

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 2160**

Chapter 295, Laws of 2002

57th Legislature  
2002 Regular Session

CHARITABLE GIFT ANNUITY BUSINESSES--SEPARATE RESERVE FUND

EFFECTIVE DATE: 6/13/02

Passed by the House March 9, 2002  
Yeas 94 Nays 0

FRANK CHOPP  
**Speaker of the House of Representatives**

Passed by the Senate March 2, 2002  
Yeas 45 Nays 1

BRAD OWEN  
**President of the Senate**

Approved April 2, 2002

GARY LOCKE  
**Governor of the State of Washington**

CERTIFICATE

I, Cynthia Zehnder, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2160** as passed by the House of Representatives and the Senate on the dates hereon set forth.

CYNTHIA ZEHNDER  
**Chief Clerk**

FILED

April 2, 2002 - 10:17 a.m.

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 2160**

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AS AMENDED BY THE SENATE

Passed Legislature - 2002 Regular Session

**State of Washington                      57th Legislature                      2002 Regular Session**

**By** House Committee on Financial Institutions & Insurance (originally sponsored by Representative McIntire)

Read first time 01/25/2002. Referred to Committee on .

1            AN ACT Relating to the separate reserve fund maintained by a  
2 charitable gift annuity business; and amending RCW 48.38.020.

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

4            **Sec. 1.** RCW 48.38.020 and 1998 c 284 s 2 are each amended to read  
5 as follows:

6            (1) Upon granting to such insurer or institution under RCW  
7 48.38.010 a certificate of exemption to conduct a charitable gift  
8 annuity business, the insurance commissioner shall require it to  
9 establish and maintain a separate reserve fund adequate to meet the  
10 future payments under its charitable gift annuity contracts.

11            (2) The assets of the separate reserve fund:

12            (a) Shall be held legally and physically segregated from the other  
13 assets of the certificate of exemption holder;

14            (b) Shall be invested in the same manner that persons of reasonable  
15 prudence, discretion, and intelligence exercise in the management of a  
16 like enterprise, not in regard to speculating but in regard to the  
17 permanent disposition of their funds, considering the probable income  
18 as well as the probable safety of their capital. Investments shall be

1 of sufficient value, liquidity, and diversity to assure the insurer or  
2 institution's ability to meet its outstanding obligations; and

3 (c) Shall not be liable for any debts of the insurer or institution  
4 holding a certificate of exemption under this chapter, other than those  
5 incurred pursuant to the issuance of charitable gift annuities.

6 (3) The amount of the separate reserve fund shall be:

7 (a) For contracts issued prior to July 1, 1998, not less than an  
8 amount computed in accordance with the standard of valuation based on  
9 the 1971 individual annuity mortality table with six percent interest  
10 for single premium immediate annuity contracts and four percent  
11 interest for all other individual annuity contracts;

12 (b) For contracts issued on or after July 1, 1998, in an amount not  
13 less than the aggregate reserves calculated according to the standards  
14 set forth in RCW 48.74.030 for other annuities with no cash settlement  
15 options;

16 (c) Plus a surplus of ten percent of the combined amounts under (a)  
17 and (b) of this subsection.

18 (4) The general assets of the insurer or institution holding a  
19 certificate of exemption under this chapter shall be liable for the  
20 payment of annuities to the extent that the separate reserve fund is  
21 inadequate.

22 (5) For any failure on its part to establish and maintain the  
23 separate reserve fund, the insurance commissioner shall revoke its  
24 certificate of exemption.

25 (6) If an institution holding a certificate of exemption under RCW  
26 48.38.010 has purchased a single premium life annuity that pays the  
27 entire amount stipulated in the gift annuity agreement or agreements  
28 from an insurer (a) holding a certificate of authority under chapter  
29 48.05 RCW, (b) licensed in the state in which the institution has its  
30 principle office, and (c) licensed in the state in which the single  
31 premium life annuity is issued, then in determining the minimum reserve  
32 fund that must be maintained under this section, a deduction shall be  
33 allowed from the minimum reserve fund in an amount not exceeding the  
34 reserve fund amount required for the annuity or annuities for which the  
35 single premium life annuity is purchased, subject to the following  
36 conditions:

37 (i) The institution has filed with the commissioner a copy of the  
38 single premium life annuity purchased and specifying which charitable  
39 gift annuity or annuities are being insured; and

1        (ii) The institution has entered into a written agreement with the  
2 annuitant and the insurer issuing the single premium life annuity  
3 providing that if for any reason the institution is unable to continue  
4 making the annuity payments required by its annuity agreements, the  
5 annuitants shall receive payments directly from the insurer and the  
6 insurer shall be credited with all of these direct payments in the  
7 accounts between the insurer and the institution.

Passed the House March 9, 2002.

Passed the Senate March 2, 2002.

Approved by the Governor April 2, 2002.

Filed in Office of Secretary of State April 2, 2002.