

SENATE BILL REPORT

SB 5078

As Passed Senate, March 7, 1995

Title: An act relating to delinquency and cancellation charges on premium finance agreements.

Brief Description: Concerning premium finance agreements.

Sponsors: Senators Fraser, Prentice, Newhouse and Sellar.

Brief History:

Committee Activity: Financial Institutions & Housing: 1/26/95, 2/3/95 [DP].
Passed Senate, 3/7/95, 49-0.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar, Smith and Sutherland.

Staff: Catherine Mele (786-7470)

Background: Insurance premium finance companies assist consumers and businesses in financing the payment of insurance premiums. Under a typical premium finance agreement, the insured promises to pay to the premium finance company the amount advanced by the company to an insurer, agent, or broker. The insured then makes payments to the premium finance company for the loan.

The Insurance Premium Finance Act allows licensed premium finance companies to charge a fee for late payment of an installment. Under current law, all premium finance agreements allow for a late charge of \$1 to 5 percent of the late payment, not to exceed \$5.00.

Summary of Bill: The late charge is limited to \$5 only if the loan in default is for personal, family, or household purposes. For businesses, the premium finance agreement may provide for a late charge of \$1 to 5 percent of the late payment.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: When the Legislature passed the Insurance Premium Finance Act, most of the loans went to consumers. Today, businesses use premium finance agreements more than consumers. A late charge of only \$5 fails to motivate businesses to pay the installment payment on time.

Testimony Against: None.

Testified: Mal Murphy (pro); Lane Powell (pro); Dick Larkin Berjac (pro).