

# FINAL BILL REPORT

## SHB 2160

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Synopsis as Enacted

**Brief Description:** Regulating charitable gift annuity businesses.

**Sponsors:** By House Committee on Financial Institutions & Insurance (originally sponsored by Representative McIntire).

**House Committee on Financial Institutions & Insurance**  
**Senate Committee on Labor, Commerce & Financial Institutions**

**Background:**

Many nonprofit charitable, educational, religious, and scientific organizations encourage donations by offering donors the option of receiving a "charitable gift annuity" in return for a gift of property, stock, cash or other asset. After making a donation, the recipient of such an annuity receives periodic cash payments for life from the organization. The donor thus gains a guaranteed income for life and often obtains tax advantages as well. The organization, in turn, obtains the benefit of the investment value of the donated asset.

The State Insurance Commissioner regulates the operation of nonprofit organizations and insurers involved in the charitable annuity business. The commissioner may exempt a charitable annuity business from most of the regulatory requirements of the insurance code, provided the business meets specified statutory criteria including the maintenance of specified minimum net assets, tax exempt status, organized as a nonprofit. If the statutory criteria are satisfied, the commissioner may issue a "certificate of exemption."

An entity that has been granted a certificate of exemption as a charitable gift annuity business must maintain a separate reserve fund adequate to meet future payments owed under its annuity contracts. The amount of the reserve fund is determined under a formula and the maintenance of the fund is subject to regulation by the commissioner.

**Summary:**

Reserve fund exemption: Under certain circumstances, a charitable organization or insurer may be partially or totally exempted from the requirement that it maintain a separate reserve fund adequate to meet its future contractual obligations with respect to charitable annuity payments. In lieu of maintaining such a reserve fund, a qualified organization may purchase from a licensed insurance company a single premium life annuity that is sufficient to cover all or part of the organization's obligations under its charitable gift annuity contracts.

Insurer requirements: The insurer issuing the single premium life annuity must: (1) hold a certificate of authority in this state; (2) be licensed in the state in which the charitable organization has its principal office; and (3) be licensed in the state in which the annuity is issued.

Required documentation: To be exempted from the reserve fund requirement, an organization must: (1) file with the commissioner a copy of the single premium life annuity, along with other documentation; and (2) obtain a written agreement among the parties stipulating that if the organization cannot make the required annuity payments the annuity recipients shall receive payments directly from the insurer.

**Votes on Final Passage:**

House 96 0

Senate 45 1 (Senate amended)

House 94 0 (House concurred)

**Effective:** June 13, 2002