

# FINAL BILL REPORT

## HB 1236

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Synopsis as Enacted

**Brief Description:** Establishing certain capital and surplus requirements necessary to transact insurance.

**Sponsors:** By Representatives Roach, Kirby, Simpson and Moeller; by request of Insurance Commissioner.

**House Committee on Insurance, Financial Services & Consumer Protection**  
**Senate Committee on Financial Institutions & Insurance**

### **Background:**

Insurance is regulated by the Office of the Insurance Commissioner (OIC). In order to be authorized to transact insurance in Washington, insurers must have a minimum amount of capital and surplus. There are 11 categories with capital and surplus requirements (this does not include health carriers which have net worth requirements). Each category has a required amount of paid-in capital stock or basic surplus and a requirement for additional surplus.

Property insurance categories and casualty insurance categories both generally range from a minimum of \$2 million in basic surplus and \$2 million in additional surplus for a single line of coverage to \$3 million in basic surplus and \$3 million in additional surplus for multiple lines of coverage.

The standards were established in 1994. In the 1994 act, foreign or alien insurers were required to meet the minimum standards by December 31, 1996. Domestic insurers that were holding certificates of authority prior to the passage of the 1994 act were grandfathered. They were allowed to continue to transact insurance if the domestic insurer continued to meet the standards for capital and surplus that were required prior to the 1994 act.

"Ocean marine and foreign trade insurance" is defined as including only:

- insurances upon vessels, crafts, hulls and of interests therein or with relation thereto;
- insurance of marine builders' risks, marine war risks, and contracts of marine protection and indemnity insurance;
- insurance of freights and disbursements pertaining to a subject of insurance coming within this definition; and
- insurance of personal property and interests therein, in course of exportation from or importation into any country, or in course of transportation coastwise, including transportation by land, water, or air from point of origin to final destination, in respect to, appertaining to, or in connection with, any and all risks or perils of navigation, transit,

or transportation, and while being prepared for and while awaiting shipment, and during any delays, storage, transshipment, or reshipment incident thereto.

**Summary:**

A minimum of \$2 million in basic surplus and \$2 million in additional surplus is required for insurers transacting ocean marine and foreign trade insurance.

Ocean marine and foreign trade insurance is added to the list of insurances in the category that sets forth the amount of basic surplus and additional surplus for an insurer transacting two lines of insurance.

Domestic insurers that are acquired or merged must meet the minimum capital and surplus requirement at the time of the completion of the acquisition or merger. Domestic insurers that have reached the minimum levels of capital and surplus may not return to 1994 levels.

**Votes on Final Passage:**

House	95	0
Senate	46	0

**Effective:** July 22, 2007