as risk mitigation or prevention in an insurance policy, the 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;
- the selection criteria for insureds receiving either the specific goods or services, or both, being offered; and
- a demonstration the rates account for the expected costs of the goods and services and the reduction in expected claims costs resulting from the goods and services.

However, there is an exemption from these rate-filing requirements for risk mitigation or prevention goods and services provided through a pilot program through which the insurer offers or provides risk mitigation or prevention goods and services in connection with an insurance policy in accordance with rules adopted by the OIC. A pilot program may not last longer than two years.

Other.

Disaster or emergency response activities of property insurers are not subject to the act.

The OIC is granted rulemaking authority to implement the act, including but not limited to rules requiring a notice to insureds or potential insureds regarding their ability to opt out of receiving any risk mitigation or prevention goods or services, rules establishing requirements for pilot programs, and rules identifying which insurer disaster or emergency response activities are exempt from the act.

Votes on Final Passage:

House	95	0	
Senate	48	0	(Senate amended)
House	98	0	(House concurred)

Effective: June 6, 2018