

SENATE BILL REPORT

SB 5191

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, February 10, 2009

Title: An act relating to noninsurance benefits included in life insurance policies.

Brief Description: Allowing noninsurance benefits as part of life insurance policies.

Sponsors: Senators Hobbs and Benton.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 1/28/09, 2/10/09 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: That Substitute Senate Bill No. 5191 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Benton, Ranking Minority Member; Franklin, McDermott, Parlette and Schoesler.

Staff: Diane Smith (786-7410)

Background: The Insurance Commissioner (Commissioner) has the authority to regulate insurance. "Insurance" is defined as a contract one undertakes to indemnify another or pay a specified amount upon determinable contingencies. In the subcategory of "life insurance," only life insurance and annuities are addressed.

Some states allow life insurance companies to offer benefits other than life insurance. These are called noninsurance benefits or noninsurance products. As examples, this practice is allowed in Texas, Florida, and Massachusetts. In Texas, these noninsurance benefits must be reasonably related to the type of policy or certificate being issued. Among the products that may be offered are financial planning and will preparation.

Summary of Bill (Recommended Substitute): With the prior approval of the Commissioner, both individual and group life insurers may include certain noninsurance benefits as part of a policy. However, approval of any particular proposed noninsurance benefit is not required. These benefits are the following services: will preparation; financial and estate planning; probate and estate settlement and such other services as the Commissioner may identify by rule.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The provider of the noninsurance benefit must be appropriately licensed. All ethical requirements for, and the authority of, Washington attorneys remain in force. Likewise, the prohibition against the unauthorized practice of law remains in force.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute): The application of the Washington Securities Act is clarified.

Appropriation: None.

Fiscal Note: Available. No fiscal impact.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: Sixty percent of people have failed to prepare their wills. The same motives of compassion and consideration for their dependants that drive people to get life insurance also drive them to desire wills. This is a subject we don't like to think about although it is a necessity. Washington is the only state where employers cannot offer wills to their employees through group life insurance coverage. Life insurers should be able to provide will coverage at no additional cost with the wills prepared by qualified Washington attorneys. This would benefit consumers. They should be able to buy life insurance and annuities to fund college tuition, too. The Insurance Commissioner is reviewing this now and it should be added to the bill.

Persons Testifying: PRO: Luis A. Torres, Metropolitan Life Insurance; John Mangan, American Council of Life Insurers.