

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE SENATE BILL 5714**

Chapter 186, Laws of 1994

53rd Legislature  
1994 Regular Session

VENDOR SINGLE INTEREST OR COLLATERAL PROTECTION COVERAGE

EFFECTIVE DATE: 6/9/94 - Except Sections 1 through 5 which take effect 1/1/95

Passed by the Senate March 5, 1994  
YEAS 44 NAYS 0

JOEL PRITCHARD

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**President of the Senate**

Passed by the House March 3, 1994  
YEAS 96 NAYS 0

BRIAN EBERSOLE

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**Speaker of the  
House of Representatives**

Approved March 30, 1994

MIKE LOWRY

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**Governor of the State of Washington**

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 5714** as passed by the Senate and the House of Representatives on the dates hereon set forth.

MARTY BROWN

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**Secretary**

FILED

March 30, 1994 - 1:36 p.m.

**Secretary of State  
State of Washington**

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**SUBSTITUTE SENATE BILL 5714**

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AS AMENDED BY THE HOUSE

Passed Legislature - 1994 Regular Session

**State of Washington                      53rd Legislature                      1994 Regular Session**

**By** Senate Committee on Labor & Commerce (originally sponsored by  
Senators Fraser, Moore and Barr)

Read first time 02/03/94.

1            AN ACT Relating to vendor single-interest insurance coverage;  
2 adding new sections to chapter 48.22 RCW; creating a new section; and  
3 providing an effective date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            NEW SECTION.    **Sec. 1.**    Unless the context clearly requires  
6 otherwise, the definitions in this section apply throughout sections 1  
7 through 5 and 7 of this act.

8            (1) "Borrower" means a person who receives a loan or enters into a  
9 retail installment contract under chapter 63.14 RCW to purchase a motor  
10 vehicle or vessel in which the secured party holds an interest.

11            (2) "Motor vehicle" means a motor vehicle in this state subject to  
12 registration under chapter 46.16 RCW, except motor vehicles governed by  
13 RCW 46.16.020 or registered with the Washington utilities and  
14 transportation commission as common or contract carriers.

15            (3) "Secured party" means a person, corporation, association,  
16 partnership, or venture that possesses a bona fide security interest in  
17 a motor vehicle or vessel.

18            (4) "Vendor single-interest" or "collateral protection coverage"  
19 means insurance coverage insuring primarily or solely the interest of

1 a secured party but which may include the interest of the borrower in  
2 a motor vehicle or vessel serving as collateral and obtained by the  
3 secured party or its agent after the borrower has failed to obtain or  
4 maintain insurance coverage required by the financing agreement for the  
5 motor vehicle or vessel. Vendor single-interest or collateral  
6 protection coverage does not include insurance coverage purchased by a  
7 secured party for which the borrower is not charged.

8 (5) "Vessel" means a vessel as defined in RCW 88.02.010 and  
9 includes personal watercraft as defined in RCW 88.12.010.

10 NEW SECTION. **Sec. 2.** In a contract or loan agreement, or on a  
11 separate document accompanying the contract or loan agreement and  
12 signed by the borrower, that provides financing for a motor vehicle or  
13 vessel and authorizes a secured party to purchase vendor single  
14 interest or collateral protection coverage, the following or  
15 substantially similar warning must be set forth in ten-point print:

16 WARNING

17 UNLESS YOU PROVIDE US WITH EVIDENCE OF THE INSURANCE COVERAGE  
18 AS REQUIRED BY OUR LOAN AGREEMENT, WE MAY PURCHASE INSURANCE AT  
19 YOUR EXPENSE TO PROTECT OUR INTEREST. THIS INSURANCE MAY, BUT  
20 NEED NOT, ALSO PROTECT YOUR INTEREST. IF THE COLLATERAL  
21 BECOMES DAMAGED, THE COVERAGE WE PURCHASE MAY NOT PAY ANY CLAIM  
22 YOU MAKE OR ANY CLAIM MADE AGAINST YOU. YOU MAY LATER CANCEL  
23 THIS COVERAGE BY PROVIDING EVIDENCE THAT YOU HAVE OBTAINED  
24 PROPER COVERAGE ELSEWHERE.

25 YOU ARE RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY  
26 US. THE COST OF THIS INSURANCE MAY BE ADDED TO YOUR LOAN  
27 BALANCE. IF THE COST IS ADDED TO THE LOAN BALANCE, THE  
28 INTEREST RATE ON THE UNDERLYING LOAN WILL APPLY TO THIS ADDED  
29 AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE YOUR  
30 PRIOR COVERAGE LAPSED OR THE DATE YOU FAILED TO PROVIDE PROOF  
31 OF COVERAGE.

32 THE COVERAGE WE PURCHASE MAY BE CONSIDERABLY MORE EXPENSIVE  
33 THAN INSURANCE YOU CAN OBTAIN ON YOUR OWN AND MAY NOT SATISFY  
34 WASHINGTON'S MANDATORY LIABILITY INSURANCE LAWS.



1 of the required insurance, the secured party may proceed to impose  
2 charges for vendor single interest or collateral protection coverage no  
3 sooner than eight days after giving notice as required under this  
4 chapter. Reasonable efforts to provide notice under this section  
5 means:

6 (a) Within thirty days before the secured party is required to send  
7 the final notice and warning in compliance with subsection (1) of this  
8 section, the secured party shall mail a notice by first class mail to  
9 the borrower's last known address as contained in the secured party's  
10 records. The notice shall state that the secured party intends to  
11 charge the borrower for vendor single interest or collateral protection  
12 coverage on the collateral if the borrower fails to provide evidence of  
13 proper insurance to the lender; and

14 (b) The secured party shall send the final notice and warning  
15 notice in compliance with subsection (1) of this section by certified  
16 mail to the borrower's last known address as contained in the secured  
17 party's records at least eight days before the insurance is charged to  
18 the borrower by the insurer.

19 (3) The secured party is responsible for complying with subsection  
20 (2)(a) and (b) of this section. However, a secured party may seek the  
21 services of other entities to fulfill the requirements of subsection  
22 (2)(a) and (b) of this section.

23 (4) Nothing contained in this chapter, or a secured party's  
24 compliance with or failure to comply with this chapter, shall be  
25 construed to require the secured party to purchase vendor single  
26 interest or collateral protection coverage, and the secured party shall  
27 not be liable to the borrower or any third party as a result of its  
28 failure to purchase vendor single interest or collateral protection  
29 coverage.

30 (5) Substantial compliance by a secured party with sections 1  
31 through 5 of this act constitutes a complete defense to any claim  
32 arising under the laws of this state challenging the secured party's  
33 placement of vendor single interest or collateral protection coverage.

34 (6) The effective date of vendor single interest or collateral  
35 protection coverage placed under this chapter shall be either the date  
36 that the borrower's prior coverage lapsed or the date that the borrower  
37 failed to provide proof of coverage on the vehicle or vessel as  
38 required under the contract or loan agreement. Premiums for vendor  
39 single interest or collateral protection coverage placed under this

1 chapter shall be calculated on a basis that does not exceed the  
2 outstanding credit balance as of the effective date of the coverage  
3 even though the coverage may limit liability to the outstanding  
4 balance, actual cash value, or cost of repair.

5 (7) If the secured party has purchased the contract or loan  
6 agreement relating to the motor vehicle or vessel from the seller of  
7 the motor vehicle or vessel under an agreement that the seller must  
8 repurchase the contract or loan agreement in the event of a default by  
9 the borrower, the secured party shall send a copy of the notice  
10 provided under subsection (2)(a) of this section by first class mail to  
11 the seller at the seller's last known address on file with the secured  
12 party when such notice is sent to the borrower under subsection (2)(a)  
13 of this section.

14 NEW SECTION. **Sec. 4.** (1) The secured party shall cancel vendor  
15 single interest or collateral protection coverage charged to the  
16 borrower effective the date of receipt of proper evidence from the  
17 borrower that the borrower has obtained insurance to protect the  
18 secured party's interest. Proper evidence includes an insurance binder  
19 that is no older than ninety days from the date of issuance and that  
20 contains physical damage coverage as provided in the borrower's loan  
21 agreement with respect to the motor vehicle or vessel.

22 (2) If the underlying loan or extension of credit for the  
23 underlying loan is satisfied, the secured party may not require the  
24 borrower to maintain vendor single interest or collateral protection  
25 coverage that has been purchased.

26 (3) The interest rate for financing the cost of vendor single  
27 interest or collateral protection coverage may not exceed the interest  
28 rate applied to the underlying loan obligation.

29 NEW SECTION. **Sec. 5.** If vendor single interest or collateral  
30 protection coverage is canceled or discontinued under section 4 (1) or  
31 (2) of this act, the amount of unearned premium must be refunded to the  
32 borrower. At the option of the secured party, this refund may take the  
33 form of a credit against the borrower's obligation to the secured  
34 party. If the refund is taken as a credit against the borrower's  
35 obligation to the secured party, the secured party shall provide the  
36 borrower with an itemized statement that indicates the amount of the  
37 credit and where the credit has been applied.

1        NEW SECTION.    **Sec. 6.**    Sections 1 through 5 and 7 of this act are  
2 added to chapter 48.22 RCW.

3        NEW SECTION.    **Sec. 7.**    The failure of a secured party prior to  
4 January 1, 1995, to provide notice as contemplated in this chapter, or  
5 otherwise to administer a vendor single interest or collateral  
6 protection coverage program in a manner similar to that required under  
7 this chapter, shall not be admissible in any court or arbitration  
8 proceeding or otherwise used to prove that a secured party's actions  
9 with respect to vendor single interest or collateral protection  
10 coverage or similar coverage were unlawful or otherwise improper. A  
11 secured party shall not be liable to the borrower or any other party  
12 for placing vendor single interest or collateral protection coverage in  
13 accordance with the terms of an otherwise legal loan or other written  
14 agreement with the borrower entered prior to January 1, 1995. The  
15 provisions of this section shall be applicable with respect to actions  
16 pending or commenced on or after the effective date of this section.

17        NEW SECTION.    **Sec. 8.**    Sections 1 through 5 of this act take effect  
18 January 1, 1995.

      Passed the Senate March 5, 1994.

      Passed the House March 3, 1994.

      Approved by the Governor March 30, 1994.

      Filed in Office of Secretary of State March 30, 1994.