
SENATE BILL 5581

State of Washington

54th Legislature

1995 Regular Session

By Senators Fraser, Sellar, Prentice, Roach, Snyder, Sutherland, Smith, Hale, Spanel, C. Anderson and Winsley

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

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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