

HOUSE BILL REPORT

SB 6289

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to fraternal benefit societies.

Brief Description: Regulating fraternal benefit societies.

Sponsors: Senators Prentice, Fraser, Quigley and Pelz; by request of Insurance Commissioner.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/19/96 [DPA].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended. Signed by 14 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Wolfe, Ranking Minority Member; Scheuerman, Assistant Ranking Minority Member; Campbell; Dellwo; Dyer; Grant; Huff; Keiser; Kessler; Pelesky and D. Sommers.

Staff: Charlie Gavigan (786-7340).

Background: A fraternal benefit society is a not-for-profit organization conducted solely for the benefit of its members and beneficiaries that operates on a lodge system, has a representative form of government, and provides certain types of benefits. These include death, endowment, annuity, disability, medical, or life insurance benefits. A fraternal benefit society may be a domestic organization incorporated in Washington State, or a foreign or alien organization incorporated in another state and licensed in this state.

Life insurers, disability insurers, health carriers, property and casualty insurers, and surety and title companies all must maintain minimum net worth (unimpaired capital stock or surplus) requirements. Fraternal benefit societies must meet minimum net worth requirements at the time the society is formed; they may not have to continue to meet minimum net worth requirements.

Summary of Amended Bill: A fraternal benefit society must maintain established unimpaired surplus requirements and must meet risk-based capital requirements. The

Insurance Commissioner may require that a fraternal benefit society maintain a larger amount of unimpaired surplus over the minimum requirement. A phase-in period is allowed for those societies that may not immediately meet the new requirements. A lodge system can continue to operate as a fraternal society, but cannot add new beneficiaries until it meets the new standards.

The commissioner may refuse, suspend, or revoke a fraternal benefit society's license if the society has less than 400 members after one year of operation, does not maintain the required unimpaired surplus, or is operating in a fashion that is hazardous to its beneficiaries. The commissioner is authorized to supervise the rehabilitation, liquidation, or conservation of a domestic fraternal benefit society.

Amended Bill Compared to Original Bill: The amendment allows foreign or alien fraternal benefit societies to continue to issue policies to existing policyholders if the societies do not meet the minimum unimpaired surplus requirements.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill will ensure that solvency requirements already imposed on commercial carriers will be applied to fraternal benefit societies. This bill will protect the public by improving the Insurance Commissioner's ability to ensure that fraternal benefit societies are financially sound.

Testimony Against: None.

Testified: John Woodall and Mary Clogston, Office of the Insurance Commissioner (support).