

**SHB 2740 - H AMD**

By Representative Benson

1 On page 4, line 3, after "(2)" insert the following:

2 "Upon a determination by the board that the association will be  
3 unable to pay its outstanding obligations as they mature, the board  
4 may assess its policyholders an additional surcharge. Prior to  
5 doing so, the board must provide the commissioner written notice of  
6 the surcharge along with a schedule of surcharges.

7 (a) The surcharge schedule will become final thirty days after  
8 notice unless the commissioner finds, after a public hearing, that  
9 the surcharge amounts are unreasonable or unjustifiable.  
10 Surcharges may take into consideration the past and prospective  
11 loss and expense experience in different geographical areas within  
12 the state. Surcharges are in addition to and not in lieu of the  
13 premiums charged for the coverages provided.

14 (b) Surcharge funds collected must be held in a fund separate  
15 from other association funds. Such funds must be invested in  
16 accordance with applicable law governing publicly held trust funds.  
17 The association must file an annual financial statement with  
18 respect to such funds.

19 (c) Surcharge funds are subject to the control of the board and  
20 may be used to satisfy the legal obligations of the association.

21 (d) No part of the profit or loss of the association may inure  
22 to the benefit of any member insurer or become an obligation of any  
23 member insurer.

24 (3)"

25 Renumber the remaining subsections consecutively and correct  
26 internal references accordingly.

**EFFECT:**

Ø Authorizes the association to impose a surcharge on  
policyholders, in addition to premiums, if premiums are  
insufficient to fund the association.

- Ø Requires the board to notify the Commissioner prior to issuing a surcharge.
- Ø Authorizes the Commissioner to conduct a public hearing to determine whether the surcharge amounts are unreasonable or unjustifiable.
- Ø Requires surcharge funds to be held in a separate fund and invested according to applicable laws governing publicly held funds.