SENATE BILL REPORT
SHB 2428

As of February 18, 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.

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

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

Staff Summary of Public Testimony: PRO: The bill started off as a constituent concern. It allows our policyholders to have a third party designee. For example, if my mom isn't able to take care of herself and her policy is about to lapse, I'll get a notification that it's time to pay and that I promptly do that on her behalf.

The Office of the Insurance Commissioner supports the bill. It will provide consumers with an additional notification that their life insurance policy is about to lapse. The designation of a third-party designee is particularly important for older policyholders who are experiencing a cognitive decline. An unintended lapse can be devastating for the policyholder and their beneficiaries who are relying on the coverage.

We Build Back Black Alliance supports the bill. For many families, life insurance is the final act of protection for those left behind. We heard particularly from seniors, caregivers, and communities of color that losing coverage can be catastrophic. The bill creates an additional safeguard without creating a new liability for the insurers or their designees. Seniors experience cognitive decline, families move, mail gets lost, and caregivers step in.

AARP Washington State supports the bill. It matters deeply for older adults who may be managing chronic illnesses, memory challenges, and hospital stays. We estimate there are about 800,000 family caregivers in this state that shoulder the responsibility of managing paperwork, finances, and medical crises. When caregivers receive notice before a policy lapses, they can step in early and avoid a crisis.

OTHER: The American Council of Life Insurers signed in as other but we worked through all of the language in the bill. Our members offer over 2 million policies in Washington State and we don't want any of those policyholders to have a lapse in coverage. We were

signed as other on the bill because the requirements are going to make us different from the rest of the country, so it does impose new costs.

Persons Testifying: PRO: Representative Mari Leavitt, Prime Sponsor; Rory Paine-Donovan, Office of the Insurance Commissioner; Paula Fillmore-Sardinas, FMSGS/WBBA; Cathleen MacCaul, AARP Washington State.

OTHER: Christine Brewer, American Council of Life Insurers.

Persons Signed In To Testify But Not Testifying: No one.