
SUBSTITUTE SENATE BILL 5506

State of Washington

57th Legislature

2001 Regular Session

By Senate Committee on Labor, Commerce & Financial Institutions
(originally sponsored by Senator Jacobsen)

READ FIRST TIME 02/22/01.

1 AN ACT Relating to the separate reserve fund maintained by a
2 charitable gift annuity business; and amending RCW 48.38.020.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 48.38.020 and 1998 c 284 s 2 are each amended to read
5 as follows:

6 (1) Upon granting to such insurer or institution under RCW
7 48.38.010 a certificate of exemption to conduct a charitable gift
8 annuity business, the insurance commissioner shall require it to
9 establish and maintain a separate reserve fund adequate to meet the
10 future payments under its charitable gift annuity contracts.

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

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

14 (b) Shall be invested in the same manner that persons of reasonable
15 prudence, discretion, and intelligence exercise in the management of a
16 like enterprise, not in regard to speculating but in regard to the
17 permanent disposition of their funds, considering the probable income
18 as well as the probable safety of their capital. Investments shall be

1 of sufficient value, liquidity, and diversity to assure the insurer or
2 institution's ability to meet its outstanding obligations; and

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

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

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

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

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

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

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

25 (6) In determining the minimum reserves that must be maintained by
26 an institution holding a certificate of exemption under RCW 48.38.010,
27 a deduction shall be made for the minimum reserve amount that would be
28 required for a gift annuity, if the institution has purchased from an
29 insurance company licensed in the state of Washington a life annuity
30 that pays the amount stipulated in the gift annuity agreement.

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