
Financial Institutions & Insurance Committee

HB 2160

Brief Description: Determining minimum reserves held by a charitable gift annuity business.

Sponsors: Representative McIntire.

Brief Summary of Bill

- Exempts a charity from the requirement of maintaining a reserve fund for charitable gift annuities, provided the charity purchases a commercial life annuity sufficient to cover the organization's payment obligations under its annuity contracts.

Hearing Date: 1/18/02

Staff: Thamas Osborn (786-7129).

Background:

Many nonprofit charitable, educational, religious, and scientific organizations encourage donations by offering donors the option of receiving a "charitable gift annuity" in return for a gift of property, stock, cash or other asset. After making a donation, the recipient of such an annuity receives periodic cash payments for life from the organization. The donor thus gains a guaranteed income for life and often obtains tax advantages as well. The organization, in turn, obtains the benefit of the investment value of the donated asset.

The State Insurance Commissioner (the commissioner) regulates the operation of nonprofit organizations and insurers involved in the charitable annuity business. The commissioner may exempt a charitable annuity business from most of the regulatory requirements of the insurance code, provided the business meets specified statutory criteria: e.g., the maintenance of specified minimum net assets, tax exempt status, organized as a nonprofit organization, etc. If the statutory criteria are satisfied, the commissioner may issue a so-called "certificate of exemption."

Under current law, an entity which has been granted a certificate of exemption as a charitable gift annuity business must maintain a separate reserve fund adequate to meet future

payments owed under its annuity contracts. The amount of the reserve fund is determined via a formula and the maintenance of the fund is subject to regulation by the commissioner.

Summary of Bill:

Under certain circumstances, a charitable organization or insurer may be partially or totally exempted from the requirement that it maintain a separate reserve fund adequate to meet its future contractual obligations with respect to charitable annuity payments. In lieu of maintaining such a reserve fund, a qualified organization may purchase from a licensed insurance company a separate life annuity that is sufficient to cover all or part of the organization's obligations under its charitable gift annuity contracts.

Appropriation: None.

Fiscal Note: Not Requested.

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