

# SENATE BILL REPORT

## SB 6443

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As of January 25, 2012

**Title:** An act relating to notice given to owners of life insurance policies about alternative transactions.

**Brief Description:** Addressing the notice given to owners of life insurance policies about alternative transactions.

**Sponsors:** Senators Haugen and Fain.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 1/25/12.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Staff:** Edward Redmond (786-7471)

**Background:** A life settlement occurs when a policyholder sells their life insurance policy to a third-party. Typically, the seller receives more than the policy's cash surrender value but less than its net death benefit. The purchaser may hold the policies until maturity or when the insured person dies and collect the net death benefits. They may also resell the policies, or they may sell interests in multiple policies to hedge funds or other investors. A lump sum payment is received when a person sell ones policy. The amount of the lump sum varies depending on a range of factors including the person's age, health, and terms and conditions of the life insurance policy. The purchaser agrees to pay any additional premiums required to keep the policy in effect and receives the death benefit when the insured person dies.

In 2009 the Legislature passed SSB 5195 adopting the Life Settlement Model Act (Act). The Act prohibits stranger-originated life insurance and requires life settlement providers and brokers to be licensed before transacting business with a resident of Washington.

The Act also requires notification to holders of life insurance policies under specified circumstances. An insurer must notify a policyholder that is 60 years or older or is known to be terminally ill, that there may be alternative transactions available if the owner makes a request to surrender the policy; the owner requests an accelerated life insurance benefit; the insurer is sending out a laps notice; or other times required by rule of the Commissioner.

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*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 insurance industry defines term life insurance as life insurance which provides coverage at a fixed rate of payments for a limited period of time. After that period expires, coverage at the previous rate of premiums is no longer guaranteed and the client must either forgo coverage or potentially obtain further coverage with different payments and/or conditions. If the insured dies during the term, the death benefit will be paid to the beneficiary.

**Summary of Bill:** Term life insurance policies are exempt from the notification requirements under RCW 48.102.100. A term life insurer is not required to notify a policyholder that there may be alternative transactions available.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

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