

SENATE BILL REPORT

HB 2550

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, February 25, 1998

Title: An act relating to institutions conducting a charitable gift annuity business.

Brief Description: Regulating the charitable gift annuity business.

Sponsors: Representatives L. Thomas and Wolfe; by request of Insurance Commissioner.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 2/19/98, 2/25/98
[DPA].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: Do pass as amended.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Heavey, Kline and Prentice.

Staff: Joanne Conrad (786-7472)

Background: Washington State currently regulates several types of insurers, such as health maintenance organizations and health care service contractors. Some insurers are required to maintain reserve accounts in trust, in order to protect their insureds in the event of insolvency.

During the past several years, the number of institutions offering contracts for charitable gift annuities has doubled in Washington State. Many of the organizations are from out of state. There is concern regarding protection for Washington consumers.

Summary of Amended Bill: Institutions that offer charitable gift annuities must, as a condition of doing business in Washington State, maintain \$500,000 in minimum unrestricted net assets. The assets must not be restricted by donor-imposed stipulations.

A separate trust fund, adequate to meet future annuity contract payments is maintained with a specified prudent investment standard. The fund is earmarked and segregated. The amount maintained in the trust fund is specified by formula.

The Insurance Commissioner's authorization of an institution to do business in Washington can be refused, revoked or suspended if an institution's issuance of annuity contracts would be hazardous to Washingtonians.

In addition to other remedies, the Insurance Commissioner has statutory authority to levy a fine of not more than \$10,000 to assure compliance by institutions selling charitable gift annuity contracts.

Amended Bill Compared to Original Bill: The standard of investment is modified to a prudent non-speculative standard for a similar enterprise with an assured value liquidity and diversity to meet obligations. Technical changes are made regarding compliance by institutions with existing exemptions.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Charitable gift annuities organizations were contacted to improve workability of the bill.

Testimony Against: None.

Testified: John Woodall, OIC (pro).