

**WSR 26-01-174  
PROPOSED RULES  
OFFICE OF THE  
INSURANCE COMMISSIONER**

[Insurance Commissioner Matter R 2025-14—Filed December 22, 2025, 2:39 p.m.]

Original Notice.

Preproposal statement of inquiry was filed as WSR 25-21-131.

Title of Rule and Other Identifying Information: Allowing public utility districts to form, own, or use captive insurers; changing captive insurer reporting deadlines and requirements.

Hearing Location(s): On February 18, 2026, at 11:00 a.m. - 12:00 p.m. PT, at <https://wa-oic.zoom.us/meeting/register/C5QVtlVoRnqp44yBmYtyBA>.

Date of Intended Adoption: February 20, 2026.

Submit Written Comments to: Rules Coordinator, P.O. Box 40255, Olympia, WA 98504-0255, email [RulesCoordinator@oic.wa.gov](mailto:RulesCoordinator@oic.wa.gov), 360-586-3109/3535, beginning December 22, 2025, at 8:00 a.m. PT, by February 19, 2026, at 11:59 p.m. PT.

Assistance for Persons with Disabilities: Contact rules coordinator, phone 360-725-7171, fax 360-586-3109/3535, TTY 360-586-0241, email [RulesCoordinator@oic.wa.gov](mailto:RulesCoordinator@oic.wa.gov), by close of business on February 17, 2026.

Purpose of the Proposal and Its Anticipated Effects, Including Any Changes in Existing Rules: The legislature passed HB 1842 allowing public utility districts to own, form, or use captive insurers. Rule making may be necessary to update definitions. The office of the insurance commissioner (OIC) is also considering rule making to give captive insurers more flexibility in their audited financial statement submissions. This may include, but not be limited to, adjusting the annual reporting deadline to better align with when audited financial statements become available and clarifying that the most recent financial statement must be reported.

Reasons Supporting Proposal: WAC revisions are needed to implement HB 1842.

Statutory Authority for Adoption: RCW 48.02.060, 48.201.060, and chapter 53, Laws of 2025.

Statute Being Implemented: RCW 48.62.011, 48.62.031, 48.201.020, and chapter 53, Laws of 2025.

Rule is not necessitated by federal law, federal or state court decision.

Name of Proponent: Patty Kuderer, governmental.

Name of Agency Personnel Responsible for Drafting: Lauren Burnes, P.O. Box 40255, Olympia, WA 98504-0255, 360-725-7171; Implementation: Sandy Ray, P.O. Box 40255, Olympia, WA 98504-0255, 360-725-7200; and Enforcement: Sofia Pasarow, P.O. Box 40255, Olympia, WA 98504-0255, 360-725-7000.

A school district fiscal impact statement is not required under RCW 28A.305.135.

A cost-benefit analysis is required under RCW 34.05.328. A preliminary cost-benefit analysis may be obtained by contacting Rules Coordinator, P.O. Box 40255, Olympia, WA 98504-0255, phone 360-725-7171, fax 360-586-3109/3535, TTY 360-586-0241, email [RulesCoordinator@oic.wa.gov](mailto:RulesCoordinator@oic.wa.gov).

This rule proposal, or portions of the proposal, is exempt from requirements of the Regulatory Fairness Act because the proposal:

Is exempt under RCW 19.85.025(4).

Explanation of exemptions: **Legal Obligations:** Chapter 19.85 RCW states that "... an agency shall prepare a small business economic impact statement: (i) If the proposed rule will impose more than minor costs on businesses in an industry ..." The small business economic impact statement (SBEIS) must include "... a brief description of the reporting, recordkeeping, and other compliance requirements of the proposed rule, and the kinds of professional services that a small business is likely to need in order to comply with such requirements... To determine whether the proposed rule will have a disproportionate cost impact on small businesses."

This rule proposal is exempt from requirements of the Regulatory Fairness Act under RCW 19.85.025(4); the businesses that must comply with the proposed rule are not small businesses under:

- RCW 19.85.025(4): The businesses that must comply with the proposed rule are not small businesses, under chapter 19.85 RCW. OIC has found that entities that may own, form, or use captive insurers are not considered small businesses; and
- RCW 19.85.030 (1)(a): The proposed rule will not impose more-than-minor costs on businesses in an industry. The proposed rule will not impose more-than-minor costs on entities that own, form, or use captive insurers.

**Rationale for Exemptions:** OIC has determined that entities using captive insurers that operate in one of the following industries are not considered small businesses.

- State higher education institutions: Based on preliminary 2024 ESD Covered Employment data, state colleges, universities, and professional schools operated by Washington are not considered small businesses, as they have an average of 6,615 employees per firm (39,687 average annual employees/six average firms).
- Local governments (including public utility districts): Based on preliminary 2024 ESD Covered Employment data, colleges, local governments are not considered small businesses, as they have an average of 207 employees per firm (373,996 average annual employees/1,804 average firms).
- All other businesses, partnerships, and nonprofits: Statute provides entities within these broad categories may utilize a captive insurer if they meet financial requirements. The financial requirements, have assets that exceeds its liabilities by at least \$1 million and has the ability to pay its debts when they come due, are significant enough to suggest that most of the entities within these categories would not qualify as a small business.

**Minor Costs:** The rule does not cause more than a minor cost to entities that may own, form, or use captive insurers because:

- The rule does not establish new requirements or increase compliance or operational costs; and
- If the changes made in the rule do have a fiscal impact, they are anticipated to reduce costs to entities that may own, form, or use captive insurers by streamlining the financial statement audit process for impacted entities.

**Determination:** OIC determines that this rule is exempt from small business economic impact statement requirements.

Scope of exemption for rule proposal:

Is fully exempt.

A copy of the detailed cost calculations may be obtained by contacting Rules Coordinator, P.O. Box 40255, Olympia, WA 98504-0255, phone 360-725-7171, email rulesc@oic.wa.gov.

December 22, 2025  
Patty Kuderer  
Insurance Commissioner

## RDS-6900.1

AMENDATORY SECTION (Amending WSR 21-23-078, filed 11/15/21, effective 12/21/21)

**WAC 284-201-130 Definitions.** The definitions in RCW 48.201.020, apply in this regulation unless otherwise specified or unless the context clearly requires otherwise. The following definitions apply to this chapter and to chapter 48.201 RCW:

(1) "Captive insurer" means an entity that is (~~wholly or partially owned by a "captive owner" and it insures risks of the captive owner, the captive owner's other affiliates, or both~~) licensed as a captive insurer by the jurisdiction in which it is domiciled.

(2) "Eligible captive insurer" has the same meaning as set forth in chapter 48.201 RCW.

(3) "Financial statement" means an audited financial statement for the last fiscal year, prepared by an independent certified public accountant (CPA). A CPA must hold a valid CPA license and is in good standing with a board of accountancy regulatory authority.

(4) "Insurer" has the same meaning as set forth in RCW 48.01.050.

~~((4))~~ (5) "Principal place of business" refers to the place where a business entity's management direct, control, and coordinate the corporation's activities, i.e., its "nerve center," which will typically be found at its corporate headquarters. Except where the parent corporation is the alter ego of the subsidiary, subsidiaries are analyzed separately from their parent or holding companies. For example, if a captive insurer insures a subsidiary that is headquartered in Washington, then this state would be the principal place of business for the insured subsidiary, even if the parent company was headquartered elsewhere.

~~((5))~~ (6) "Registered eligible captive insurer" means an eligible captive insurer who submitted an application that was approved by the commissioner. A registered eligible captive insurer that fails to properly renew its registration will no longer be considered registered under chapter 48.201 RCW.

~~((6))~~ (7) "Reinsurance" means a form of insurance issued to insurers.

~~((7))~~ (8) "Reinsurer" means an insurer that assumes all or part of an insurance or reinsurance policy written by the ceding insurer.

AMENDATORY SECTION (Amending WSR 21-23-078, filed 11/15/21, effective 12/21/21)

**WAC 284-201-210 Registration.** (1) Eligible captive insurers must register with the commissioner within 120 days of May 12, 2021, or if later, within 120 days after first issuing a policy that covers Washington risks.

(2) The registration period for eligible captive insurers will be from the date the registration is approved by the commissioner, through (~~June 30th~~) July 31st.

(3) The commissioner may request and the eligible captive insurer must provide additional documentation and information to show registration requirements have been met.

(4) The registration fee is \$2,500.00.

(5) The commissioner will approve an eligible captive insurer's registration, if the commissioner determines that it meets the eligibility requirements in chapter 48.201 RCW, and this section.

AMENDATORY SECTION (Amending WSR 21-23-078, filed 11/15/21, effective 12/21/21)

**WAC 284-201-220 Renewal.** (1) To maintain registration, a registered eligible captive insurer must renew certificates of registration annually by (~~June 30th~~) July 31st. If an eligible captive insurer fails to properly renew their certificate of registration, then its registration will expire at the end of its registration period.

(2) The renewal process will require that a registered eligible captive insurer continue to meet eligibility requirements in accordance with RCW 48.201.020 and 48.201.030, and pay a renewal fee.

(3) For renewal, the commissioner will charge an annual renewal fee not to exceed \$2,500.00. The amount of the renewal fee will be published on the commissioner's website and must be paid by (~~June 30th~~) July 31st.

(4) The renewal period will be from (~~July 1st through June 30th~~) August 1st through July 31st.

(5) In order to obtain a timely annual renewal, a registered eligible captive insurer should file the renewal application no later than (~~April 1st~~) June 1st. Otherwise, OIC may not approve the eligible captive insurer's renewal before the (~~June 30th~~) July 31st expiration date and the eligible captive insurer's registration will expire. If an eligible captive insurer's registration expires, it will then need to complete and file a new application and pay the fee for a new registration.

AMENDATORY SECTION (Amending WSR 21-23-078, filed 11/15/21, effective 12/21/21)

**WAC 284-201-240 Taxes.** (1) A registered eligible captive insurer shall on or before the first day of March of each year pay to the state treasurer through the commissioner's office a two percent tax on premiums for insurance directly procured by and provided to its parent or another affiliate for Washington risks during the previous calendar year. A registered eligible captive insurer that fails to remit the

tax by the last day of the month in which the tax becomes due, will be subject to the tax, penalties, and interest provided in RCW 48.14.060.

(2) A registered eligible captive insurer shall file with the commissioner a statement of premiums on a tax form furnished by the commissioner. For tax purposes, the reporting of premiums shall be on a written basis.

(3) Instructions for accessing the online tax forms will be sent out to the registered eligible captive insurer's tax contact in January of each year. Tax contact information is provided to the commissioner as part of the registration process.

(4) The registered eligible captive insurer must share its methodology and relevant analysis in determining its Washington risks allocation by submitting this information to the commissioner by (~~April 1st~~) June 1st of each year, in a method as prescribed and furnished by the commissioner.

(5) Prior period taxes. Eligible captive insurers who insured Washington risk for any period after January 1, 2011, must remit a two percent tax on premiums for insurance directly procured by and provided to its parent or another affiliate for Washington risks, if not previously remitted to the commissioner. The reporting of premiums under this section shall be on a written basis, in a method as prescribed and furnished by the commissioner. Taxes due for premiums procured prior to January 1, 2021, are not subject to the penalties or interest provided in RCW 48.14.060.

(6) Eligible captive insurers must pay premium tax for Washington risks covered by all types of insurance, including premiums collected for insurance that is not property or casualty insurance, if the eligible captive insurer provided such coverage for any period after January 1, 2011.