

# SENATE BILL REPORT

## SB 5506

---

---

As Reported By Senate Committee On:  
Labor, Commerce & Financial Institutions, January 21, 2002

**Title:** An act relating to the separate reserve fund maintained by a charitable gift annuity business.

**Brief Description:** Using reinsurance to satisfy the requirements of maintaining a separate reserve fund.

**Sponsors:** Senator Jacobsen.

**Brief History:**

**Committee Activity:** Labor, Commerce & Financial Institutions: 2/5/01, 2/20/01 [DPS]; 1/21/02 [DP2S].

---

### SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

**Majority Report:** That Second Substitute Senate Bill No. 5506 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Benton, Franklin, Gardner, Rasmussen, Regala and Winsley.

**Staff:** Joanne Conrad (786-7472)

**Background:** Reinsurance is a method of contractually sharing risk among insurers. Currently, commercial insurers are allowed by law to utilize reinsurance as part of their reserve fund management strategy.

Charitable gift annuity businesses that provide funding to many types of nonprofit organizations are not permitted to utilize reinsurance. Charitable organizations may be able to increase the effectiveness and economic efficiencies of their fund-raising efforts if allowed to use reinsurance to help meet their annuity payment obligations.

**Summary of Second Substitute Bill:** Charitable gift annuity businesses may be exempt from the statutory requirement of establishing and maintaining a separate reserve fund, provided the charity purchases a commercial life annuity sufficient to cover the organization's payment obligations under the original annuity contracts, and provided that the charity meets several other technical requirements involving oversight by the Office of the Insurance Commissioner regarding licensure, solicitation practices and documentation.

**Second Substitute Bill Compared to Original Bill:** The use of paid solicitors is prohibited. The type of annuity is specified. Insurer requirements, documentation and regulatory oversight are increased.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Reserve requirements make it difficult for small charities. If they could utilize reinsurance, it would free up more of their funds for charitable purposes.

**Testimony Against:** None.

**Testified:** Frank Minton, Planned Giving Services (pro); David Little, Washington Planned Giving Council (pro); Jim Tompkins, OIC (concerns).