

SENATE BILL REPORT

SB 6234

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, January 29, 2002

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: Senators Winsley, Prentice, Regala, Hochstatter, Honeyford, Benton, Rasmussen, Gardner, Deccio, Roach, Morton, Franklin and Hewitt.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 1/15/02, 1/29/02 [DPS, DNP].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 6234 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Fairley, Gardner, Hochstatter, Rasmussen, Regala and Winsley.

Minority Report: Do not pass.

Signed by Senator Benton.

Staff: Joanne Conrad (786-7472)

Background: Currently, there is no statutory requirement that insurance premiums be due on a date certain, creating some confusion among some consumers as to the ultimate due date. Consumers may also not be aware of the existence or length of a "grace period," during which the premium will still be accepted as timely by the insurer, saving the policyholder from late charges or cancellation for failure to pay.

Consumers of insurance may encounter a variety of approaches among insurers regarding due dates, notice of due dates, and grace periods for payment of premiums.

Summary of Substitute Bill: For private passenger auto insurance, contracts of insurance are required to provide a date certain on which the premium is due, and a grace period of a minimum of five days.

Insurers convert premium payment schedules immediately after the effective date of the act to provide dates certain. The Office of the Insurance Commissioner adopts rules.

Substitute Bill Compared to Original Bill: It is clarified that the bill applies to private passenger auto insurance only.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Consumers have problems computing when an insurance premium bill is due, unless a date certain is specified. Late fees should not be charged in cases of inadvertent de minimus late payment.

Testimony Against: "Grace periods" for payment are really "free insurance."

Testified: Senator Winsley, prime sponsor (pro); Mike Kapphan, Farmer's Insurance (con).