

HOUSE BILL REPORT

HB 2082

As Reported by House Committee On:
Business & Financial Services

Title: An act relating to life insurance policies.

Brief Description: Regulating life insurance policies.

Sponsors: Representatives Zeiger and Kirby.

Brief History:

Committee Activity:

Business & Financial Services: 1/15/14, 1/17/14 [DP].

Brief Summary of Bill

- Permits an insurer to issue an individual or group life insurance policy where the cumulative premiums for the policy exceed the benefit payable at death, if the minimum benefit payable at death is \$5,000 or more.

HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

Majority Report: Do pass. Signed by 10 members: Representatives Kirby, Chair; Parker, Ranking Minority Member; Vick, Assistant Ranking Minority Member; Blake, Fagan, Habib, Kochmar, MacEwen, Santos and Stanford.

Minority Report: Do not pass. Signed by 2 members: Representatives Ryu, Vice Chair; Hudgins.

Staff: Linda Merelle (786-7092).

Background:

Unfair Practice.

No person engaged in the business of insurance shall engage in unfair methods of competition or in unfair or deceptive acts or practices in the conduct of insurance business. Unfair or deceptive acts or practices may be expressly defined in statute and may, in addition,

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be defined in rule by the Insurance Commissioner (Commissioner). If an insurer engages in an unfair or deceptive act against a consumer, the consumer has a right of legal action.

If the Commissioner has cause to believe that any person or entity is violating a regulation regarding unfair or deceptive acts or practices, the Commissioner may order the person or entity to cease and desist. If the person or entity subsequently violates the order after 10 days of receiving a cease and desist order, the Commissioner may impose a fine of up to \$250 per violation. The Commissioner also may take additional action as permitted under the insurance code.

Life Insurance Policies.

Under the Washington Administrative Code (WAC), it is an unfair practice for any insurer to provide life insurance coverage on any person or on behalf of such person unless the benefit payable at death under the policy will equal or exceed the cumulative premiums. The cumulative premiums are defined as all sums paid as consideration, less dividends paid in cash, for coverage during the first 10 years of coverage.

It is not considered an unfair practice for an insurer to offer such a policy if the minimum benefit of the policy payable at death is \$25,000 or more. It is also not considered an unfair practice if the policy is a group life insurance policy, regardless of the minimum benefit payable at death, unless the insured pays all or substantially all of the premium and coverage under a conversion from a group policy to individual policies.

Summary of Bill:

This act provides that if the benefit payable at death is \$5,000 or greater, it is not an unfair practice for an insurer to issue an individual life insurance policy or a group life insurance policy where the cumulative premiums paid under the policy exceed the benefit payable at death. An insurer may issue such a group life insurance policy even where the insured pays all or substantially all of the premiums for the coverage if the policy is converted from coverage under the group policy to an individual policy.

Appropriation: None.

Fiscal Note: Available.

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) Washington is the only state where consumers cannot get a life insurance policy valued at less than \$25,000. This bill lowers that threshold to \$5,000. In this state, it is

impossible to buy an end-of-life policy that is affordable to senior citizens. Washington is out of step with the other states. Insurance brokers would like to sell this kind of a policy to senior citizens. It is good for the economy, good for seniors, and makes the market more flexible. Half of the policies for life insurance in the United States are for a final expense. Insurers cannot offer the same products that they offer in other states. This bill will help seniors and create jobs. The object of this bill is to sell less insurance and help more families. It is up to the consumer to decide how much they will pay and not up to the government. Consumers want to have the option to make their own choices for their families. Some of the consumer protection concerns that were the basis of the current law are no longer a concern. In the past, there were cases where very small policies were being sold to senior citizens where the value of the policy was less than the amount paid in premiums.

(Opposed) None.

Persons Testifying: Representative Zeiger, prime sponsor; Representative Kirby; Paula Sullivan and Karen Harding National Agents Alliance; John Mangan, American Council of Life Insurers.

Persons Signed In To Testify But Not Testifying: None.