FINAL BILL REPORT
SSB 5561

C 87 L 03
Synopsis as Enacted

Brief Description: Concerning restrictions on assignments under UCC Article 9A.

Sponsors: Senate Committee on Financial Services, Insurance & Housing (originally sponsored by Senator Prentice).

Senate Committee on Financial Services, Insurance & Housing
House Committee on Financial Institutions & Insurance

Background: The Uniform Commercial Code (UCC) is a model code governing commercial transactions with the intent of creating uniformity between states. Washington's UCC Article 9A has been adopted as proposed by the UCC.

The old UCC 9, which governs secured transactions, including the sales of accounts, permitted the assignment of a security interest in accounts and general intangibles for the payment of money due or to become due, including assignments containing restrictions.

Revised UCC 9, which went into effect in July 1999, changed this language. Now, any terms which prohibit or restrict assignments on accounts, promissory notes, or payment intangibles are generally ineffective.

Terms used in the UCC: 1) "accounts" include payment obligations; 2) "promissory notes" include an instrument that evidences a promise to pay a monetary obligation; and 3) "payment intangible" means a general intangible under which the account debtor's principle obligation is a monetary obligation.

Structured settlements are voluntary agreements that enable the payment of a damage award for injury victims to be paid through a stream of payments tailored to their needs, as opposed to payment in one lump sum. In order to create a structured settlement, with favorable tax treatment under the Internal Revenue Service (IRS) Code, the assignor must be able to impose certain restrictions.

Summary: Restrictions on assignments for accounts, promissory notes, and payment intangibles do not apply to the assignment or transfer or creation of a security interest in a claim or right to receive compensation for injuries or sickness through accident or health insurance, such as workers' compensation or under a special needs trusts. This allows these settlements to be paid in a phased out manner over a period of time as a "structured settlement."

Votes on Final Passage:

Senate	49	0
House	95	0

Effective: July 1, 2003