SENATE BILL REPORT
SHB 2428

As of February 16, 2026

Title: An act relating to preventing unintentional lapses and cancellations of life insurance policies.

Brief Description: Preventing unintentional lapses and cancellations of life insurance policies.

Sponsors: House Committee on Consumer Protection & Business (originally sponsored by Representatives Leavitt, Reeves and Parshley).

Brief History: Passed House: 2/12/26, 94-0.
Committee Activity: Business, Trade & Economic Development: 2/18/26.

Brief Summary of Bill

- Requires insurers issuing individual life insurance policies to send to policyholders and designated third parties a notice of possible lapse in coverage due to nonpayment of premium.
- Provides requirements for designating a third party to receive such notices.

SENATE COMMITTEE ON BUSINESS, TRADE & ECONOMIC DEVELOPMENT

Staff: John Kim (786-7453)

Background: Life Insurance. Life insurance is a contract between an insurer and a policyholder in which the insurer, in exchange for the payment of premiums, guarantees to pay a sum of money to one or more named beneficiaries when the insured person dies.

Life insurance may be sold in individual or group policies. Different types of life insurance products include term life insurance, which lasts for a certain number of years, versus permanent life insurance, which includes subtypes of whole, universal, indexed, and

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variable life insurance.

Grace Period. Current law requires all life insurance policies, except for industrial, group, and pure endowment policies, to include a provision that the insured is entitled to a grace period of not less than 30 days within which the payment of any premium after the first may be made. An insurer may charge interest up to 6 percent per annum for the number of days of grace elapsing before payment of the premium.

During the grace period, the policy must continue in force, but if a claim is filed during the grace period before overdue or deferred premiums are paid, the amount of such premiums with interest may be deducted in any settlement under the policy.

Summary of Bill: Required Notice of Lapse in Coverage. At least 30 days before the day on which coverage under an individual life insurance policy will lapse based on nonpayment of the premium, the insurer must send a written notice of possible termination of coverage to the policyholder at the policyholder's last known address and a third party designated on the account.

An insurer must obtain and, upon request, demonstrate proof of delivery for each such notice sent by the insurer. Proof of delivery may include records sufficient to show that notices are sent first-class mail using an intelligent mail barcode, or a certified mail receipt, read-receipt for electronic delivery, or tracking confirmation from a shipping service.

This notice requirement does not apply to group life insurance policies, life insurance policies for which payment of premium is due monthly or more frequently, or term life insurance policies that have a term of one year or less.

Disclosure Requirement Regarding Designating a Third Party. At the time of application for an individual life insurance policy delivered or issued for delivery in this state, an insurer must notify the applicant in writing of the applicant's right to designate a third party to receive notice of lapse or termination of the policy based on nonpayment of the premium.

An applicant may make the designation at the time of application for the policy, or at any time the policy is in force, by submitting a written notice to the insurer containing the name and address of the third-party designee.

The insurer must transmit a copy of a notice of lapse or termination of the policy based on nonpayment of the premium to the designated third party in addition to the transmission of the notice to the policyholder.

Duties and Liabilities. The act provides that the designation of the third party does not create or constitute acceptance of any duty or liability on the part of the third-party designee related to informing or not informing the policyholder or any other person about a notice received by the third-party designee; making a payment of any premium on behalf of the

policyholder; compensating the policyholder, beneficiary, or any other person in relation to a lapse or cancellation of a life insurance policy; or taking any lawful action upon receiving a notice.

The designation also does not create or constitute acceptance of any liability on the part of the insurer as to the third-party designee related to a failure to send a notice.

Applicability. The above requirements apply to life insurance policies issued on or after January 1, 2027.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 12, 2026.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on January 1, 2027.