

HOUSE BILL REPORT

HB 2571

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to capital and surplus requirements of insurers.

Brief Description: Requiring certain capital and surplus for insurers.

Sponsors: Representatives Zellinsky, Schmidt, R. Meyers and Dorn; by request of Insurance Commissioner.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 2, 1994,
DPS.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Zellinsky, Chair; Scott, Vice Chair; Mielke, Ranking Minority Member; Dyer, Assistant Ranking Minority Member; Anderson; Dellwo; Grant; Kremen; Lemmon; Schmidt and L. Thomas.

Minority Report: Do not pass. Signed by 1 member: Representative R. Johnson.

Staff: Charlie Gavigan (786-7340).

Background: A foreign or domestic insurance company must meet capital and surplus requirements that exist when the company is originally formed, and must continue to meet specified statutory requirements. The most recent change to capital and surplus requirements occurred in 1991, and 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 of Substitute Bill: All existing foreign and alien insurance companies must meet the current capital and surplus requirements to continue to be authorized to do

business in Washington, and those added by this bill, by December 31, 1996. Existing domestic insurance companies are grandfathered into present law; that is, they must meet the requirements as they existed for the companies prior to the effective date of this act.

Substitute Bill Compared to Original Bill: Domestic companies are permanently grandfathered into existing law. This law does not effect existing domestic insurance companies.

Fiscal Note: Not requested.

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

Testimony For: There are many foreign/alien insurance companies, and a few domestic companies, who have inadequate capital or surplus. These companies should be excluded from doing business in this state. This bill removes grandfathering provisions that allow these companies to do business under older, inadequate standards.

Testimony Against: Existing insurance companies, especially domestic companies, should not have to meet new capital/surplus standards after they are authorized to do business.

Witnesses: Deborah Senn, Insurance Commissioner (supports); Robert Ogden, North Coast Life Insurance Company (opposes); Basil Badley, Arlberg Insurance Company (opposes); Jean Leonard, Washington Insurers (opposes); and Dan Wolfe, SAFECO (supports).