
Consumer Protection & Business Committee

SSB 5810

Brief Description: Exempting certain prepaid services from insurance regulation.

Sponsors: Senate Committee on Business, Financial Services & Trade (originally sponsored by Senators Mullet and Dozier).

Brief Summary of Substitute Bill

- Establishes that legal services contractors are not insurers and legal service plans are not insurance.

Hearing Date: 2/16/22

Staff: Michelle Rusk (786-7153).

Background:

Insurance Regulations.

All insurance and insurance transactions in Washington are governed by the Insurance Code in Title 48 RCW (Code). Insurance is a contract in which one party undertakes to indemnify another, or pay a specified amount upon certain events occurring, and insurers are persons engaged in the business of making contracts of insurance.

The Insurance Commissioner is responsible for regulating insurance including reviewing and approving insurance products, licensing and professional oversight, and investigating violations of the Code including enforcement action. Insurers must hold a certificate of authority issued by the Commissioner to engage in insurance transactions in Washington.

Prepaid Legal Services.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Prepaid legal services plans are, generally, membership plans that provide members access to lawyers for consultations, legal review and preparation of documents, certain dispute resolution, representation in court, and additional services depending on the scope of the membership.

Summary of Bill:

Under Washington insurance laws, legal service contractors are not insurers and legal service plans are not insurance. Definitions for legal service contractors and legal service plans are established:

- "Legal service contractor" means any person, entity, or group of persons who does not engage in the practice of law or the business of insurance and who, for consideration, provides members with access to legal services through agreements with providing attorneys.
- "Legal service plan" means an arrangement between a legal service contractor and an individual or group of individuals, where specified legal services may be provided to, or provided at discounted rates to members by providing attorneys in consideration of a periodic payment that does not constitute payment of attorney fees of any providing attorneys.

Neither the practice of law, nor the following arrangements, are affected by these new designations:

- representation agreements made between attorneys and persons or groups other than legal service contractors;
- individual client referrals to an attorney by nonprofit referral services or public entities such as bar associations;
- employee welfare benefit plans to the extent state law or regulation is preempted by federal law or regulation;
- legal assistance to low- or moderate-income persons by nonprofit legal aid organizations or programs affiliated with state or local bar associations, accredited law schools or programs operated in conjunction with approved paralegal education programs; and
- insurance policies, or coverage incidental to an insurance policy, that may include legal defense issued by an authorized insurer.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 11, 2022.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.