
**Consumer Protection & Business
Committee**

HB 2330

Brief Description: Addressing wildfire protection and mitigation.

Sponsors: Representatives Reeves, Ryu, Timmons, Reed, Springer and Ramel.

Brief Summary of Bill

- Requires insurers to make certain consumer disclosures when canceling, denying, or not renewing property insurance or general casualty insurance policies based on the use of a wildfire risk score.
- Creates a grant program within the Office of the Insurance Commissioner (OIC) to help homeowners mitigate against risk of loss from wildfires.

Hearing Date: 1/24/24

Staff: Michelle Rusk (786-7153).

Background:

Insurers and Insurance Policies.

The Office of the Insurance Commissioner (Commissioner) is responsible for licensing and regulating insurance companies doing business in this state, including regulating the form and content of insurance contracts and approving insurance rates, as provided for in the Insurance Code (Code). Insurers seeking certificates of authority to transact insurance in this state must possess required capital funds, limit insurance transactions to those allowed by the insurer's charter and the Code, and otherwise meet the Code's standards and requirements.

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.

Written Notice Required for the Cancellation or Nonrenewal of an Insurance Policy.

An insurance contract establishes conditions under which the insurer may cancel or not renew an insurance policy. Though the reasons for cancellation or nonrenewal are contract dependent, they may be the result of nonpayment, increased risk, or fraud or misrepresentation by the insured. By state law, an insurer must give the insured a certain number of days written notice prior to the effective date of the cancellation or nonrenewal. The amount of written notice an insurer is required to give is dependent upon the type of insurance policy and whether it is for nonpayment of a premium. Written notice may be delivered by mail, electronic facsimile, or personal delivery.

Summary of Bill:

Wildfire Risk Model Consumer Reporting Requirements.

Any insurers who take adverse action against a consumer, based in any part on the insurer's use of a wildfire risk model, must make specified written disclosures to a consumer, including:

- what wildfire risk model was used and from which company the model was provided;
- the consumer's wildfire risk score;
- a detailed written explanation of why the consumer received the assigned wildfire risk score;
- information about the Washington essential property insurance inspection and placement program;
- contact information for the Office of the Insurance Commissioner (OIC); and
- information regarding how a consumer may appeal an adverse action, according to specified procedures that insurers must follow.

Definitions are established for "consumer," "general casualty insurance," "property insurance," "wildfire risk model," "wildfire risk score," and "adverse action." "Adverse action" means cancellation, denial, or nonrenewal of property insurance or general casualty insurance.

Any insurer issuing general casualty or property insurance to consumers in this state must annually report the following to the OIC by July 1 of each year, which is exempt from public disclosure under the Public Records Act:

1. the total number of adverse actions it took with respect to consumer general casualty insurance or property insurance policies;
2. within the number identified in point 1 above, the number of adverse actions taken in whole or in part on the insurer's use of a wildfire risk model, which must include additional specified information; and
3. the total number, if any, of wildfire risk mitigation discounts or credits provided to a consumer as provided by the act.

Wildfire Risk Mitigation Credits or Discounts.

It is not a violation of this state's prohibition on unfair discrimination between insureds for an insurer to provide an actuarially-supported wildfire risk mitigation credit or discount. Beginning December 1, 2025, and by December 1 each year, the OIC must report to the Legislature on any

credits or discounts insurers provide as allowed.

Strengthen Washington Homes Grant Program.

Grant Program.

The Strengthen Washington Homes program (program) is established within the OIC to provide grants to Washington homeowners to either:

1. retrofit residential property to resist loss due to wildfire; or
2. evaluate whether residential properties meet wildfire mitigation standards, including the wildfire prepared home standards.

"Wildfire-prepared home standards" means standards equivalent to nationally recognized building safety requirements supported by scientific research and are intended to reduce wildfire risk and prevent avoidable loss from wildfire including, but not limited to, requirements for creation of a five foot noncombustible perimeter around a residential property. The OIC may adopt rules to implement and administer the definition of wildfire-prepared home standards.

The OIC must establish a process for homeowners to apply for and receive a program grant, and may adopt rules to implement the grant program, including rules to determine: (1) applicant eligibility for a grant; (2) whether a contractor is eligible to work on a grant-funded project; and (3) whether an evaluator is eligible to work on a grant-funded project.

After a grant application is approved, an eligible contractor may begin mitigation work permitted within the scope of the grant application, or an eligible evaluator may undertake an evaluation to either: (1) confirm the mitigation work completed by the eligible contract is completed; or (2) confirm that a residential property has met the wildfire-prepared home standards. A grant-funded project must be completed within six months of the grant award.

Strengthen Washington Homes Account.

The Strengthen Washington Homes Account is created in the state treasury. The sum of \$500,000 is appropriated for the fiscal biennium ending June 30, 2025, from the OIC's regulatory account to the Strengthen Washington Homes Account. Beginning July 1, 2026, and by July 1 each year after, the state treasurer must deposit \$5,000,000 in the Strengthen Washington Homes Account in moneys collected for premium taxes. Account expenditures may only be used for the Strengthen Washington Homes program.

Appropriation: The sum of \$500,000.

Fiscal Note: Requested on January 17, 2024.

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