FINAL BILL REPORT
HB 2550

C 284 L 98

Synopsis as Enacted

Brief Description: Regulating the charitable gift annuity business.

Sponsors: Representatives L. Thomas and Wolfe; by request of Insurance Commissioner.

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Institutions, Insurance & Housing

Background: The Insurance Commissioner may grant a certificate of exemption to any insurer or educational, religious, charitable, or scientific institution conducting a charitable gift annuity business that meets several criteria.

The holder of a certificate of exemption must establish and maintain a reserve fund. The size of this reserve fund must be adequate to cover future payments under the holder's charity gift annuity contracts. Under no circumstances may the fund be smaller than an amount computed in accordance with the standard of valuation based on the 1971 individual mortality table or any modification to the table approved by the commissioner.

If the Insurance Commissioner finds that a holder does not meet the criteria, the commissioner may revoke, suspend or refuse to grant a certificate of exemption. In addition, if the commissioner finds that the holder is violating the insurance code's requirement of good faith and/or fraud provisions, the commissioner may revoke the holder's certificate of exemption.

A certificate of exemption grants the holder exemption from most of the provisions of the insurance code. However, the holder is not exempt from the provisions requiring: good faith, honesty and equity in all insurance matters; prohibiting unfair practices and frauds; addressing hearings and appeals; and setting forth the enforcement duties of the Insurance Commissioner.

Summary: An insurer or institution conducting a charitable gift annuity business must have and maintain minimum unrestricted net assets of $500,000 to be eligible for a certificate of exemption.

Also, instead of a reserve fund, the holder of a certificate of exemption must establish and maintain a separate trust fund. The size of the trust fund depends on when the holder issued its charitable gift annuity contracts. For contracts issued prior to July

1, 1998, the amount may not be less than an amount computed in accordance with the standard of valuation based on the 1971 individual annuity mortality table. The Insurance Commissioner may not approve a modification of this table. For contracts issued on or after July 1, 1998, the amount may not be less than an amount calculated according to the standards set forth in the insurance code for other annuities. The holder must also maintain a surplus of 10 percent of the combined amounts as calculated above. The assets in the trust fund must:

- be invested in a manner that assures sufficient value, liquidity, and diversity to meet outstanding obligations;
- be segregated from the other funds of the holder;
- be invested under a prudent non-speculative standard for a similar enterprise; and
- be exempt from any liabilities of the holder.

The commissioner may revoke, suspend, or refuse to grant a certificate of exemption if allowing the insurer or institution to continue to issue annuities would be hazardous to annuity contract holders and the people of the state. The commissioner may levy fines in addition to or in lieu of revoking, suspending, or refusing to grant a certificate of exemption.

The holder of a certificate of exemption is subject to the provisions dealing with mergers, rehabilitation, and liquidation. The holder also may not transact a variable annuity business.

Votes on Final Passage:

House	96	0	
Senate	42	0	(Senate amended)
House	96	0	(House concurred)

Effective: June 11, 1998