

# HOUSE BILL REPORT

## HB 1226

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As Reported By House Committee On:  
Financial Institutions & Insurance

**Title:** An act relating to the amounts of credit life insurance and credit disability insurance that consumer loan companies may make in connection with open-end loans.

**Brief Description:** Concerning amounts of credit life insurance and credit disability insurance that consumer loan companies may make in connection with open-end loans.

**Sponsors:** Representatives Zellinsky, Dellwo, Anderson and Mielke.

**Brief History:**

Reported by House Committee on:  
Financial Institutions & Insurance, February 1, 1993,  
DPS.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Zellinsky, Chair; Scott, Vice Chair; Mielke, Ranking Minority Member; Dyer, Assistant Ranking Minority Member; Anderson; Dellwo; Dorn; Grant; R. Johnson; Kessler; R. Meyers; Reams; Schmidt; and Tate.

**Staff:** John Conniff (786-7119).

**Background:** Consumer loan companies are authorized by statute to sell credit life and disability insurance in connection with the provision of open-end credit agreements. However, the statute requires such insurance to be issued in no less than the amount necessary to pay the total balance of the loan due on the date of the borrower's death or in the case of disability, in no less than the amount necessary to make loan payments during the borrower's disability.

**Summary of Substitute Bill:** Consumer loan companies are authorized to sell credit life and disability insurance in connection with the provision of open-end credit agreements in amounts less than necessary to completely satisfy a borrower's indebtedness on the date of death and in amounts less than necessary to meet minimum loan payments for the duration of the borrower's disability.

**Substitute Bill Compared to Original Bill:** Technical corrections are made.

**Fiscal Note:** Not requested.

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

**Testimony For:** Most credit life and disability insurance companies that cover loans made by consumer loan companies will not provide more than \$50,000 of coverage because the coverage is issued on a group basis without underwriting. As a result of this practice and the statute's requirement that such insurance be sold only if it covers the total debt, anytime the loan exceeds \$50,000, no insurance can be sold to the borrower even if the borrower wants a lower amount of credit life and disability coverage.

**Testimony Against:** None.

**Witnesses:** Lew McMurran, Household International (Pro); Susie Tracy, Washington State Financial Services Association (Pro); and Melodie Bankers, Insurance Commissioner's Office (Pro with Amendment).