

SENATE BILL REPORT

SHB 2370

AS PASSED SENATE, FEBRUARY 26, 1994

Brief Description: Extending reinsurance and surplus line insurance statutes to incorporated entities.

SPONSORS: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Zellinsky and Dyer)

FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass.

Signed by Senators Prentice, Vice Chairman; Amondson, Deccio, Fraser, McAuliffe, Newhouse, Sutherland, Vognild and Wojahn.

Staff: Blaine Gibson (786-7375)

Hearing Dates: February 16, 1994; February 17, 1994

BACKGROUND:

Insurance companies can take a credit when they purchase reinsurance, allowing them to treat that amount as an asset. This asset credit is allowed even though the reinsurer is not licensed to do business in Washington as long as the reinsurer is a group of unincorporated underwriters who maintain a trust fund in a specified amount. This asset credit is not permitted if the reinsurer contains corporate members.

State law requires brokers to place surplus line insurance with insurers who are financially sound. While a group of unincorporated insurance underwriters not licensed in Washington can sell surplus coverage if they maintain a specified trust fund, the group cannot if it contains corporate members.

SUMMARY:

A group of insurance underwriters that includes both incorporated and unincorporated members and is not licensed to do business in Washington can provide reinsurance that can be used as an asset credit by the insurer. The incorporated members of the group only can engage in the business of underwriting, and must comply with the group's solvency requirements for unincorporated members.

A group of insurance underwriters that includes both incorporated and unincorporated members and is not licensed to do business in Washington can provide surplus line insurance.

Appropriation: none

Revenue: none

Fiscal Note: none requested

Effective Date: The bill contains an emergency clause and takes effect immediately.

TESTIMONY FOR:

The bill is necessary to allow Lloyds of London to continue to offer surplus line insurance and reinsurance in Washington.

TESTIMONY AGAINST: None

TESTIFIED: Mel Sorensen, Lloyds of London; John Woodall, Office of Insurance Commissioner