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HOUSE BILL 1498

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State of Washington

54th Legislature

1995 Regular Session

By Representatives L. Thomas, Wolfe, Dyer, Dellwo, Huff, Tokuda, Basich, Kessler, Blanton, Beeksma, Mielke, Hatfield and Hymes

Read first time 01/27/95. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to extending the pollution liability insurance  
2 agency; amending RCW 70.148.050 and 70.148.900; and declaring an  
3 emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 70.148.050 and 1990 c 64 s 6 are each amended to read  
6 as follows:

7 The director has the following powers and duties:

8 (1) To design and from time to time revise a reinsurance contract  
9 providing coverage to an insurer meeting the requirements of this  
10 chapter. Before initially entering into a reinsurance contract, the  
11 director shall provide a report to the chairs of the senate ways and  
12 means, senate financial institutions, house of representatives revenue,  
13 and house of representatives financial institutions committees and  
14 shall include an actuarial report describing the various reinsurance  
15 methods considered by the director and describing each method's costs.  
16 In designing the reinsurance contract the director shall consider  
17 common insurance industry reinsurance contract provisions and shall  
18 design the contract in accordance with the following guidelines:

1 (a) The contract shall provide coverage to the insurer for the  
2 liability risks of owners and operators of underground storage tanks  
3 for third party bodily injury and property damage and corrective action  
4 that are underwritten by the insurer.

5 (b) In the event of an insolvency of the insurer, the reinsurance  
6 contract shall provide reinsurance payable directly to the insurer or  
7 to its liquidator, receiver, or successor on the basis of the liability  
8 of the insurer in accordance with the reinsurance contract. In no  
9 event may the program be liable for or provide coverage for that  
10 portion of any covered loss that is the responsibility of the insurer  
11 whether or not the insurer is able to fulfill the responsibility.

12 (c) The total limit of liability for reinsurance coverage shall not  
13 exceed one million dollars per occurrence and two million dollars  
14 annual aggregate for each policy underwritten by the insurer less the  
15 ultimate net loss retained by the insurer as defined and provided for  
16 in the reinsurance contract.

17 (d) Disputes between the insurer and the insurance program shall be  
18 settled through arbitration.

19 (2) To design and implement a structure of periodic premiums due  
20 the director from the insurer that takes full advantage of revenue  
21 collections and projected revenue collections to ensure affordable  
22 premiums to the insured consistent with sound actuarial principles.

23 (3) To periodically review premium rates for reinsurance to  
24 determine whether revenue appropriations supporting the program can be  
25 reduced without substantially increasing the insured's premium costs.

26 (4) To solicit bids from insurers and select an insurer to provide  
27 pollution liability insurance to owners and operators of underground  
28 storage tanks for third party bodily injury and property damage and  
29 corrective action.

30 (5) To monitor the activities of the insurer to ensure compliance  
31 with this chapter and protect the program from excessive loss exposure  
32 resulting from claims mismanagement by the insurer.

33 (6) To monitor the success of the program and periodically make  
34 such reports and recommendations to the legislature as the director  
35 deems appropriate, and to annually publish a financial report on the  
36 pollution liability insurance program trust account showing, among  
37 other things, administrative and other expenses paid from the fund.

1 (7) To annually report the financial and loss experience of the  
2 insurer as to policies issued under the program and the financial and  
3 loss experience of the program to the legislature.

4 (8) To evaluate the effects of the program upon the private market  
5 for liability insurance for owners and operators of underground storage  
6 tanks and make recommendations to the legislature on the necessity for  
7 continuing the program to ensure availability of such coverage.

8 (9) To enter into contracts with public and private agencies to  
9 assist the director in his or her duties to design, revise, monitor,  
10 and evaluate the program and to provide technical or professional  
11 assistance to the director.

12 (10) To examine the affairs, transactions, accounts, records,  
13 documents, and assets of insurers as the director deems advisable.

14 **Sec. 2.** RCW 70.148.900 and 1989 c 383 s 13 are each amended to  
15 read as follows:

16 This chapter shall expire June 1, (~~1995~~) 2001.

17 NEW SECTION. **Sec. 3.** This act is necessary for the immediate  
18 preservation of the public peace, health, or safety, or support of the  
19 state government and its existing public institutions, and shall take  
20 effect immediately.

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