

**SHB 2740** - H AMD TO H AMD (2740-S AMH SCHU H5064.1)  
By Representative Benson

1 On page 8, after line 9 of the amendment, insert the following:

2 "NEW SECTION. Sec. 21. An association must possess sufficient  
3 capital, surplus, and reserve requirements in order to offer  
4 liability insurance to adult family homes and/or providers of child  
5 welfare services.

6 (1) An association must comply with the capital and surplus  
7 requirements for general casualty insurers set forth in RCW  
8 48.05.340.

9 (2) An association must comply with the unearned premium  
10 reserve requirements set forth in RCW 48.12.040.

11 (3) An association must comply with the loss reserve  
12 requirements for liability insurance set forth in RCW 48.12.090.

13 (4) An association must raise funds sufficient to comply with  
14 the requirements set forth in this section prior to offering  
15 liability insurance and must maintain those reserves throughout the  
16 life of the association. After determining the amount of funds  
17 needed to comply with this section, the association must report  
18 this amount to the Legislature and must request such amount through  
19 the legislative budget process."

20 Renumber the remaining sections consecutively and correct  
21 internal references accordingly.

**EFFECT:**

- Ø Requires an association to comply with the current capital and surplus requirements for general casualty insurers. General casualty insurers must possess \$2.4 million in capital and \$2.4 million in surplus.
- Ø Requires an association to comply with current unearned premium reserve requirements. Unearned premiums are the portion of premiums that apply to the unused part of the policy period. For example, with an annual premium, at

the end of the first month of the premium period, 11/12 of the premium is unearned. Unearned premium reserve requirements are either equal to the unearned portion of the gross premium in force after deducting authorized reinsurance or are computed according to a table set forth in current law.

- Ø Requires an association to comply with current loss reserve requirements, which must be computed according to accepted loss-reserving standards and principles and must provide for all unpaid losses.
- Ø Requires an association to raise enough funds to comply with these requirements prior to offering liability insurance and maintain these reserves while the association is in existence.
- Ø Requires an association to report the amount of funds to the Legislature and request this amount through the Legislative budget process.