

---

**BILL REQUEST - CODE REVISER'S OFFICE**

---

BILL REQ. #: H-4628.3/02 3rd draft

ATTY/TYPIST: LL:mos

BRIEF DESCRIPTION:

2 **ESB 6525** - H COMM AMD

3 By Committee on Financial Institutions & Insurance

4

5 Strike everything after the enacting clause and insert the  
6 following:

7 NEW SECTION. **Sec. 1.** The legislature finds that single premium  
8 credit insurance, when added to a loan balance and financed, reduces  
9 equity in real property and may cost purchasers of credit insurance  
10 thousands of dollars in interest payments. This insurance may also be  
11 sold using deceptive marketing practices.

12 NEW SECTION. **Sec. 2.** A new section is added to chapter 48.30 RCW  
13 to read as follows:

14 (1) For the purpose of this section:

15 (a) "Single premium credit insurance" means any credit insurance  
16 where the full premium is charged to the consumer as a whole sum at or  
17 near the inception of coverage whether that charge is made by the  
18 creditor or by the insurer.

19 (b) "Residential mortgage loan" means any loan primarily for  
20 personal, family, or household use secured by a mortgage or deed of  
21 trust on residential real estate upon which is constructed or intended  
22 to be constructed a single-family dwelling or multiple-family dwelling  
23 of four or less units.

24 (2) Single premium credit insurance products shall not be sold in  
25 connection with a residential mortgage loan unless:

26 (a) The borrower is given the option to buy monthly credit  
27 insurance products where the insurance premiums are not financed;

28 (b) The term of the single premium credit insurance coverage is not  
29 longer than the term of the loan agreement or the premiums are financed  
30 for a period not to exceed the term of the single premium credit  
31 insurance coverage;

32 (c) The borrower is provided a full refund of premiums if the  
33 insurance is canceled within sixty days of the date of the loan; and

34 (d) The borrower is provided with written notification that the  
35 purchase of the single premium credit insurance is optional and that

1 the receipt of the loan is not contingent on the purchase of the  
2 insurance. Failure to provide this notification shall constitute an  
3 unfair or deceptive practice under RCW 19.146.0201 and 31.04.027.

4 (3) An insurer must comply with the terms of this section:

5 (a) The earlier of sixty days after the commissioner approves an  
6 insurer's credit insurance monthly product or one year after the  
7 effective date of this section, unless the insurer and the commissioner  
8 are actively engaged in making a good faith effort towards approval of  
9 the credit insurance monthly product; or

10 (b) One year after the effective date of this section if the  
11 insurer has not filed a credit insurance monthly product for approval.

12 (4) The commissioner may adopt rules establishing disclosure  
13 standards for the sale of single premium credit insurance. All  
14 disclosures to the borrower must be in writing. The disclosure  
15 statement must be signed by the borrower and the borrower must receive  
16 a copy of the signed document no later than the time of closing.  
17 Required disclosures include, but are not limited to:

18 (a) The cost of single premium credit insurance and related  
19 financing charges;

20 (b) A comparison of the cost of single premium credit insurance to  
21 comparable credit insurance described in subsection (2)(a) of this  
22 section;

23 (c) The borrower's rights related to purchase and cancellation of  
24 the insurance; and

25 (d) Notification to the borrower that the purchase of the single  
26 premium credit insurance is optional and that the receipt of the loan  
27 is not contingent on the purchase of the insurance.

28 NEW SECTION. **Sec. 3.** A new section is added to chapter 48.30 RCW  
29 to read as follows:

30 The prohibition under section 2 of this act does not apply to  
31 residential mortgage loans if:

32 (1) The loan amount does not exceed ten thousand dollars, exclusive  
33 of fees; and

34 (2) The repayment term of the loan does not exceed five years; and

35 (3) The term of the credit insurance does not exceed the repayment  
36 term of the loan.

37 NEW SECTION. **Sec. 4.** This act takes effect July 1, 2002."

1 **ESB 6525** - H COMM AMD  
2 By Committee on Financial Institutions & Insurance

3

4 On page 1, line 1 of the title, after "insurance;" strike the  
5 remainder of the title and insert "adding new sections to chapter 48.30  
6 RCW; creating a new section; and providing an effective date."

EFFECT: Removes the prohibition against the marketing of single premium credit insurance; makes the marketing of single premium credit insurance contingent on an insurer (1) offering borrowers the option of monthly payments, (2) complying with restrictions on the term of the coverage, (3) providing the borrower with a refund of the premium if policy canceled within 60 days, and (4) providing the required disclosures; authorizes the commissioner to adopt rules governing the disclosure requirements; and changes the effective date of the act to July 1, 2002.

--- END ---