

# SENATE BILL REPORT

## SB 6434

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As Reported By Senate Committee On:  
Financial Services, Insurance & Housing, February 2, 2004

**Title:** An act relating to capital calls by domestic mutual insurers.

**Brief Description:** Regulating capital calls by domestic mutual insurers.

**Sponsors:** Senators Benton and Berkey.

**Brief History:**

**Committee Activity:** Financial Services, Insurance & Housing: 1/27/04, 2/2/04 [DP].

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### SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

**Majority Report:** Do pass.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Berkey, Keiser, Murray, Prentice and Roach.

**Staff:** Joanne Conrad (786-7472)

**Background:** Capital calls are payments in addition to insurance premiums. They can provide additional capital surplus for some types of insurers.

**Summary of Bill:** A Washington State mutual insurer that meets certain standards may increase its surplus by issuing a capital call. Policyholders or applicants for insurance may be required to pay a capital call sum, in addition to premium, in order to obtain or renew a policy.

In order to raise funds by a capital call, insurers must meet the following criteria:

- have organizational documents authorizing capital calls;
- provide information regarding the capital call to every policyholder, 90 days in advance;
- notify the Insurance Commissioner (OIC);
- have a specific purpose for the capital call, and explain why it is the best method for raising the capital;
- make numerous accountings to the OIC regarding the previous 10 years of rate filings, underwriting losses, dividends and other information.

Capital calls will not be approved unless the OIC believes them to be in the best interests of the insurer, the policyholders and Washington citizens. OIC evaluates approval based upon the financial health of the insurer, the impact on the marketplace, the frequency of previous capital calls and other factors.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill contains several effective dates. Please refer to the bill.

**Testimony For:** Washington needs to increase medical malpractice insurance capacity. This bill will help increase availability of medical malpractice coverage by making some of the smaller insurers stronger in the marketplace.

**Testimony Against:** None.

**Testified:** PRO: Bill Daley, OIC; Anne Bryant, Physicians Insurance.