

SENATE BILL REPORT

SHB 2571

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, FEBRUARY 22, 1994

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

**SPONSORS:** 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**

**Majority Report:** Do pass.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Deccio, Fraser, Pelz, Sellar, Sutherland and Vognild.

**Staff:** Catherine Mele (786-7470)

**Hearing Dates:** February 22, 1994

**BACKGROUND:**

In order to conduct business in Washington, insurers are required to maintain certain levels of unimpaired capital or unimpaired basic surplus. These capital and surplus requirements are intended to protect consumers from insolvent insurance companies. In addition to capital or surplus requirements, when an insurance company is established, it must also have additional surplus. Under current law, all insurance companies must always maintain unimpaired capital or unimpaired basic surplus; however, insurance companies can deplete additional surplus.

In 1991 the Legislature modified capital and surplus requirements allowing an exception for insurance companies authorized to conduct business prior to July 1, 1991. The exception provides that insurers authorized to conduct business before July 1, 1991 may continue as long as they are otherwise qualified, sell the same types of insurance as authorized in 1991, and maintain the same unimpaired capital or unimpaired basic surplus requirements in effect before the 1991 change in the law.

**SUMMARY:**

The grandfather clause which provides an exception to the minimum unimpaired capital or unimpaired basic surplus requirements for insurers licensed before July 1, 1991 is eliminated. In addition to the capital or surplus requirements, an insurer must always maintain unimpaired

additional surplus. The effective date upon which insurers must meet these requirements is December 31, 1996.

Domestic insurers, which were grandfathered under the previous law, must meet the requirements as they existed prior to the effective date of this act.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested

**TESTIMONY FOR:** None

**TESTIMONY AGAINST:** None

**TESTIFIED:** No one