

SENATE BILL REPORT

SB 5809

As Passed Senate, March 13, 1997

Title: An act relating to the financial condition of unauthorized insurers.

Brief Description: Requiring unauthorized insurers to be financially sound.

Sponsors: Senators Fraser, Hale, Winsley and Prentice.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 2/20/97, 2/26/97 [DP].
Passed Senate, 3/13/97, 49-0.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: Do pass.

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

Staff: Catherine Mele (786-7470)

Background: Unauthorized insurers are foreign or alien insurance companies that do not apply for a certificate of authority in Washington. Washington requires unauthorized insurers to have a certain amount of capital and surplus held in the state or foreign country where these companies conduct business. In addition, an alien insurer must obtain a trust account placed in the United States in the amount of \$2,500,000. The trust fund pays the claims of policyholders in the United States in the event of an insolvency.

Summary of Bill: The amount of the alien insurer's trust account in the United States is increased to \$5,400,000.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on June 1, 1998.

Testimony For: The \$5.4 million trust fund is now the requirement of insurers wishing to become listed on the National Association of Insurance Commissioners' "Quarterly Listing of Alien Insurers." California, the state that has the most surplus lines writing in the United States, enacted the higher trust fund requirement a few years ago. This bill will further protect Washington consumers without disrupting the availability of the surplus lines marketplace.

Testimony Against: None.

Testified: Senator Karen Fraser, prime sponsor (pro).