Individual State Agency Fiscal Note

Bill Number: 2428 HB	Title: Life insurance policy lapses	Agency: 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.2	0.2	0.2	0.1	0.1
Account					
General Fund-State 001-1	30,734	23,668	54,402	17,736	17,736
Total $	30,734	23,668	54,402	17,736	17,736

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1(2) requires that insurers provide written notice to a policyholder or their designee 30 days prior to terminating coverage under an individual life insurance policy. The insurer must obtain and demonstrate, upon request, proof of delivery of the notice.

Section 2(1) requires that insurers who issue individual life insurance policies notify applicants of their right to designate a third party to receive notice of a pending lapse due to nonpayment of premium and their right to reinstate the policy after lapse. Applicants/policyholders may make the third party designation at the time of application, or at any time the policy is in force.

Section 3clarifies that the act applies prospectively only and not retroactively.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

NONE

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Section 1(2) requires that insurers provide written notice to a policyholder or their designee 30 days prior to terminating coverage under an individual life insurance policy. The insurer must obtain and demonstrate, upon request, proof of delivery of the notice.

Section 2(1) requires that insurers who issue individual life insurance policies notify applicants of their right to designate a third party to receive notice of a pending lapse due to nonpayment of premium and their right to reinstate the policy after lapse. Applicants/policyholders may make the third party designation at the time of application, or at any time the policy is in force.

Section 3clarifies that the act applies prospectively only and not retroactively.

One-Time Expense(s):

The OIC receives an average of 915 Life Insurance Form Filings each year. This bill would impact approximately 360 form filings of the aforementioned 915 form filings. Moreover, the agency also receives an average of 360 life insurance filings each year that would be affected by this legislation. Therefore, the agency would require 2.00 hours of a Washington Management Services 3 (WMS3) and 94.00 hours of a Functional Program Analyst 4 (FPA4) in FY2027.

The agency anticipates a minor increase (4%) in calls, written inquiries, and complaints because of this bill. This would require 44.6 hours of a Functional Program Analyst 3 (FPA3) and 10.00 hours of a FPA4 in FY2027.

The OIC would be asked to provide legal advice to its divisions relating to the implementation of this bill. And so, it would require 10.00 hours of an Insurance Attorney (IA) and 2.00 hours of a Paralegal (PL) in FY2027.

In summation, total FY2027(one-time expense) for the OIC is:

WMS3: 2.00 hours (1hr checklists/1hr training)

FPA4: 104.00 hours (94hrs checklists/training-10hrs calls)

FPA3: 44.6 hours (calls and advice)

IA: 10.00 hours (calls and advice)

PL: 2.00 hours (calls and advice)

Ongoing Expense(s):

It is expected that new insurers may enter the market in future because of this bill. Therefore, the OIC would require 7.08 hours of a FPA4 in FY2027 and thereafter to process these new filings.

The OIC investigates violations of the Insurance Code, Title 48 RCW. The agency would realize two enforcement actions per year. Therefore, the OIC would require 20.00 hours of PL and 60.00 hours of an IA FY2027 and thereafter.

In summation, total ongoing expenses for the OIC are:

FPA4: 7.08 hours (new filings)

Paralegal: 20.00 hours (20hrs for two?enforcement actions)

IA: 60.00 hours (60hrs for two enforcement actions)

Sections 1(2) and 2(1) would require simple rulemaking to ensure that the new notice requirement is incorporated into the disclosure form in WAC 284-97-910.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
001-1	General Fund	State	30,734	23,668	54,402	17,736	17,736
		Total $	30,734	23,668	54,402	17,736	17,736

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.2	0.2	0.2	0.1	0.1
A-Salaries and Wages	19,401	14,359	33,760	10,882	10,882
B-Employee Benefits	5,186	4,575	9,761	3,306	3,306
C-Professional Service Contracts					
E-Goods and Other Services	6,147	4,734	10,881	3,548	3,548
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-OVERHEAD					
Total $	30,734	23,668	54,402	17,736	17,736

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
FPA 3	80,820		0.0	0.0		
FPA 4	89,316	0.1	0.1	0.1		
Insurance Attorney	106,608		0.0	0.0	0.0	0.0
Paralegal	89,316		0.0	0.0	0.0	0.0
Sr. Policy Analyst	149,352	0.1		0.1		
Total FTEs		0.2	0.2	0.2	0.1	0.1

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Sections 1(2) and 2(1) will require simple rulemaking to ensure that the new notice requirement is incorporated into the disclosure form in WAC 284-97-910.