

HOUSE BILL REPORT

HB 1909

*As Reported By House Committee on:
Financial Institutions & Insurance*

Title: An act relating to the licensure of insurance companies.

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

Sponsor(s): Representatives Dellwo, Paris and R. Johnson; by request of Insurance Commissioner.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 28, 1991,
DPS.

**HOUSE COMMITTEE ON
FINANCIAL INSTITUTIONS & INSURANCE**

Majority Report: *That Substitute House Bill No. 1909 be substituted therefor, and the substitute bill do pass.*
Signed by 11 members: Representatives Zellinsky, Vice Chair; Broback, Ranking Minority Member; Anderson; Dorn; Inslee; R. Johnson; R. Meyers; Paris; Schmidt; Scott; and Winsley.

Minority Report: *Do not pass.* Signed by 1 member:
Representative Mielke, Assistant Ranking Minority Member.

Staff: John Conniff (786-7119).

Background: Insurance companies wishing to obtain a certificate of authority to do business in Washington must demonstrate 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. For example, life insurance companies must have \$2,000,000 in capital and surplus and property insurance companies must have \$2,400,000 in capital and surplus. Additional amounts are required where the insurer will sell more than one kind of insurance.

Once issued a certificate of authority, the insurance company is deemed an admitted company. An admitted company may be a domestic company formed under Washington law, a

foreign company formed under the laws of another state, or an alien company formed under the laws of another country. Companies not authorized to do business in Washington, non-admitted companies, can still sell coverage in Washington but only through surplus lines brokers and subject to strict limitations.

A surplus lines broker may not place surplus line insurance, insurance that cannot be obtained from an admitted company, 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 of Substitute Bill: The capital and surplus requirements for admitted insurance companies is doubled, e.g. \$4,000,000 for life insurers. Provisions governing the capital, surplus and trust agreements of non-admitted companies is also substantially increased, e.g. foreign non-admitted companies must maintain at least \$6,000,000 in capital and surplus or substantially equivalent capital funds of which \$1,500,000 is capital.

Substitute Bill Compared to Original Bill: Technical changes are made.

Fiscal Note: Not requested.

Effective Date: This bill contains an emergency clause and takes effect 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.

Witnesses: David H. Rogers, Chief Deputy Insurance Commissioner.