

HOUSE BILL REPORT

HB 2775

*As Reported By House Committee on:
Financial Institutions & Insurance*

Title: An act relating to life insurance and annuities.

Brief Description: Regulating interest paid on death benefits by insurers.

Sponsor(s): Representatives Dellwo, Broback and Paris.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 7, 1992,
DPS.

**HOUSE COMMITTEE ON
FINANCIAL INSTITUTIONS & INSURANCE**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 13 members: Representatives Dellwo, Chair; Zellinsky, Vice Chair; Broback, Ranking Minority Member; Mielke, Assistant Ranking Minority Member; Anderson; Dorn; Inslee; R. Johnson; R. Meyers; Paris; Schmidt; Scott; and Winsley.

Staff: John Conniff (786-7119).

Background: Life insurance companies must pay interest from the date of the policyholder's death at the rate the insurer allows for other policy proceeds left on deposit with the company or at 8 percent, whichever is greater.

Summary of Substitute Bill: Insurance code provisions governing interest payable on life insurance policy proceeds are amended. The minimum 8 percent interest rate is changed to the current market rate for 90-day treasury bills.

Substitute Bill Compared to Original Bill: Provisions that would have changed the date on which interest on life insurance proceeds accrue were removed.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: July 1, 1992.

Testimony For: (Original bill) Insurers should not be required to pay interest on policy proceeds until the insurer is notified of the policyholders death. In addition, insurers should be permitted to pay market interest rates rather than a fixed rate.

Testimony Against: (Original bill) Interest on life insurance proceeds should accrue from the date of the policyholder's death.

Witnesses: (Pro) Basil Badley, American Council of Life Insurance; and (con) Scott Jarvis, Office of Insurance Commissioner.