

SENATE BILL REPORT

SB 5838

As of February 18, 2015

Title: An act relating to mutual insurers.

Brief Description: Addressing mutual insurers.

Sponsors: Senators Chase and Hasegawa.

Brief History:

Committee Activity: Financial Institutions & Insurance:

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Shani Bauer (786-7468)

Background: A mutual insurance company is a corporation that has no shareholders. The policyholders are the members of the corporation, and they have membership rights. These rights derive from the insurance contract, the corporation's bylaws and charter or articles of incorporation, state laws, and case law.

The insurance laws of many states provide for the creation of mutual insurance holding companies. Under these laws a mutual insurance company can convert to a mutual insurance holding company structure by electing to do so under the applicable insurance statutes, and obtaining the necessary approvals of members, boards of directors, and insurance regulators. Under the mutual insurance holding company structure, a parent mutual holding company is created, and the mutual insurance company is converted to a stock insurance company, which is a subsidiary of the mutual holding company. The policyholders of the stock insurance company continue as members of the mutual holding company. The mutual holding company must at all times own at least 51 percent of the stock of the stock insurance company.

Washington State law does not provide for the creation of mutual insurance holding companies.

Redomestication is a process whereby a mutual insurance company may change its state of domicile to another state for the purpose of reorganizing into a mutual holding company. Redomestication of mutual insurance companies is governed by the federal Gramm-Leach-Bliley Act.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: A domestic mutual insurer may not redomesticate to another state. A domestic mutual insurer may:

- convert to a domestic stock insurer and distribute ownership equities to policyholders as provided by this title; and
- as a domestic stock insurer, redomesticate to another state.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.