

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 1909**

Chapter 5, Laws of 1991

52nd Legislature  
1991 Special Session

INSURANCE COMPANIES--PAID-IN CAPITAL STOCK REQUIREMENTS

EFFECTIVE DATE: 7/1/91

Passed by the House June 19, 1991  
Yeas 89 Nays 4

JOE KING  
**Speaker of the  
House of Representatives**

Passed by the Senate June 26, 1991  
Yeas 43 Nays 0

JOEL PRITCHARD  
**President of the Senate**

Approved June 30, 1991

BOOTH GARDNER  
**Governor of the State of Washington**

CERTIFICATE

I, Alan Thompson, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1909** as passed by the House of Representatives and the Senate on the dates hereon set forth.

ALAN THOMPSON  
**Chief Clerk**

FILED

June 30, 1991 - 7:53 p.m.

**Secretary of State  
State of Washington**



1	Kind or kinds	stock or	Additional
2	of insurance	basic surplus	surplus
3	Life .....	\$( (1,000,000) )	\$( (1,000,000) )
4		<u>2,000,000</u>	<u>2,000,000</u>
5	Disability .....	((1,000,000))	((1,000,000))
6		<u>2,000,000</u>	<u>2,000,000</u>
7	Life and disability .....	((1,200,000))	((1,200,000))
8		<u>2,400,000</u>	<u>2,400,000</u>
9	Property .....	((1,000,000))	((1,000,000))
10		<u>2,000,000</u>	<u>2,000,000</u>
11	Marine & transportation .....	((1,000,000))	((1,000,000))
12		<u>2,000,000</u>	<u>2,000,000</u>
13	General casualty .....	((1,200,000))	((1,200,000))
14		<u>2,400,000</u>	<u>2,400,000</u>
15	Vehicle .....	((1,000,000))	((1,000,000))
16		<u>2,000,000</u>	<u>2,000,000</u>
17	Surety .....	((1,000,000))	((1,000,000))
18		<u>2,000,000</u>	<u>2,000,000</u>
19	Any two of the following kinds of		
20	insurance: Property, marine &		
21	transportation, general		
22	casualty, vehicle, surety,		
23	disability .....	((1,500,000))	((1,500,000))
24		<u>3,000,000</u>	<u>3,000,000</u>
25	Multiple lines (all insurances		
26	except life and title		
27	insurance) .....	((1,500,000))	((1,500,000))
28		<u>3,000,000</u>	<u>3,000,000</u>
29	Title (in accordance with the		
30	provisions of chapter 48.29		

1 RCW)

2 (2) Capital and surplus requirements are based upon all the kinds  
3 of insurance transacted by the insurer wherever it may operate or  
4 propose to operate, whether or not only a portion of such kinds are to  
5 be transacted in this state.

6 (3) An insurer holding a certificate of authority to transact  
7 insurance in this state immediately prior to July 1, (~~(1980)~~) 1991, may  
8 continue to be authorized to transact the same kinds of insurance as  
9 long as it is otherwise qualified for such authority and thereafter  
10 maintains unimpaired the amount of paid-in capital stock, if a stock  
11 insurer, or basic surplus, if a mutual or reciprocal insurer, and  
12 special surplus as required of it under laws in force immediately prior  
13 to such effective date; and any proposed domestic insurer which is in  
14 process of formation or financing under a solicitation permit which is  
15 outstanding immediately prior to July 1, (~~(1980)~~) 1991, shall, if  
16 otherwise qualified therefor, be authorized to transact any kind or  
17 kinds of insurance upon the basis of the capital and surplus  
18 requirements of such an insurer under the laws in force immediately  
19 prior to such effective date(~~(:— PROVIDED, That any applicable action~~  
20 ~~pending from the period between June 8, 1967, and July 1, 1980, shall~~  
21 ~~be governed by this section as then in effect)~~). The requirements for  
22 paid-in capital stock, basic surplus, and special surplus that were in  
23 effect immediately before the effective date of this section, apply to  
24 any completed application for a certificate of authority from a foreign  
25 or alien insurer that is on file with the commissioner on the effective  
26 date of this section.

27 **Sec. 2.** RCW 48.15.090 and 1980 c 102 s 4 are each amended to read  
28 as follows:

1 (1) A surplus line broker shall not knowingly place surplus line  
2 insurance with insurers unsound financially. The surplus line broker  
3 shall ascertain the financial condition of the unauthorized insurer,  
4 and maintain written evidence thereof, before placing insurance  
5 therewith. The surplus line broker shall not so insure with:

6 (a) Any foreign insurer having less than six million dollars of  
7 capital and surplus or ((combined capital funds than the minimum  
8 amounts required for an admitted multiple line insurer in accordance  
9 with RCW 48.05.340 as now or hereafter amended, and in the case of an  
10 alien insurer, there must be on file with the commissioner a copy of a  
11 trust agreement, certified by the trustee, evidencing a subsisting  
12 trust deposit of not less than one half of a like amount by such  
13 insurer with a bank or trust company in the United States, and which  
14 deposit is held for the protection of United States policyholders.  
15 Such trust account shall consist of cash or other assets acceptable to  
16 the commissioner and shall have an expiration date which at no time  
17 shall be less than five years hence)) substantially equivalent capital  
18 funds, of which not less than one million five hundred thousand dollars  
19 is capital; or

20 (b) Any alien insurer having less than six million dollars of  
21 capital and surplus or substantially equivalent capital funds. By  
22 January 1, 1992, this requirement shall be increased to twelve million  
23 five hundred thousand dollars. By January 1, 1993, this requirement  
24 shall be further increased to fifteen million dollars. Such alien  
25 insurers must have in force in the United States an irrevocable trust  
26 account, in a qualified United States financial institution, on behalf  
27 of United States policyholders of not less than two million five  
28 hundred thousand dollars and consisting of cash, securities, letters of  
29 credit, or of investments of substantially the same character and  
30 quality as those which are eligible investments for the capital and

1 statutory reserves of admitted insurers authorized to write like kinds  
2 of insurance in this state. There must be on file with the  
3 commissioner a copy of the trust, certified by the trustee, evidencing  
4 a subsisting trust deposit having an expiration date which at no time  
5 shall be less than five years after the date of creation of the trust.  
6 Such trust fund shall be included in the calculation of the insurer's  
7 capital and surplus or its equivalents; or

8 (c) Any unincorporated group of individual insurers maintaining a  
9 trust fund of less than fifty million dollars as security to the full  
10 amount thereof for all policyholders in the United States of each  
11 member of the group, and such trust shall likewise comply with the  
12 terms and conditions established in (b) of this subsection for an alien  
13 insurer; or

14 (d) Any insurance exchange created by the laws of an individual  
15 state, maintaining capital and surplus, or substantially equivalent  
16 capital funds of less than fifty million dollars in the aggregate. For  
17 insurance exchanges which maintain funds for the protection of all  
18 insurance exchange policyholders, each individual syndicate shall  
19 maintain minimum capital and surplus, or the substantial equivalent  
20 thereof, of not less than six million dollars. In the event the  
21 insurance exchange does not maintain funds for the protection of all  
22 insurance exchange policyholders, each individual syndicate shall meet  
23 the minimum capital and surplus requirements of (a) of this subsection.

24 (2) The commissioner may, by rule (~~and regulation~~):

25 (a) Increase the financial requirements under subsection (1) of  
26 this section by not more than one million dollars in any twelve-month  
27 period, but in no case may the requirements exceed fifteen million  
28 dollars; or

1        (b) Prescribe the terms under which the foregoing financial  
2 requirements may be waived in circumstances where insurance cannot be  
3 otherwise procured on risks located in this state.

4        (~~(2)~~) (3) For any violation of this section the surplus line  
5 broker may be fined not less than one hundred dollars or more than five  
6 thousand dollars, (~~his~~) and in addition to or in lieu thereof the  
7 surplus line broker's license may be revoked, suspended, or nonrenewed.

8        NEW SECTION.    **Sec. 3.**        This act is necessary for the immediate  
9 preservation of the public peace, health, or safety, or support of the  
10 state government and its existing public institutions, and shall take  
11 effect July 1, 1991.

Passed the House June 19, 1991.

Passed the Senate June 26, 1991.

Approved by the Governor June 30, 1991.

Filed in Office of Secretary of State June 30, 1991.