

HOUSE BILL REPORT

SB 5078

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to delinquency and cancellation charges on premium finance agreements.

Brief Description: Concerning premium finance agreements.

Sponsors: Senators Fraser, Prentice, Newhouse and Sellar.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 3/20/95, 3/22/95 [DP].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 13 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benton; Campbell; Dellwo; Dyer; Huff; Kessler; Ogden and Pelesky, Assistant Ranking Minority Member.

Minority Report: Do not pass. Signed by 1 member: Representative Costa.

Staff: Charlie Gavigan (786-7340).

Background: Insurance premium finance companies assist consumers and businesses in financing the payment of insurance premiums. Under a typical premium finance agreement, the insured promises to pay to the premium finance company the amount advanced by the company to an insurer, agent, or broker. The insured then makes payments to the premium finance company for the loan.

The Insurance Premium Finance Act allows licensed premium finance companies to charge a fee for late payment of an installment. Under current law, the late charge ranges from \$1 to 5 percent of the late payment, not to exceed \$5.

Summary of Bill: The maximum late charge allowed in premium finance agreements is \$5 for loans for personal, family, or household purposes. For businesses, the premium finance agreement may provide for a maximum late charge up to 5 percent of the late payment.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Many businesses now use premium finance agreements. A late charge of 5 percent of the late payment is more commercially reasonable.

Testimony Against: None.

Testified: Mal Murphy, Lane Powell Spears & Lubersky law firm (pro).