
Financial Institutions & Insurance Committee

SSB 5417

Brief Description: Requiring the disclosure of information on flood insurance coverage.

Sponsors: Senate Committee on Financial Institutions, Housing & Insurance (originally sponsored by Senators Berkey, Franklin, Shin and Roach; by request of Insurance Commissioner).

<p style="text-align: center;">Brief Summary of Substitute Bill</p> <ul style="list-style-type: none">• Requires insurers to notify certain policyholders that their policies do not cover damage caused by flooding.
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Hearing Date: 3/10/09

Staff: Jon Hedegard (786-7127)

Background:

Flood coverage may be offered by an insurer in a homeowners policy but it is typically excluded from coverage. Coverage is generally purchased separately via the National Flood Insurance Program (NFIP). The NFIP was established in 1968 by the federal government. The stated goals of the NFIP are to:

- protect communities from potential flood damage through floodplain management; and
- provide people with flood insurance.

The NFIP requires that communities adopt and enforce measures to help reduce the consequences of flooding.

According to the NFIP, approximately 32 insurers participate in the NFIP in Washington. There is no state oversight of the NFIP policies. The NFIP policies may be offered by participating insurers and their agents. Agents licensed in Washington who sell federal flood insurance

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policies are required by state law to comply with the minimum training requirements required by the Federal Emergency Management Agency.

Summary of Bill:

Every insurer must provide written notice to a policyholder if the policyholder's insurance policy does not cover damage caused by flooding. The notice must be provided to policyholders of:

- homeowners insurance;
- condominium unit owners insurance;
- residential tenants insurance; and
- residential fire insurance.

The notice must be provided when the policy is issued and then annually. The notice must also inform the policyholder how to contact the NFIP, or a NFIP agent. Specific language that satisfies the notice requirement is provided for insurers.

Exclusions allowed for the specified insurance policies are not invalidated.

Appropriation: None.

Fiscal Note: Available.

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