

FINAL BILL REPORT

SHB 1909

C 5 L 91 E1
Synopsis As Enacted

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

By 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 and Insurance
Senate Committee on Financial Institutions and Insurance

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/casualty insurance companies must have \$3,400,000 in capital and surplus.

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: The capital and surplus requirements for admitted insurance companies is doubled, e.g. \$4,000,000 for life insurers. The capital, surplus, and trust requirements of non-admitted companies are 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. These requirements do not apply to companies admitted prior to the effective date of the act.

Votes on Final Passage:

House 98 0

First Special Session

House 89 4

Senate 43 0

Effective: July 1, 1991