

CERTIFICATION OF ENROLLMENT  
**SUBSTITUTE HOUSE BILL 1971**

Chapter 268, Laws of 1991

52nd Legislature  
1991 Regular Session

ALIEN INSURERS--REGULATION OF

EFFECTIVE DATE: 5/17/91

Passed by the House March 20, 1991  
Yeas 98 Nays 0

JOE KING  
**Speaker of the  
House of Representatives**

Passed by the Senate April 12, 1991  
Yeas 37 Nays 0

JOEL PRITCHARD  
**President of the Senate**

Approved May 17, 1991

BOOTH GARDNER  
**Governor of the State of Washington**

CERTIFICATE

I, Alan Thompson, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1971** as passed by the House of Representatives and the Senate on the dates hereon set forth.

ALAN THOMPSON  
**Chief Clerk**

FILED

May 17, 1991 - 1:23 p.m.

Secretary of State  
State of Washington



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**SUBSTITUTE HOUSE BILL 1971**

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Passed Legislature - 1991 Regular Session

**State of Washington                      52nd Legislature                      1991 Regular Session**

**By** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Dellwo, Paris, Zellinsky, Mielke, Inslee, Day, Schmidt, Prince and Scott).

Read first time March 6, 1991.

1            AN ACT Relating to alien insurers; adding a new chapter to Title 48  
2 RCW; and declaring an emergency.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            NEW SECTION.    **Sec. 1.**            This chapter applies to all alien  
5 insurers using this state as a state of entry to transact insurance in  
6 the United States.

7            For the purposes of this chapter, "alien insurer" has the  
8 definition supplied in RCW 48.05.010.

9            NEW SECTION.    **Sec. 2.**            (1) An alien insurer may use this state  
10 as a state of entry to transact insurance in the United States by  
11 maintaining in this state a deposit of assets in a solvent trust  
12 company or other solvent financial institution having trust powers  
13 domiciled in this state and so designated by the commissioner. The

1 commissioner's designated depositories are authorized to receive and  
2 hold a deposit of assets. A deposit so held is at the expense of the  
3 insurer. A solvent financial institution domiciled in this state, the  
4 deposits of which are insured by the federal deposit insurance  
5 corporation and which is a member of the federal reserve system, may be  
6 designated as the commissioner's depository to receive and hold a  
7 deposit of assets.

8 (2) The deposit, together with other trust deposits of the insurer  
9 held in the United States for the same purpose, must be in an amount  
10 not less than the higher of deposits required of an alien insurer under  
11 RCW 48.05.090 or five hundred thousand dollars and consist of eligible  
12 assets as set forth in RCW 48.16.030.

13 (3) The deposit may be referred to as "trusteed assets."

14 NEW SECTION. **Sec. 3.** All trusts of trustee assets created  
15 before the effective date of this act must be continued under the  
16 instruments creating those trusts. If the commissioner determines that  
17 the instruments are inconsistent with the provisions of this chapter,  
18 the insurer shall correct those inconsistencies within six months of  
19 the commissioner's determination.

20 NEW SECTION. **Sec. 4.** The deposit required by this chapter  
21 must be for the benefit, security, and protection of the policyholders  
22 or creditors, or both, of the insurer in the United States. It shall  
23 be maintained as long as there is outstanding any liability of the  
24 insurer arising out of its insurance transactions in the United States.

25 NEW SECTION. **Sec. 5.** (1) The alien insurer shall create the  
26 trustee assets required by this chapter under a written trust  
27 agreement between the insurer and the trustee, consistent with the

1 provisions of this chapter, and in such form and manner as the  
2 commissioner may designate or approve.

3 (2) The agreement is effective when filed with and approved in  
4 writing by the commissioner. The commissioner shall not approve any  
5 trust agreement not found to be in compliance with state or federal law  
6 or the terms of which do not in fact provide reasonably adequate  
7 protection for the insurer's policyholders or creditors, or both, in  
8 the United States.

9 NEW SECTION. **Sec. 6.** An alien insurer proposing to use this  
10 state as a state of entry to transact insurance in the United States,  
11 must be authorized to transact insurance in this state and may make and  
12 execute any trust agreement required by this chapter.

13 NEW SECTION. **Sec. 7.** A trust agreement may be amended.  
14 However, the amendment is not effective until filed with the  
15 commissioner and the commissioner finds and states in writing that the  
16 amendment is in compliance with this chapter.

17 NEW SECTION. **Sec. 8.** The commissioner may withdraw his or her  
18 approval of a trust agreement, or of an amendment to the agreement, if  
19 the commissioner determines that the requisites for the approval no  
20 longer exist. The determination shall be made after notice and a  
21 hearing as provided in chapter 48.04 RCW.

22 NEW SECTION. **Sec. 9.** The trust agreement must provide that  
23 title to the trust assets vests and remains vested in the trustees  
24 and their successors for the purposes of the trust deposit.

1        NEW SECTION.    **Sec. 10.**        The trustee shall keep the trusteeed  
2 assets separate from other assets and shall maintain a record  
3 sufficient to identify the trusteeed assets at all times.

4        NEW SECTION.    **Sec. 11.**        (1) The trustee of trusteeed assets shall  
5 file statements with the commissioner, in a form required by the  
6 commissioner, certifying the character and amount of the assets.

7        (2) If the trustee fails to file a requested statement after a  
8 reasonable time has expired, the commissioner may suspend or revoke the  
9 certificate of authority of the insurer required under RCW 48.05.030.

10       NEW SECTION.    **Sec. 12.**        (1) The commissioner may examine  
11 trusteeed assets of any insurer at any time in accordance with the same  
12 conditions and procedures governing the examination of insurers  
13 provided in chapter 48.03 RCW.

14       (2) The depositing insurer shall not assign or transfer,  
15 voluntarily, involuntarily, or by operation of law, all or a part of  
16 its interest in the trusteeed assets without the prior written approval  
17 of the commissioner, and a transfer or assignment occurring without  
18 approval is void. The assignee or transferee of the trusteeed assets  
19 shall irrevocably and automatically assume all of the obligations and  
20 liabilities of the assignor or transferor.

21       NEW SECTION.    **Sec. 13.**        (1) The trust agreement must provide  
22 that the commissioner shall authorize and approve in writing all  
23 withdrawals of trusteeed assets in advance except as follows:

24       (a) Any or all income, earnings, dividends, or interest  
25 accumulations of the trusteeed assets may be paid over to the United  
26 States manager of the insurer upon request of the insurer or the  
27 manager;

1 (b) Withdrawals coincident with substitutions of securities or  
2 assets that are at least equal in value to those being withdrawn, if  
3 the substituted securities or assets would be eligible for investment  
4 by domestic insurers, and the insurer's United States manager requests  
5 the withdrawal in writing under a general or specific written authority  
6 previously given or delegated by the insurer's board of directors, or  
7 other similar governing body, and a copy of such authority has been  
8 filed with the trustee;

9 (c) For the purpose of making deposits required by another state in  
10 which the insurer is, or becomes, an authorized insurer and for the  
11 protection of the insurer's policyholders or creditors, or both, in the  
12 state or United States, if the withdrawal does not reduce the insurer's  
13 deposit in this state to an amount less than the minimum deposit  
14 required. The trustee shall transfer any assets withdrawn and in the  
15 amount required to be deposited in the other state, directly to the  
16 depository required to receive the deposit as certified in writing by  
17 the public official having supervision of insurance in that state; and

18 (d) For the purpose of transferring the trusteed assets to an  
19 official liquidator, conservator, or rehabilitator under an order of a  
20 court of competent jurisdiction.

21 (2) The commissioner shall authorize a withdrawal of only those  
22 assets that are in excess of the amount of assets required to be held  
23 in trust, or as may otherwise be consistent with the provisions of this  
24 chapter.

25 (3) If at any time the insurer becomes insolvent or if its assets  
26 held in the United States are less than required as determined by the  
27 commissioner, the commissioner shall order in writing the trustee to  
28 suspend the withdrawal of assets until a further order of the  
29 commissioner releasing the assets.

1        NEW SECTION.    **Sec. 14.**        A new trustee may be substituted for the  
2 original trustee of trusteed assets in the event of a vacancy or for  
3 other proper cause.    Any such substitution is subject to the  
4 commissioner's approval.

5        NEW SECTION.    **Sec. 15.**        The insurer shall provide for the  
6 compensation and expenses of the trustees of assets of an alien insurer  
7 under this chapter in an amount, or on a basis, as agreed upon by the  
8 insurer and the trustees in the trust agreement, subject to the prior  
9 approval of the commissioner.

10       NEW SECTION.    **Sec. 16.**        The provisions of this chapter  
11 applicable to a United States manager shall, in the case of insurers  
12 domiciled in Mexico or Canada, be deemed to refer to the president,  
13 vice-president, secretary, or treasurer of the Mexican or Canadian  
14 insurer.

15       NEW SECTION.    **Sec. 17.**        (1) Upon compliance with this chapter,  
16 an alien insurer authorized to do business in this state may, with the  
17 prior written approval of the commissioner, domesticate its United  
18 States branch by entering into an agreement in writing with a domestic  
19 insurer providing for the acquisition by the domestic insurer of all of  
20 the assets and the assumption of all of the liabilities of the United  
21 States branch.

22       (2) The acquisition of assets and assumption of liabilities of the  
23 United States branch by the domestic insurer is effected by filing with  
24 the commissioner an instrument or instruments of transfer and  
25 assumption in form satisfactory to the commissioner and executed by the  
26 alien insurer and the domestic insurer.



1        NEW SECTION.    **Sec. 18.**        (1) The domestication agreement shall  
2 be authorized, adopted, approved, signed, and acknowledged by the alien  
3 insurer in accordance with the laws of the country under which it is  
4 organized.

5        (2) In the case of a domestic insurer, the domestication agreement  
6 shall be approved, adopted, and authorized by its board of directors  
7 and executed by its president or a vice-president and attested by its  
8 secretary or assistant secretary under its corporate seal.

9        NEW SECTION.    **Sec. 19.**        An executed counterpart of the  
10 domestication agreement, together with certified copies of the  
11 corporate proceedings of the domestic insurer and the alien insurer,  
12 approving, adopting, and authorizing the execution of the domestication  
13 agreement, shall be submitted to the commissioner for approval. The  
14 commissioner shall thereupon consider the agreement, and, if the  
15 commissioner finds that the same is in accordance with the provisions  
16 hereof and that the interests of the policyholders of the United States  
17 branch of the alien insurer and of the domestic insurer are not  
18 materially adversely affected, the commissioner shall approve the  
19 domestication agreement and authorize the consummation thereof.

20        NEW SECTION.    **Sec. 20.**        (1) Upon the filing with the  
21 commissioner of a certified copy of the instrument of transfer and  
22 assumption pursuant to which a domestic company succeeds to the  
23 business and assets of the United States branch of an alien insurer and  
24 assumes all its liabilities, the domestication of the United States  
25 branch is deemed effective; and all the rights, franchises, and  
26 interests of the United States branch in and to every species of  
27 property and things, in actions thereunder belonging, are deemed as  
28 transferred to and vested in the domestic insurer, and simultaneously

1 the domestic insurer is deemed to have assumed all of the liabilities  
2 of the United States branch. The domestic insurer is considered as  
3 having the age as the oldest of the two parties to the domestication  
4 agreement for purposes of laws relating to age of company.

5 (2) All deposits of the United States branch held by the  
6 commissioner, or by state officers, or other state regulatory agencies  
7 pursuant to requirements of state laws, are deemed to be held as  
8 security for the satisfaction by the domestic insurer of all  
9 liabilities to policyholders within the United States assumed from the  
10 United States branch; and the deposits are deemed to be assets of the  
11 domestic insurer and are reported as such in the annual financial  
12 statements and other reports that the domestic insurer may be required  
13 to file. Upon the ultimate release by a state officer or agency of a  
14 deposit, the securities and cash constituting the released deposit is  
15 delivered and paid over to the domestic insurer as the lawful successor  
16 in interest to the United States branch.

17 (3) Contemporaneously with the consummation of the domestication of  
18 the United States branch, the commissioner shall direct the trustee, if  
19 any, of the United States branch's trusteed assets, as set forth in  
20 section 2 of this act, to transfer and deliver to the domestic insurer  
21 all assets, if any, held by such trustee.

22 NEW SECTION. **Sec. 21.** This act is necessary for the immediate  
23 preservation of the public peace, health, or safety, or support of the  
24 state government and its existing public institutions, and shall take  
25 effect immediately.

26 NEW SECTION. **Sec. 22.** Sections 1 through 20 of this act shall  
27 constitute a new chapter in Title 48 RCW.

Passed the House March 20, 1991.  
Passed the Senate April 12, 1991.  
Approved by the Governor May 17, 1991.  
Filed in Office of Secretary of State May 17, 1991.