

SENATE BILL REPORT

SHB 1909

AS PASSED SENATE, JUNE 26, 1991

Brief Description: Increasing the capital and surplus requirements of insurance companies.

SPONSORS: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Dellwo, Paris and R. Johnson; by request of Insurance Commissioner).

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators von Reichbauer, Chairman; Johnson, Vice Chairman; Moore, Owen, Pelz, Rasmussen, and Vognild.

Staff: Meg Jones (786-7416)

Hearing Dates: April 4, 1991; April 5, 1991

BACKGROUND:

To conduct business in the state of Washington all insurance companies must obtain a certificate of authority which can only be granted by demonstrating that they possess capital and surplus of an amount specified by statute. The amount of capital and surplus required depends upon the kinds of insurance that will be sold.

Once an insurance company is issued a certificate of authority it is deemed an admitted company. An admitted company may be a: 1) domestic company formed under Washington law; 2) foreign company formed under the laws of another state; 3) or an alien company formed under the laws of another country. Companies not authorized to do business in Washington, otherwise non-admitted companies, can still sell coverage in Washington but only through surplus lines brokers and are subject to strict limitations.

A surplus lines broker may not place surplus line insurance with insurers which do not meet the capital and surplus requirements for admitted companies. If the non-admitted company is an alien insurer, the alien insurer must file a trust agreement with the insurance commissioner evidencing a trust deposit of at least half the capital and surplus amount for the benefit of United States policyholders.

SUMMARY:

The capital and surplus requirements for admitted insurance companies are doubled. Surplus line brokers are also regulated regarding placement of insurance with foreign insurers, and increasing the minimum capital base of foreign insurers with whom surplus line brokers may place surplus line insurance. The bill also gives the Insurance Commissioner authority to increase the financial requirements relative to surplus lines by not more than \$1 million in any 12 month period.

Appropriation: none

Revenue: none

Fiscal Note: none requested

Effective Date: July 1, 1991

TESTIMONY FOR:

These increases in capital and surplus requirements for the admission of new insurance companies in Washington will increase policyholder protection against the insolvency of the insurer.

TESTIMONY AGAINST: None

TESTIFIED: PRO: Insurance Commissioner Marquardt; David Rodgers, Insurance Commissioner's Office; John Bentley, Walt Corneille, Surplus Line Assn.