
**Financial Institutions &
Insurance Committee**

HB 1654

Brief Description: Borrowing money by domestic mutual insurers.

Sponsors: Representatives Schual-Berke and Benson.

Brief Summary of Bill

- Eliminates the interest rate limit on loans obtained by domestic mutual insurers and replaces it with the requirement that interest rates be fair and reasonable.–
- Allows a domestic mutual insurer to pay fair and reasonable commissions or promotional expenses in connection with the acquisition of a business loan.

Hearing Date: 2/11/03.

Staff: Thamas Osborn (786-7129).

Background:

The Insurance Commissioner (Commissioner) is responsible for the licensing and regulation of domestic mutual insurance companies. A domestic mutual insurer is an insurance company that is headquartered in this state, owned by its members, and operated in their interest. The members must be state residents and the policies issued by the insurer must cover lives, property, or risks located in the state of Washington.

Money may be borrowed by a domestic mutual insurer for business purposes, but several restrictions apply:

- the transaction must be approved in advance by the Commissioner;
- interest on the loan cannot exceed 6 percent per annum;
- no commission or promotional expenses may be paid in relation to obtaining the loan;
and

- the insurer's assets may not be pledged as collateral.

Summary of Bill:

The bill eliminates two of the restrictions imposed on domestic mutual insurers with respect to obtaining loans. First, the interest rate restriction is deleted and replaced with a provision stating that the interest rate must be fair and reasonable.– Second, insurers are allowed to pay fair and reasonable– commissions or promotional expenses incurred in connection with the acquisition of a loan.

Archaic language regarding accounting practices is deleted and replaced with the requirement that such practices comply with those set forth in the National Association of Insurance Commissioners' accounting procedures manual.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date: The bill takes effect ninety days after adjournment of session in which bill is passed.