
BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: H-4576.1/02

ATTY/TYPIST: LL:mos

BRIEF DESCRIPTION:

2 2SSB 5506 - H COMM AMD

3 By Committee on Financial Institutions & Insurance

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5 Strike everything after the enacting clause and insert the
6 following:

7 "Sec. 1. RCW 48.38.020 and 1998 c 284 s 2 are each amended to read
8 as follows:

9 (1) Upon granting to such insurer or institution under RCW
10 48.38.010 a certificate of exemption to conduct a charitable gift
11 annuity business, the insurance commissioner shall require it to
12 establish and maintain a separate reserve fund adequate to meet the
13 future payments under its charitable gift annuity contracts.

14 (2) The assets of the separate reserve fund:

15 (a) Shall be held legally and physically segregated from the other
16 assets of the certificate of exemption holder;

17 (b) Shall be invested in the same manner that persons of reasonable
18 prudence, discretion, and intelligence exercise in the management of a
19 like enterprise, not in regard to speculating but in regard to the
20 permanent disposition of their funds, considering the probable income
21 as well as the probable safety of their capital. Investments shall be
22 of sufficient value, liquidity, and diversity to assure the insurer or
23 institution's ability to meet its outstanding obligations; and

24 (c) Shall not be liable for any debts of the insurer or institution
25 holding a certificate of exemption under this chapter, other than those
26 incurred pursuant to the issuance of charitable gift annuities.

27 (3) The amount of the separate reserve fund shall be:

28 (a) For contracts issued prior to July 1, 1998, not less than an
29 amount computed in accordance with the standard of valuation based on
30 the 1971 individual annuity mortality table with six percent interest
31 for single premium immediate annuity contracts and four percent
32 interest for all other individual annuity contracts;

33 (b) For contracts issued on or after July 1, 1998, in an amount not
34 less than the aggregate reserves calculated according to the standards
35 set forth in RCW 48.74.030 for other annuities with no cash settlement
36 options;

1 (c) Plus a surplus of ten percent of the combined amounts under (a)
2 and (b) of this subsection.

3 (4) The general assets of the insurer or institution holding a
4 certificate of exemption under this chapter shall be liable for the
5 payment of annuities to the extent that the separate reserve fund is
6 inadequate.

7 (5) For any failure on its part to establish and maintain the
8 separate reserve fund, the insurance commissioner shall revoke its
9 certificate of exemption.

10 (6) If an institution holding a certificate of exemption under RCW
11 48.38.010 has purchased a single premium life annuity that pays the
12 entire amount stipulated in the gift annuity agreement or agreements
13 from an insurer (a) holding a certificate of authority under chapter
14 48.05 RCW, (b) licensed in the state in which the institution has its
15 principle office, and (c) licensed in the state in which the single
16 premium life annuity is issued, then in determining the minimum reserve
17 fund that must be maintained under this section, a deduction shall be
18 allowed from the minimum reserve fund in an amount not exceeding the
19 reserve fund amount required for the annuity or annuities for which the
20 single premium life annuity is purchased, subject to the following
21 conditions:

22 (i) The institution has filed with the commissioner a copy of the
23 single premium life annuity purchased and specifying which charitable
24 gift annuity or annuities are being insured; and

25 (ii) The institution has entered into a written agreement with the
26 annuitant and the insurer issuing the single premium life annuity
27 providing that if for any reason the institution is unable to continue
28 making the annuity payments required by its annuity agreements, the
29 annuitants shall receive payments directly from the insurer and the
30 insurer shall be credited with all of these direct payments in the
31 accounts between the insurer and the institution."

32 **2SSB 5506** - H COMM AMD

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35 On page 1, line 2 of the title, after "business;" strike the
36 remainder of the title and insert "and amending RCW 48.38.020."

EFFECT: Deletes the prohibition against the payment of commissions contingent on the solicitation of a particular gift annuity; deletes provisions pertaining to the authority of the insurance commissioner to refuse to grant, revoke, or suspend certificates of exemption.

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