
**Financial Institutions &
Insurance Committee**

ESB 6525

Brief Description: Regulating single premium credit insurance.

Sponsors: Senators Prentice, Deccio, Keiser, Winsley, Franklin and Gardner; by request of Governor Locke, Insurance Commissioner and Attorney General.

Brief Summary of Engrossed Bill

- Prohibits the sale of single premium credit insurance in connection with mortgage loan transactions in excess of \$10,000.

Hearing Date:

Staff: Thamas Osborn (786-7129).

Background:

Single premium credit insurance is often sold by insurers in connection with mortgage loans or consumer loans secured by real property. A consumer purchases this product to insure against defaulting on the loan in the event of death, disability, or unemployment. The term of the insurance is typically between five and seven years. Rather than being paid in installments, the premium is usually rolled into the loan itself and thus payments on the premium, including interest, are made over the life of the loan. As the result of the interest component, the inclusion of the entire credit insurance premium in the loan amount can significantly increase the total of payments made by the insured.

Summary of Bill:

An insurer is prohibited from selling credit insurance in connection with a residential mortgage loan transaction if the policy requires that the entire premium be paid at the inception of the loan. Credit insurance may be offered as part of such transactions provided the terms of the policy allow for the payment of monthly installments. The prohibition does not apply to loans that are \$10,000 or less and which involve a payment term that does not exceed five years.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date: The bill takes effect on July 1, 2003.