SENATE BILL REPORT
SB 5720

As of February 10, 2023

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

Brief Description: Concerning risk mitigation in property insurance.

Sponsors: Senator Stanford.

Brief History:
Committee Activity: Business, Financial Services, Gaming & Trade: 2/14/23.

Brief Summary of Bill

- Allows insurers to provide certain goods and services intended to reduce the probability of loss as part of a commercial property insurance policy.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Staff: Kellee Gunn (786-7429)

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 as 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

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any 12-month period, the value of the goods and services cannot exceed a total of $1,500.

Except for commercial property insurance policies, a property insurer may also conduct a two-year pilot program as a risk mitigation strategy, in accordance with rules adopted by OIC. These goods and services do not constitute a violation on illegal inducements or rebates.

Summary of Bill: Removes the exclusion on commercial property insurance, allowing commercial property insurance policies to provide up to $1,500 total per 12-month period in certain goods and services to reduce the probability of loss. 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.

Commercial property insurers may conduct a two-year pilot program as a risk mitigation strategy, in accordance with rules adopted by OIC.

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.