

# HOUSE BILL REPORT

## HB 1202

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### As Reported by House Committee On: Financial Institutions & Insurance

**Title:** An act relating to noninsurance benefits included in life insurance policies.

**Brief Description:** Allowing noninsurance benefits as part of life insurance policies.

**Sponsors:** Representatives Hurst, Bailey, Kelley, Roach, Kirby and Parker.

#### **Brief History:**

##### **Committee Activity:**

Financial Institutions & Insurance: 1/29/09, 2/5/09 [DPS].

#### **Brief Summary of Substitute Bill**

- Allows specific noninsurance benefits as part of a policy of individual or group life insurance, with the prior approval of the Insurance Commissioner.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, Roach, Rodne, Santos and Simpson.

**Staff:** Jon Hedegard (786-7127)

#### **Background:**

The Insurance Commissioner (Commissioner) oversees individual and group life insurance contracts that are issued or delivered in this state.

Under the insurance code, the state is a member of the Interstate Insurance Product Regulation Compact (Compact). The Compact became operational in May of 2006. The Compact is the legal arrangement. It creates an Interstate Insurance Product Regulation Commission (Commission). The Commission will develop product standards and receive, review, and approve products. A standard must be approved by two-thirds of the members of

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the Commission before it can be adopted. Each compacting state receives one representative to the Commission. The Commissioner is the representative from the state. The state may opt-out of a product standard in either of two ways. First, the Legislature may opt out of any product standard at any time for any reason. Second, the state may also opt-out by rule-making of the Office of the Insurance Commissioner (OIC). To opt-out by rule, the OIC must make specific findings of fact and conclusions of law in determining that the standard does not provide reasonable protections to the citizens of the state.

An insurer may file products for approval with the OIC for use in this state. Instead of, or in addition to, filing a product with the OIC, an insurer may file a product for approval with the Commission prior to use by the insurer. A product approved by the Commission may be used in any compacting state, including this state.

The practice of law is overseen by the Washington State Supreme Court (Supreme Court). A person who provides legal services, who is not a licensed lawyer or otherwise authorized by law to provide legal services, may be engaging in the unauthorized practice of law. The unauthorized practice of law is a crime in this state.

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#### **Summary of Substitute Bill:**

A life insurer may include specific noninsurance benefits as part of a policy of individual or group life insurance, with the prior approval of the Commissioner, such as:

- will preparation services;
- financial planning and estate planning services;
- probate and estate settlement services; and
- other services adopted by rule of the Commissioner.

The Commissioner is not required to approve any particular proposed noninsurance benefit. Any proposed noninsurance benefit that the Commissioner determines may tend to promote or facilitate the violation may be disapproved by the Commissioner.

The Commissioner may adopt rules to ensure disclosure of the noninsurance benefits.

Persons or businesses providing the noninsurance services must be appropriately licensed. The authority and ethical obligations of those who are authorized by the Supreme Court to practice law in this state is not affected. The prohibition against the unauthorized practice of law is not affected. The application of the state securities laws is not affected.

#### **Substitute Bill Compared to Original Bill:**

Parallel subsections are added to each section to clearly state that the sections do not impact security regulation under state law.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** 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 makes sense when you look at how unprepared many people are in terms of financial planning. This bill makes it easier for people to do the appropriate planning. The goal was to try to make financial services more available to people. It would be useful for a consumer to consider various financial planning tools and services in the context of their discussion about a life insurance policy. Including financial benefits in a life insurance policy makes sense. The services are offered by other professionals, not the insurer, but made available via an insurance policy.

This is an important bill. It will provide real benefits to consumers. Many people need to consider financial planning options. Unfortunately, many people in the United States are underinsured. Similarly, many people do not have a will. A will is a necessity but there are obstacles and reasons why those people do not have a will. Employers can include will preparation benefits for their employees. Often this is at no cost to the employer. Washington is the only state where these services are not allowed in a group life insurance policy. This bill provides access to Washington attorneys for people who may not otherwise have a will.

Life insurers support the bill for all of the reasons that have been mentioned. This is similar to legislation from Texas that also included an additional product regarding education savings. It would be useful to add that product. Conversations with the OIC about that possible addition are taking place. While that addition is useful, this is a good bill that should be passed with or without the additional product.

(Opposed) None.

**Persons Testifying:** Representative Hurst, prime sponsor; Luis Torres, MetLife; and Mel Sorensen, American Council of Life Insurers.

**Persons Signed In To Testify But Not Testifying:** None.