

SENATE BILL REPORT

SB 5653

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, February 13, 2001

Title: An act relating to prioritizing and ordering the distribution of claims of an insurer's estate.

Brief Description: Prioritizing and ordering the distribution of claims of an insurer's estate.

Sponsors: Senators Prentice and Hale; by request of Insurance Commissioner.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 2/15/01, 2/13/01 [DP].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Gardner, Vice Chair; Fairley, Franklin, Hochstatter, Honeyford, Patterson, Rasmussen, Regala, West and Winsley.

Staff: Joanne Conrad (786-7472)

Background: Insurers are regulated by the state. If an insurance company becomes insolvent and goes out of business, the order in which its expenses, creditors, shareholders, and policyholders get paid is established in statute.

In a 1993, U.S. Supreme Court case, *U.S. Dept of the Treasury v. Fabe*, 508 U.S. 491, the court held that the state of Ohio was required to give federal claims in liquidation of insurance companies a higher priority than most other types of claims.

Since that decision, approximately 30 other states have amended their insurance laws to comply with federal requirements.

Summary of Bill: The order of distribution of claims against insolvent insurance companies is reprioritized, to comply with federal requirements, giving federal claims a higher priority, Class 3.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This will prevent federal litigation and invalidation of Washington's statute.

Testimony Against: None.

Testified: John Woodall, OIC.