FINAL BILL REPORT
HB 1150

C 116 L 03

Synopsis as Enacted

Brief Description: Selling single premium credit insurance.

Sponsors: By Representatives Hatfield, Cairnes, Roach, Cooper, Benson, Haigh, Schual-Berke and Simpson; by request of Insurance Commissioner.

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Services, Insurance & Housing

Background:

Single premium credit insurance is commonly sold by insurance companies through lenders 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. Single premium credit insurance is insurance in which the entire premium is paid at the inception of the loan rather than in installments. The general practice is to include the premium in the loan itself, requiring repayment of the premium, including interest, be made over the life of the loan. The term of the insurance is typically between five and seven years, while the term of the loan can be much longer.

Summary:

An insurer is prohibited from selling a single premium credit insurance policy in connection with a residential mortgage loan unless:

- the term of the policy and the loan are the same;
- the debtor is given the option of paying for the insurance via monthly premiums; and
- the terms of the insurance policy entitle the insured to a full refund of the premium if the insurance is canceled within 60 days of the inception of the loan.

This does not apply if the loan amount is $10,000 or less, the term of the loan does not exceed five years, and the term of the single premium credit insurance does not exceed the repayment term of the loan.

Votes on Final Passage:

House 96 0
Senate 46 0

Effective: July 27, 2003