

# SENATE BILL REPORT

## SB 6035

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As Reported by Senate Committee On:  
Financial Institutions & Insurance, January 18, 2018

**Title:** An act relating to risk mitigation in property insurance.

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

**Sponsors:** Senators Mullet, Carlyle and Kuderer; by request of Insurance Commissioner.

**Brief History:**

**Committee Activity:** Financial Institutions & Insurance: 1/09/18, 1/18/18 [DPS, w/oRec].

**Brief Summary of First Substitute Bill**

- Allows a personal property insurer to provide up to \$1,000 in value for risk mitigation goods and services with prior approval from the Office of the Insurance Commissioner (OIC).
- Authorizes a personal property insurer to conduct a two year pilot program as a risk mitigation strategy.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** That Substitute Senate Bill No. 6035 be substituted therefor, and the substitute bill do pass.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Angel, Ranking Member; Fortunato, Hobbs and Kuderer.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Baumgartner.

**Staff:** Jeff Olsen (786-7428)

**Background:** An insurer, insurance producer, or title insurance agent may not offer or pay to the insured any rebate, reduction of premium, commission, shares of stock, or any other valuable consideration not expressly provided for in the policy as an inducement to signing up for insurance. There are certain exceptions to the restriction, including authorizing limited

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advertising or promotional activities. For example, insurers and insurance producers may offer advertising or promotional programs including prizes, goods, wares, or merchandise, not exceeding \$100 in value per person in any 12-month period. The promotional programs must be offered to all insureds or prospective insureds under similar qualifying circumstances.

**Summary of Bill (First Substitute):** A personal property insurer may include up to \$1,000 in value over a 12-month period for goods and services intended to reduce losses from a covered event as part of a personal property insurance policy. Examples of goods and services that may be offered include a water monitor, foundation strapping, home safety monitoring, brush clearing, or other goods and services approved by the OIC. An insurer must receive prior approval from the OIC before offering risk mitigation goods and services. To obtain approval from the OIC, an insurer must include information in its rate filing including a description of the risk goods or services provided, the method for delivering those goods and services, and the selection criteria for an insured to receive those goods and services.

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 and the reduction in claims costs resulting from providing the goods and services. The OIC may adopt rules as necessary to implement the bill

An insurer may conduct a two year risk mitigation strategy pilot program by offering risk mitigation goods and services in accordance with rules adopted by the OIC. Insurers in the pilot program are exempt from including information about the risk mitigation goods and services in their rate filings.

**EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE (First Substitute):** Removes the requirement that an insured must affirmatively sign up for any ongoing risk mitigation services and receive specific information. Increases the aggregate value of goods and services that may be provided in a 12-month period from \$500 to \$1,000. Authorizes a personal property insurer to conduct a two-year long pilot program as a risk mitigation strategy and exempts insurers from the requirement to include information about the pilot in a rate filing. Adds that disaster response programs of personal property insurers are not regulated under the bill. Specifies the OIC's rule-making authority to implement the act.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: A risk mitigation program would allow insurers to mitigate risk from wildfires, water damage, and other risks to benefit customers and reduce claim costs. Stakeholders are discussing changes to the bill that would allow for

a pilot program and also exempt some current activities insurers already provide. The program would allow insurers to educate policy holders and prevent claims. With the recent catastrophic damage from wildfires in California, this program would provide a good partnership with consumers.

OTHER: Insurance companies already provide wildfire defense programs that dispatch teams to save homes, and the bill should be amended to make it clear those programs can continue.

**Persons Testifying:** PRO: Lonnie Johns-Brown, Washington Office of the Insurance Commissioner; Jean Leonard, WA INSURERS; State Farm; Carrie Tellefson, USAA; JulieAnna Anastassatos, USAA.

OTHER: Gary Strannigan, Safeco/Liberty Mutual.

**Persons Signed In To Testify But Not Testifying:** No one.