

HOUSE BILL REPORT

HB 2661

*As Reported By House Committee on:
Financial Institutions & Insurance*

Title: An act relating to insurance premium financing.

Brief Description: Increasing the charges for insurance premium financing.

Sponsor(s): Representative Beck.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 7, 1992, DP.

**HOUSE COMMITTEE ON
FINANCIAL INSTITUTIONS & INSURANCE**

Majority Report: *Do pass.* Signed by 13 members:
Representatives Dellwo, Chair; Zellinsky, Vice Chair;
Broback, Ranking Minority Member; Mielke, Assistant Ranking
Minority Member; Anderson; Dorn; Inslee; R. Johnson;
R. Meyers; Paris; Schmidt; Scott; and Winsley.

Staff: John Conniff (786-7119).

Background: Insurance premium finance companies are licensed and regulated by the insurance commissioner. Premium finance companies may charge \$10 dollars per \$100 of the premium amount financed plus an acquisition fee of \$10. In addition, the company may collect a delinquency charge of \$1 to a maximum of 5 percent of the delinquent installment up to \$5 on any installment in default for a period of five days or more. If the delinquency results in a cancellation of the insurance policy, the company may also assess a cancellation fee equal to the difference between the delinquency charge and \$5.

Summary of Bill: The charges and fees that a premium finance company may collect are increased. Premium finance companies may charge interest on loans at 20 percent per annum and may also collect an administrative charge of \$30. The delinquency charge is increased to a minimum of \$10 not to exceed \$100 on any installment in default. If the default results in cancellation, the company may charge a flat fee of \$30.

Fiscal Note: Not requested.

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

Testimony For: Premium finance companies often finance very small premiums for groups such as day care operators. However, the interest rate limits for premium finance loans were set in 1969 and these limits are insufficient to cover the costs of very small loans.

Testimony Against: None.

Witnesses: (Pro) Representative John B. Beck, Prime Sponsor; Tom Tindall, Insurance Finance Inc.; and Sandy Tindall, Insurance Finance Inc.