

FINAL BILL REPORT

SSB 5714

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SYNOPSIS AS ENACTED

Brief Description: Regulating vendor single-interest insurance.

SPONSORS: Senate Committee on Labor & Commerce (originally sponsored by Senators Fraser, Moore and Barr)

SENATE COMMITTEE ON LABOR & COMMERCE

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

BACKGROUND:

Individuals who borrow money to buy vehicles or boats and who use those vehicles or boats as collateral for loans are generally required by their lenders to carry insurance on the vehicle or boat to protect the lenders' interest. Loan contracts often contain clauses which allow the lender to purchase insurance on the vehicle or boat at the borrower's expense if the borrower fails to carry adequate insurance. This type of insurance coverage is called vendor single interest coverage (VSI) or collateral protection coverage.

SUMMARY:

A secured party may charge a borrower for VSI or collateral protection coverage only if the original loan agreement, or a separate document accompanying the original loan agreement and signed by the borrower, discloses the borrower's rights and responsibilities regarding the insurance coverage.

Before a secured party charges the borrower for VSI or collateral protection coverage, that party must send two letters of notice to the borrower. The first letter, sent by first class mail, informs the borrower generally regarding the insurance coverage. The second letter, sent by certified mail, discloses the same rights and responsibilities as the original loan agreement and also discloses the approximate cost of the insurance coverage. The final notice and warning must explain to the borrower whether the secured party is charging the borrower for vendor single interest insurance or for collateral protection coverage.

If the borrower provides evidence that proper insurance has been obtained, the secured party must cease charging the borrower for the insurance coverage. If the underlying loan is satisfied, the secured party may not maintain VSI or collateral protection coverage. If VSI or collateral coverage is cancelled or discontinued, the borrower will be refunded

the amount of unearned premium The secured party has the option of applying any refund for the insurance coverage against the borrower's outstanding balance.

VOTES ON FINAL PASSAGE:

Senate	47	0	
House	96	0	(House amended)
Senate	44	0	(Senate concurred)

EFFECTIVE: June 9, 1994
January 1, 1995 (Sections 1-5)