

FINAL BILL REPORT

SSB 5720

C 446 L 23
Synopsis as Enacted

Brief Description: Concerning risk mitigation in property insurance.

Sponsors: Senate Committee on Business, Financial Services, Gaming & Trade (originally sponsored by Senator Stanford).

Senate Committee on Business, Financial Services, Gaming & Trade
House Committee on Consumer Protection & Business

Background: Risk Mitigation in Property Insurance. Except for commercial property insurance policies, property insurance may provide goods and services intended to reduce the probability of loss as part of the insurance policy. The following goods and services may be provided with the prior approval by the Office of the Insurance Commissioner (OIC):

- goods, including a water monitor;
- foundation strapping to mitigate losses due to an earthquake;
- ongoing services, including home monitoring or brush clearing to mitigate losses due to wildfires; and
- other goods and services OIC may identify in rule.

Information on the goods and services must be specified to OIC in the rate filing, and the filing must demonstrate its rate accounts for its expected costs and reduction in claims. In any 12-month period, the value of the goods and services cannot exceed a total of \$7,500 by rule. OIC may increase the value of these goods or services through rule.

Except for commercial property insurance policies, a property insurer may also conduct a pilot program as a risk mitigation strategy, in accordance with rules adopted by OIC. The insurer conducting the pilot program is not required to include information on the goods and services intended as risk mitigation or prevention in the rate filing. The pilot program may not last longer than two years. These goods and services do not constitute a violation on illegal inducements or rebates.

Summary: The exclusion on commercial property insurance, allowing commercial

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property insurance policies to provide up to \$7,500, or 10 percent of the annual policy premium, whichever is greater, per 12-month period in certain goods and services to reduce the probability of loss is removed. Certain information on the costs and reduction in claims relating to the goods and services provided must be included in its rate filing to the OIC.

The value of goods and services provided for risk mitigation purposes may no longer be increased through rule by the OIC.

Commercial property insurers may conduct a pilot program as a risk mitigation strategy, in accordance with rules adopted by OIC, that may not last longer than two years.

Votes on Final Passage:

Senate	46	0	
House	97	0	(House amended)
Senate	49	0	(Senate concurred)

Effective: July 23, 2023