

SENATE BILL REPORT

SSB 6509

AS PASSED SENATE, FEBRUARY 15, 1994

Brief Description: Acting in the case of impaired insurers.

SPONSORS: Senate Committee on Labor & Commerce (originally sponsored by Senators Moore, Amondson and Prentice; by request of Insurance Commissioner)

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: That Substitute Senate Bill No. 6509 be substituted therefor, and the substitute bill do pass.

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

Staff: Blaine Gibson (786-7375)

Hearing Dates: February 1, 1994; February 2, 1994

BACKGROUND:

In 1971, the Washington Life and Disability Insurance Guaranty Association (WLDIGA) was created to ensure the performance of contractual obligations to this state's residents by life and disability insurers that became insolvent. Every life and disability insurer authorized to transact business in this state is required to be a member of the association.

When a life or disability insurer is liquidated, the association assesses the other member insurers to pay claims of the liquidated company. The assessments are based upon the proportion of premiums each member has received from business in this state. The actual trigger date upon which the association assumes or guarantees the performance of contractual obligations is the date that an order of liquidation is entered against the insolvent insurer. The WLDIGA may not assume or guarantee any policies or contracts prior to this order.

In addition to the mandatory trigger date, approximately 45 states authorize a voluntary trigger date upon which their guaranty associations may be activated. Interest has been expressed in allowing the guaranty association to assume or guarantee obligations earlier if needed.

SUMMARY:

The Washington Life and Disability Insurance Guaranty Association may assume or guarantee performance of contractual obligations when the court orders receivership or conservatorship, or when the insurer becomes insolvent.

Appropriation: none

Revenue: none

Fiscal Note: requested

TESTIMONY FOR:

The bill will ensure that customers of impaired or insolvent companies will receive claims payments to which they are entitled.

TESTIMONY AGAINST: None

TESTIFIED: Basil Badley, ACLI/AIAA (pro); Walt Corneille, John Woodall, Insurance Commissioner's office (pro)