
SENATE BILL 5810

State of Washington

58th Legislature

2003 Regular Session

By Senators Benton and Prentice

Read first time 02/13/2003. Referred to Committee on Financial Services, Insurance & Housing.

1 AN ACT Relating to borrowing money by domestic mutual insurers; and
2 amending RCW 48.09.320.

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

4 **Sec. 1.** RCW 48.09.320 and 1947 c 79 s .09.32 are each amended to
5 read as follows:

6 (1) A domestic mutual insurer (~~((on the cash premium plan))~~) may,
7 with the commissioner's advance approval and without the pledge of any
8 of its assets, borrow money to defray the expenses of its organization
9 or for any purpose required by its business, upon an agreement that
10 such money and such fair and reasonable interest thereon as may be
11 agreed upon, (~~((but not exceeding six percent per annum,))~~) shall be
12 repaid only out of the insurer's earned surplus in excess of its
13 required minimum surplus.

14 (2) (~~((Any money so borrowed shall not form a part of the insurer's
15 legal liabilities or be the basis of any setoff; but until repaid,
16 financial statements filed or published by the insurer shall show as a
17 footnote thereto the amount thereof then unpaid together with interest
18 thereon accrued but unpaid.))~~) An insurer borrowing funds under this
19 section must comply with the national association of insurance

1 commissioner's - accounting practices and procedures manual which sets
2 forth requirements for borrowed money to be treated as surplus notes
3 for financial accounting purposes.

4 (3) The commissioner's approval of such (~~loan~~) borrowed funds, if
5 granted, shall specify the amount to be borrowed, the purpose for which
6 the money is to be used, the terms and form of the loan agreement, the
7 date by which the loan must be completed, fair and reasonable
8 commissions or promotional expenses to be incurred or to be paid, and
9 such other related matters as the commissioner shall deem proper. If
10 the money is to be borrowed upon multiple agreements, the agreements
11 shall be serially numbered. No loan agreement or series thereof shall
12 have or be given any preferential rights over any other such loan
13 agreement or series. (~~No commission or promotional expense shall be~~
14 ~~incurred or be paid on account of any such loan.~~)

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