SENATE BILL REPORT
SB 6178

As of January 21, 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.

Staff Summary of Public Testimony: PRO: My district was affected by the bomb cyclone last year, increased wildfire risk, and flooding from the recent atmospheric river. The bill addresses damage from fire or major water events. Under current law, a contractor that comes in to provide repair services can have a part of the contract that would assign the insurance benefits over to the contractor. This can happen at a moment when the homeowner is in a very vulnerable position and may not be in a time when they are reading the repair company's legal contract line-by-line. This can block the homeowner from participating in the implementation of the insurance claim. This bill protects the consumer from potential financial disaster. There was a consumer who had a water loss and signed an assignment agreement. The insurance company asked for photos but the contractor did not provide them, leading to a denial of the claim. The OIC got involved but ultimately the contractor stopped communicating with the OIC.

The OIC finds aggressive vendors can pressure consumers to sign documents before contacting their insurance company, misrepresent facts, or perform unauthorized work. Contractors have expertise in repair procedures and how to efficiently do the work, but they are not licensed to discuss how insurance coverage works or how the loss settlement procedures in a policy guide the claim. That is the role of licensed public adjusters and attorneys. An assignment of benefits (AOB) transfers key rights to the contractor and are often presented as a convenience. Multiple Gulf states have seen rampant AOB misuse and have prohibited AOBs. We are starting to see similar patterns in Washington, particularly with water damage claims, and are trying to get ahead of the problem. We understand that the Washington State Association for Justice has some clarifying changes on the intent section relating to covenant judgments and we'll work with them on it.

The Washington State Association for Justice supports the bill. I've seen repair contractors ask customers to assign their property insurance rights and it cause big problems. An AOB gives the contractor extra leverage over the insurance company, but the homeowner loses their rights for other coverages such as for temporary housing or for personal property.

PEMCO Insurance supports this bill to ensure the policyholder retains their rights throughout the entire claim process and beyond. By assigning their benefits, the policyholder loses their right to pursue dispute resolution under the policy.

The National Insurance Crime Bureau supports the bill. Post-loss AOBs create misaligned incentives and removes the policyholder from the claims process.

Persons Testifying: PRO: Senator Victoria Hunt, Prime Sponsor; Joel Hanson, Washington State Association for Justice; Patty Kuderer, Office of the Insurance Commissioner; David Forte, Office of the Insurance Commissioner; Janet McDaniel,

PEMCO Insurance; Marian Smith, National Insurance Crime Bureau.

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