

# FINAL BILL REPORT

## SB 6289

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Synopsis as Enacted

**Brief Description:** Regulating fraternal benefit societies.

**Sponsors:** Senators Prentice, Fraser, Quigley and Pelz; by request of Insurance Commissioner.

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

**Background:** A fraternal benefit society is a not-for-profit organization conducted solely for the benefit of its members and beneficiaries, operates on a lodge system, has a representative form of government, and provides certain types of benefits. These include death, endowment, annuity, disability, medical, or life insurance benefits. A fraternal benefit society may be a domestic organization incorporated in Washington State, or a foreign or alien organization incorporated in another state and licensed in this state. At present, no domestic fraternal benefit societies exist in Washington.

Few solvency requirements are imposed on these fraternal benefit societies, although such solvency requirements are imposed on commercial insurance carriers. Concern has been expressed that Washington citizens may be at risk if these fraternal benefit societies become insolvent because they failed to carry an appropriate amount of unimpaired surplus to respond to claims.

**Summary:** A minimum amount of unimpaired surplus which a fraternal benefit society must maintain is established. The Insurance Commissioner may require that a fraternal benefit society maintain a larger amount of unimpaired surplus over the minimum requirement. A phase-in period is allowed for those societies that may not immediately meet the new requirements. Foreign or alien fraternal benefit societies may continue to issue policies to existing policyholders as of June 30, 1997, even if the societies do not meet the minimum unimpaired surplus requirements. A lodge system can continue to operate as a fraternal society, but cannot add new beneficiaries until it meets the new standards.

The commissioner may refuse, suspend or revoke a fraternal benefit society's license if the society is operating in a fashion hazardous to its beneficiaries. Due process standards are provided when the commissioner takes such action. Standards are delineated which the commissioner may consider in determining whether a society's continued operation might be deemed hazardous.

Risk-based capital standards currently in effect for commercial carriers are now applied to these societies. Factors are identified which the commissioner may consider when determining a society's financial condition. The commissioner is authorized to supervise the rehabilitation, liquidation or conservation of a domestic fraternal benefit society.

Certain technical revisions are made to the RCW chapter affecting fraternal benefit societies.

**Votes on Final Passage:**

Senate	48	0	
House	96	0	(House amended)
Senate	47	0	(Senate concurred)

**Effective:** June 6, 1996