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**SUBSTITUTE HOUSE BILL 2571**

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**State of Washington**

**53rd Legislature**

**1994 Regular Session**

**By** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Zellinsky, Schmidt, R. Meyers and Dorn; by request of Insurance Commissioner)

Read first time 02/04/94.

1 AN ACT Relating to capital and surplus requirements of insurers;  
2 and amending RCW 48.05.340.

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

4 **Sec. 1.** RCW 48.05.340 and 1993 c 462 s 50 are each amended to read  
5 as follows:

6 (1) Subject to RCW 48.05.350 and 48.05.360 to qualify for authority  
7 to transact any one kind of insurance as defined in chapter 48.11 RCW  
8 or combination of kinds of insurance as shown below, a foreign or alien  
9 insurer, whether stock or mutual, or a domestic insurer hereafter  
10 formed shall possess ~~((and thereafter maintain))~~ unimpaired paid-in  
11 capital stock, if a stock insurer, or unimpaired surplus if a mutual  
12 insurer, and ~~((shall possess when first so authorized))~~ additional  
13 funds in surplus, as follows, and shall thereafter maintain unimpaired  
14 a combined total of: (a) The paid-in capital stock if a stock insurer  
15 or surplus if a mutual insurer, plus (b) such additional funds in  
16 surplus equal to the total of the following initial requirements:

Kind or kinds of insurance	Paid-in capital stock or basic surplus	Additional surplus
Life . . . . .	\$2,000,000	\$2,000,000
Disability . . . . .	2,000,000	2,000,000
Life and disability . . . . .	2,400,000	2,400,000
Property . . . . .	2,000,000	2,000,000
Marine & transportation . . . . .	2,000,000	2,000,000
General casualty . . . . .	2,400,000	2,400,000
Vehicle . . . . .	2,000,000	2,000,000
Surety . . . . .	2,000,000	2,000,000
Any two of the following kinds of insurance: Property, marine & transportation, general casualty, vehicle, surety, disability . . . . .	3,000,000	3,000,000
Multiple lines (all insurances except life and title insurance) . . . . .	3,000,000	3,000,000
Title (in accordance with the provisions of chapter 48.29 RCW)		

(2) Capital and surplus requirements are based upon all the kinds of insurance transacted by the insurer wherever it may operate or propose to operate, whether or not only a portion of such kinds are to be transacted in this state.

(3) ~~((An))~~ Until December 31, 1996, a foreign or alien insurer holding a certificate of authority to transact insurance in this state immediately prior to ((July 1, 1991)) the effective date of this act, may continue to be authorized to transact the same kinds of insurance as long as it is otherwise qualified for such authority. A domestic insurer holding a certificate of authority to transact insurance in this state immediately prior to the effective date of this act may continue to be authorized to transact the same kinds of insurance as long as it is otherwise qualified for such an authority and thereafter maintains unimpaired the amount of paid-in capital stock, if a stock insurer, or basic surplus, if a mutual or reciprocal insurer, and special or additional surplus as required of it under laws in force immediately prior to ((such effective date; and any proposed domestic

1 insurer which is in process of formation or financing under a  
2 solicitation permit which is outstanding immediately prior to July 1,  
3 1991, shall, if otherwise qualified therefor, be authorized to transact  
4 any kind or kinds of insurance upon the basis of the capital and  
5 surplus requirements of such an insurer under the laws in force  
6 immediately prior to such effective date. The requirements for paid in  
7 capital stock, basic surplus, and special surplus that were in effect  
8 immediately before July 1, 1991, apply to any completed application for  
9 a certificate of authority from a foreign or alien insurer that is on  
10 file with the commissioner on July 1, 1991)) the effective date of this  
11 act.

12 (4) The commissioner may, by rule, require insurers to maintain  
13 additional capital and surplus based upon the type, volume, and nature  
14 of insurance business transacted consistent with the methods then  
15 adopted by the National Association of Insurance Commissioners for  
16 determining the appropriate amount of additional capital and surplus to  
17 be required. In the absence of an applicable rule, the commissioner  
18 may, after a hearing or with the consent of the insurer, require an  
19 insurer to have and maintain a larger amount of capital or surplus than  
20 prescribed under this section or the rules under this section, based  
21 upon the volume and kinds of insurance transacted by the insurer and on  
22 the principles of risk-based capital as determined by the National  
23 Association of Insurance Commissioners. This subsection applies only  
24 to insurers authorized to write life insurance, disability insurance,  
25 or both.

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