

HOUSE BILL REPORT

HB 1177

As Reported by House Committee On:
Judiciary

Title: An act relating to the regulation of service contracts.

Brief Description: Addressing the regulation of service contracts.

Sponsors: Representatives Kirby and Jinkins.

Brief History:

Committee Activity:

Judiciary: 1/27/15, 1/29/15 [DP].

Brief Summary of Bill

- States that legal service contractors are not insurers and that legal service plans are not insurance.

HOUSE COMMITTEE ON JUDICIARY

Majority Report: Do pass. Signed by 13 members: Representatives Jinkins, Chair; Kilduff, Vice Chair; Rodne, Ranking Minority Member; Shea, Assistant Ranking Minority Member; Goodman, Haler, Hansen, Kirby, Klippert, Muri, Orwall, Stokesbary and Walkinshaw.

Staff: Brent Campbell (786-7152).

Background:

Legal Service Plans.

Legal service plans allow people to purchase pre-paid legal services from a legal service contractor. Customers pay the plan's fees and then may use the legal services of private attorneys who contract with the legal service provider for legal issues covered under their contract.

Insurance Regulation.

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 Code regulates insurers and the practice of insurance. It creates the Office of the Insurance Commissioner (OIC) and orders the Insurance Commissioner to oversee the practice of insurance and to enforce provisions of the code. All insurers and insurance policies must follow regulations relating to issues such as assets and liabilities, the insurance contract, unfair practices and frauds, fees and taxes, rates, and more. Specific types of insurance, including life insurance, surety insurance, title insurance, and health insurance, must also follow regulations relating to their specific insurance type.

Summary of Bill:

A "legal service contractor" is any person, entity, or group of persons, including associations, who is not engaged in the practice of law or the business of insurance and who, for consideration, provides enrolled participants.

A "legal service plan" is an arrangement between a legal service contractor and an individual or person or group of individuals or persons, whereby specified legal services are to be provided to enrolled participants in consideration of a specified payment for a specified period of time.

Legal service contractors are deemed not to be insurers and legal service plans are deemed not to be insurance under the Insurance Code and are therefore not regulated under the Insurance Code. Legal service plans do not include retainer, fee, engagement, or representation agreements. They also do not include referrals by nonprofit lawyer services, employee welfare benefit plans, legal assistance programs for low and moderate income persons, or insurance policies that may provide for legal defense.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill clarifies that service contracts are not an insurance product. Service contracts are different from insurance; however, in this state, they must be approved by the OIC. This is unlike anywhere else in America. This bill will therefore correct a 20 year history of conflict with the OIC and remove unnecessary regulations.

This is a consumer bill. It will make legal services more accessible, available, and affordable. This is also the same bill as last year and does not affect the legal profession or the practice of law. It is supported by the OIC and the Washington State Bar Association.

(Opposed) None.

Persons Testifying: Representative Kirby, prime sponsor; and Brian Kreger and Joseph Lombino, Legal Shield.

Persons Signed In To Testify But Not Testifying: None.