SENATE BILL REPORT
SB 6178

As of January 19, 2026

Title: An act relating to prohibiting the post-loss assignment of benefits in property insurance.

Brief Description: Prohibiting the post-loss assignment of benefits in property insurance.

Sponsors: Senators Hunt, Cortes, Frame and Nobles; by request of Insurance Commissioner.

Brief History:
Committee Activity: Business, Trade & Economic Development: 1/21/26.

Brief Summary of Bill

- Prohibits a person from soliciting, coercing, requiring, or contracting with an insured to enter into an agreement to assign or transfer a post-loss property insurance benefit from the insured to the person.
- Specifies the scope of, and exceptions from, the restriction.
- Authorizes the Office of the Insurance Commissioner to enforce violations of the restriction.

SENATE COMMITTEE ON BUSINESS, TRADE & ECONOMIC DEVELOPMENT

Staff: John Kim (786-7453)

Background: According to the National Association of Insurance Commissioners, an assignment of benefits (AOB) is an agreement signed by a policyholder that allows a third party, such as a repair company, to act on behalf of the insured and seek payment from the insurer. An AOB allows the third party to deal directly with the insurer in negotiating repairs and issuing payment directly to the third party without the policyholder's involvement. An AOB also assigns the policyholder's rights and benefits in resolving a claim to the third party, including the right to sue after a denial and mediate the claim.

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.

Current state law does not specifically address the assignment of benefits under property insurance policies.

Summary of Bill: The bill prohibits a person from soliciting, coercing, requiring, or contracting with any insured to enter into an assignment agreement, in whole or in part, whereby any post-loss insurance benefit under any property insurance coverage is assigned or transferred from the insured to the person. Such assignment agreement is void and unenforceable.

This restriction does not apply to any of the following:

- an insured retaining the services of a licensed public adjuster under a written agreement to represent solely the policyholder's financial interest on the loss;
- an insured retaining the services of an attorney under a written agreement that compensates the attorney based on a percentage of a monetary recovery as permitted by the rules of professional conduct;
- an assignment, transfer, pledge, or conveyance granted to a federally insured financial institution, mortgagee, or subsequent purchaser of the property; or
- liability coverage under a personal or commercial line insurance policy.

The restriction also does not prohibit an insured from authorizing or directing payment to, or paying, a person for services, materials, or any other thing which may be, or is, covered under an insurance policy.

If the Office of the Insurance Commissioner (OIC) has cause to believe that any person has violated the restriction, the OIC may issue a cease-and-desist order, bring an action for injunctive relief, and impose a fine of $50,000 per violation. Any fine collected by the OIC for such violation must be paid to the state treasurer for the account of the general fund.

The following terms are defined:

- assignment agreement means any instrument, by which post-loss benefits under any property insurance coverage including, but not limited to, any right of action against the insurer or any proceeds acquired from the insurer, are assigned or transferred to a person providing services to the insured including, but not limited to, inspecting, protecting, repairing, restoring, constructing, or replacing the insured's property or mitigating the insured's property against further damage;
- property insurance is insurance against loss of or damage to real or personal property of every kind and any interest therein, from any or all hazard or cause, and against loss consequential upon such loss or damage; and
- public adjuster means an adjuster employed by and representing solely the financial interests of the insured named in the policy.

Appropriation: None.

Fiscal Note: Requested on January 14, 2026.

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

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