

# FINAL BILL REPORT

## HB 1654

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Synopsis as Enacted

**Brief Description:** Borrowing money by domestic mutual insurers.

**Sponsors:** By Representatives Schual-Berke and Benson.

**House Committee on Financial Institutions & Insurance**  
**Senate Committee on Financial Services, Insurance & Housing**

### **Background:**

The Insurance Commissioner (Commissioner) is responsible for the licensing and regulation of domestic mutual insurance companies. A domestic mutual insurer is an insurance company that is headquartered in this state, owned by its members, and operated in their interest. The members must be state residents and the policies issued by the insurer must cover lives, property, or risks located in Washington.

Money may be borrowed by a domestic mutual insurer for business purposes, but several restrictions apply:

- the transaction must be approved in advance by the Commissioner;
- interest on the loan cannot exceed 6 percent per annum;
- no commission or promotional expenses may be paid in relation to obtaining the loan; and
- the insurer's assets may not be pledged as collateral.

### **Summary:**

Two restrictions imposed on domestic mutual insurers with respect to obtaining loans are eliminated. First, the interest rate restriction is deleted and replaced with a provision requiring that the interest rate be fair and reasonable. Second, insurers are allowed to pay fair and reasonable commissions or promotional expenses incurred in connection with the acquisition of a loan.

Archaic language regarding accounting practices is deleted and replaced with the requirement that such practices comply with those set forth in the National Association of Insurance Commissioners' accounting procedures manual.

### **Votes on Final Passage:**

House 93 0

Senate 46 0

**Effective:** July 27, 2003