

# FINAL BILL REPORT

## SHB 2571

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C 171 L 94  
Synopsis as Enacted

**Brief Description:** Requiring certain capital and surplus for insurers.

By House Committee on Financial Institutions & Insurance  
(originally sponsored by Representatives Zellinsky, Schmidt, R. Meyers and Dorn; by request of Insurance Commissioner).

House Committee on Financial Institutions & Insurance  
Senate Committee on Labor & Commerce

**Background:** A foreign, alien or domestic insurance company must meet capital and surplus requirements that exist when the company is originally formed, and it must continue to meet specified statutory requirements. The most recent change to statutory capital and surplus requirements, which occurred in 1991, doubled previous requirements. Existing companies were "grandfathered" into the previous requirements as follows: (1) if formed prior to July 1, 1991, the company must meet the requirements existing prior to that date; or (2) if formed on or after July 1, 1991, the company must meet updated requirements that took effect July 1, 1991.

**Summary:** Additional surplus required when an insurance company is formed must be maintained thereafter, rather than only at the time of formation.

All insurance companies formed on or after the effective date of this act (new companies) must meet capital and surplus requirements described in this act. Foreign and alien insurance companies existing immediately prior to the effective date of this act (existing companies) can continue to operate under previous requirements (existing immediately prior to the effective date of this act) until December 31, 1996, when all existing foreign and alien insurance companies must meet capital and surplus requirements described in this act. As of December 31, 1996, "grandfathering" for changes to capital and surplus requirements, including additional surplus, is eliminated for foreign and alien insurance companies. Existing domestic insurance companies are "grandfathered" into previous requirements; that is, these companies must comply with capital and surplus requirements as they existed for these companies immediately prior to the effective date of

this act. Existing domestic insurance companies are not required to comply with the additional surplus requirements established in this act, and applicable "grandfathering" for previous capital and surplus changes continues for existing domestic companies.

**Votes on Final Passage:**

House	96	0
Senate	44	1

**Effective:** June 9, 1994