

HOUSE BILL REPORT

SB 5809

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to the financial condition of unauthorized insurers.

Brief Description: Requiring unauthorized insurers to be financially sound.

Sponsors: Senators Fraser, Hale, Winsley and Prentice.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 3/27/97, 3/31/97 [DP].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 9 members: Representatives L. Thomas, Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Constantine; DeBolt; Keiser; Sullivan and Wensman.

Staff: Charlie Gavigan (786-7340).

Background: Insurance companies generally must be authorized to do business in Washington State by obtaining a certificate of authority from the Office of the Insurance Commissioner. Surplus lines brokers can use unauthorized insurers provided certain criteria are met. Washington requires unauthorized insurers to have a certain amount of capital and surplus held in the state or foreign country where these companies conduct business. In addition, an alien insurer, one formed under the laws of another country, must maintain a trust account in the United States in the amount of \$2.5 million. The trust fund pays claims of policyholders in the United States in the event of an insolvency.

Summary of Bill: The required trust account in the United States for an alien insurer providing surplus lines insurance in Washington is increased to \$5.4 million.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on June 1, 1998.

Testimony For: This bill will further protect Washington consumers without disrupting the surplus lines marketplace. The \$5.4 million trust fund requirement is suggested by the National Association of Insurance Commissioners.

Testimony Against: None.

Testified: Kendel Lyman, Surplus Line Association of Washington (supports).