

**SENATE BILL REPORT**

**SB 6509**

**AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, FEBRUARY 2, 1994**

**Brief Description:** Acting in the case of impaired insurers.

**SPONSORS:** 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.

**EFFECT OF PROPOSED SUBSTITUTE:**

It is clarified that the repayment plan must be approved by the commissioner and the association.

**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)