

HOUSE BILL REPORT

SSB 6234

As Reported by House Committee On:

Financial Institutions & Insurance

Title: An act relating to requiring a date certain for the payment of insurance premiums.

Brief Description: Requiring a date certain for the payment of insurance premiums.

Sponsors: Senate Committee on Labor, Commerce & Financial Institutions (originally sponsored by Senators Winsley, Prentice, Regala, Hochstatter, Honeyford, Benton, Rasmussen, Gardner, Deccio, Roach, Morton, Franklin and Hewitt).

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/27/02, 2/28/02 [DPA].

Brief Summary of Substitute Bill (As Amended by House Committee)

- Requires that automobile insurance policies with periodic payment plans state a specific day of the month that a premium payment is due.
- Prohibits an insurer from assessing a late charge if the premium payment is received within five days of the due date.
- Allows insurers up to 90 days to come into compliance with the administrative rules adopted to implement the legislation.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended. Signed by 11 members: Representatives Cooper, Chair; McIntire, Vice Chair; Benson, Ranking Minority Member; Barlean, Cairnes, Hatfield, Mielke, Miloscia, Roach, Santos and Simpson.

Staff: Thamas Osborn (786-7129).

Background:

The state Insurance Commissioner (commissioner) regulates the form and content of property and casualty insurance contracts. The insurance code specifies the categories of

information that must be contained in an insurance contract, including the type of risk that is being insured against, the amount of the premium, the starting date of the insurance coverage, and the period during which the insurance is to continue.

Currently, state law does not require that an insurance contract explicitly state the date on which a premium payment is due, nor does it address the issue of grace periods or late charges.

Summary of Amended Bill:

Private passenger automobile insurance policies with periodic payment plans must state a specific day of the month that a premium payment is due.

Insurers are prohibited from assessing a late charge if a premium payment is received from an insured within five days of the due date.

The commissioner is granted the authority to adopt the rules necessary to implement the act. Insurers must be allowed up to 90 days to come into compliance such rules before sanctions can be imposed by the commissioner.

Amended Bill Compared to Substitute Bill:

The amended bill requires that the insurance policy state a specific day of the month that a premium is due, whereas the substitute bill states that the policy must specify a "date certain".

The requirement in the substitute bill that insurers come into compliance with the act within one day following its effective date is deleted from the amended bill. Instead, the amended bill allows insurers 90 days to come into compliance with the administrative rules adopted to implement the legislation.

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: (Amended bill) The amended bill is much better than the substitute bill and should be passed.

Testimony Against: None.

Testified: Basil Badley, American Insurance Association; and Mike Kapphahn, Farmers Insurance.