

HOUSE BILL REPORT

HB 1985

As Passed House
January 21, 1994

Title: An act relating to liquidators' rights to collect premiums.

Brief Description: Regulating liquidators' rights to collect premiums.

Sponsors: Representatives Mielke, Zellinsky, Dyer, R. Johnson, Kremen, Anderson, Dorn, Peery, R. Meyers, Kessler, Grant, Reams, Appelwick, Schmidt and Tate.

Brief History:

Reported by House Committee on:

Financial Institutions & Insurance, March 3, 1993, DP;

Passed House, March 11, 1993, 98-0;

Passed House, January 21, 1994, 89-0.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 16 members: Representatives Zellinsky, Chair; Scott, Vice Chair; Mielke, Ranking Minority Member; Dyer, Assistant Ranking Minority Member; Anderson; Dellwo; Dorn; Grant; R. Johnson; Kessler; Kremen; Lemmon; R. Meyers; Reams; Schmidt; and Tate.

Staff: Charlie Gavigan (786-7340).

Background: The Insurance Code governs liquidation of insolvent insurers including priority of claims against the insurer and preservation of insurer assets. No specific provision is made for the collection of unearned premium from agents, brokers, and premium finance companies. In at least one instance of a liquidation of an insurer in another state, agents were required to pay unearned premiums to the liquidator that were never collected from the policyholder.

Summary of Bill: A liquidator of an insolvent insurance company may collect from the insurer's agent or broker, or from a premium finance company, unpaid premiums whether earned or unearned. An agent, broker, or premium finance company is not liable for uncollected unearned premiums. A presumption exists that premium amounts shown on the books of the insurer are collected; but, an agent, broker, or

premium finance company may show by a preponderance of evidence that the unearned premium was never collected.

The Insurance Commissioner may suspend the license of a person or company failing to pay premiums to the liquidator and may impose a fine of not more than \$1,000 for a violation of this requirement.

Fiscal Note: Not requested.

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

Testimony For: Insurance agents and brokers should not be responsible for paying to a liquidator of an insolvent insurer premium amounts that the insurer did not earn and that were never collected by the agent or broker.

Testimony Against: None.

Witnesses: Clark Sitzes, Independent Insurance Brokers (pro).