
SENATE BILL 5714

State of Washington

53rd Legislature

1993 Regular Session

By Senators Fraser, Moore and Barr

Read first time 02/10/93. Referred to Committee on Labor & Commerce.

1 AN ACT Relating to vendor single interest insurance coverage;
2 adding new sections to chapter 48.22 RCW; and providing an effective
3 date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** Unless the context clearly requires
6 otherwise, the definitions in this section apply throughout sections 1
7 through 5 of this act.

8 (1) "Borrower" means an individual.

9 (2) "Motor vehicle" means a motor vehicle in this state subject to
10 registration under chapter 46.16 RCW, except motor vehicles governed by
11 RCW 46.16.020 or registered with the Washington utilities and
12 transportation commission as common or contract carriers.

13 (3) "Secured party" means a person, corporation, association,
14 partnership, or venture that possesses a bona fide security interest in
15 a motor vehicle or vessel.

16 (4) "Vendor single interest coverage" means insurance coverage
17 insuring primarily the interest of a secured party in a motor vehicle
18 or vessel serving as collateral and obtained by the secured party or
19 its agent after the borrower has failed to obtain or maintain insurance

1 coverage required by the financing agreement for the motor vehicle or
2 vessel. Vendor single interest coverage does not include insurance
3 coverage purchased by a secured party for which the borrower is not
4 charged.

5 (5) "Vessel" means a vessel as defined in RCW 88.02.010 and
6 includes personal watercraft as defined in RCW 88.12.080.

7 NEW SECTION. **Sec. 2.** (1) No person who has a secured interest in
8 a motor vehicle or vessel may obtain vendor single interest coverage
9 for the motor vehicle or vessel as provided in subsection (2) of this
10 section until the following or substantially similar warning printed in
11 ten-point type is sent to the borrower:

12 FINAL NOTICE AND WARNING

13 UNLESS YOU PROVIDE US WITHIN SEVENTY-TWO HOURS OF RECEIPT OF
14 THIS LETTER WITH EVIDENCE OF INSURANCE COVERAGE AS REQUIRED BY
15 OUR LOAN AGREEMENT, WE WILL PURCHASE INSURANCE AT YOUR EXPENSE
16 TO PROTECT OUR INTEREST. IF THE COLLATERAL BECOMES DAMAGED,
17 THIS COVERAGE MAY NOT PAY ANY CLAIM YOU MAKE OR ANY CLAIM MADE
18 AGAINST YOU. YOU MAY LATER CANCEL THIS COVERAGE BY PROVIDING
19 EVIDENCE THAT YOU HAVE OBTAINED PROPER COVERAGE ELSEWHERE.

20 YOU ARE RESPONSIBLE FOR THE COST OF THE INSURANCE PURCHASED BY
21 US. THE COST OF THIS INSURANCE MAY BE ADDED TO YOUR LOAN
22 BALANCE. IF THE COST IS ADDED TO THE LOAN BALANCE, THE
23 INTEREST RATE ON THE UNDERLYING LOAN WILL APPLY TO THIS ADDED
24 AMOUNT.

25 THIS COVERAGE WILL COST YOU A TOTAL OF APPROXIMATELY \$ _____
26 AND MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE YOU CAN
27 OBTAIN ON YOUR OWN.

28 (2) If reasonable efforts to provide the borrower with the notice
29 required under subsection (1) of this section have failed to produce
30 evidence of the required insurance, the secured party may proceed to
31 acquire vendor single interest coverage no sooner than ten business
32 days after giving the notice. Reasonable efforts must include sending

1 a certified letter to the borrower's last known address as contained in
2 the secured party's records.

3 NEW SECTION. **Sec. 3.** (1) The secured party shall cancel vendor
4 single interest coverage effective the date of receipt of proper
5 evidence from the borrower that the borrower has obtained insurance to
6 protect the secured party's interest. Proper evidence includes an
7 insurance binder that is no older than ninety days from the date of
8 issuance and that contains physical damage coverage.

9 (2) If the underlying loan or extension of credit is satisfied,
10 the secured party may not require the borrower to maintain a vendor
11 single interest coverage that has been purchased.

12 (3) The interest rate for financing the cost of vendor single
13 interest coverage may not exceed the interest rate applied to the
14 underlying loan obligation.

15 NEW SECTION. **Sec. 4.** If a vendor single interest coverage is
16 canceled or discontinued under sections 3(1) or (2) of this act, the
17 secured party shall credit or refund or cause to be credited or
18 refunded to the borrower the amount of unearned premium on a pro rata
19 basis.

20 NEW SECTION. **Sec. 5.** In a contract or loan agreement to provide
21 financing for a motor vehicle or vessel that authorizes a secured party
22 to purchase vendor single interest coverage, the following or
23 substantially similar warning must be set forth in ten-point print:

24 WARNING

25 UNLESS YOU PROVIDE EVIDENCE OF THE INSURANCE COVERAGE REQUIRED
26 BY OUR LOAN AGREEMENT, WE WILL PURCHASE INSURANCE AT YOUR
27 EXPENSE TO PROTECT OUR INTEREST ONLY. IF THE COLLATERAL
28 BECOMES DAMAGED, THIS COVERAGE MAY NOT PAY ANY CLAIM YOU MAKE
29 OR ANY CLAIM MADE AGAINST YOU. YOU MAY LATER CANCEL THIS
30 COVERAGE BY PROVIDING EVIDENCE THAT YOU HAVE OBTAINED PROPER
31 COVERAGE ELSEWHERE.

32 YOU ARE RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY
33 US. THE COST OF THIS INSURANCE MAY BE ADDED TO YOUR LOAN

1 BALANCE. IF THE COST IS ADDED TO THE LOAN BALANCE, THE
2 INTEREST RATE ON THE UNDERLYING LOAN WILL APPLY TO THIS ADDED
3 AMOUNT.

4 THIS COVERAGE MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE
5 YOU CAN OBTAIN ON YOUR OWN.

6 NEW SECTION. **Sec. 6.** Sections 1 through 5 of this act are added
7 to chapter 48.22 RCW.

8 NEW SECTION. **Sec. 7.** This act takes effect January 1, 1994.

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