

**RCW 48.31B.010 Domestic insurer may acquire subsidiaries—**

**Authorized investments—Insurer ceases to control subsidiary—Disposal of investment.** (1) A domestic insurer, either by itself or in cooperation with one or more persons, may organize or acquire one or more subsidiaries. The subsidiaries may conduct any kind of business or businesses and their authority to do so is not limited by reason of the fact that they are subsidiaries of a domestic insurer.

(2) In addition to investments in common stock, preferred stock, debt obligations, and other securities permitted under this title, a domestic insurer may also:

(a) Invest in common stock, preferred stock, debt obligations, and other securities of one or more subsidiaries, amounts which do not exceed the lesser of ten percent of the insurer's assets or fifty percent of the insurer's surplus as regards policyholders, provided that, after such investments, the insurer's surplus as regards policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to meet its financial needs. In calculating the amount of such investments, investments in domestic or foreign insurance subsidiaries, health maintenance organizations, and health care service contractors are excluded, and there is included:

(i) Total net moneys or other consideration expended and obligations assumed in the acquisition or formation of a subsidiary, including all organizational expenses and contributions to capital and surplus of the subsidiary whether or not represented by the purchase of capital stock or issuance of other securities;

(ii) All amounts expended in acquiring additional common stock, preferred stock, debt obligations, and other securities; and

(iii) All contributions to the capital and surplus of a subsidiary subsequent to its acquisition or formation;

(b) Invest any amount in common stock, preferred stock, debt obligations, and other securities of one or more subsidiaries engaged or organized to engage exclusively in the ownership and management of assets authorized as investments for the insurer provided that each subsidiary agrees to limit its investments in any asset so that such investments will not cause the amount of the total investment of the insurer to exceed any of the investment limitations specified in (a) of this subsection or chapter 48.13 RCW applicable to the insurer. For the purpose of this subsection, the total investment of the insurer includes:

(i) Any direct investment by the insurer in an asset;

(ii) The insurer's proportionate share of any investment in an asset by any subsidiary of the insurer, which is calculated by multiplying the amount of the subsidiary's investment by the percentage of the ownership of the subsidiary; and

(iii) With the approval of the commissioner, any greater amount in common stock, preferred stock, debt obligations, or other securities of one or more subsidiaries, provided that after the investment the insurer's surplus as regards policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

(3) Investments in common stock, preferred stock, debt obligations, or other securities made according to subsection (2) of this section are not subject to any of the otherwise applicable restrictions or prohibitions contained in this title applicable to such investments of insurers.

(4) Whether any investment made according to subsection (2) of this section meets the applicable requirements of that subsection is to be determined before the investment is made, by calculating the applicable investment limitations as though the investment had already been made, taking into account the then outstanding principal balance on all previous investments in debt obligations, and the value of all previous investments in equity securities as of the day they were made, net of any return of capital invested, net including dividends.

(5) If an insurer ceases to control a subsidiary, it shall dispose of any investment in that subsidiary within three years from the time of the cessation of control or within such further time as the commissioner may prescribe, unless at any time after the investment was made, the investment met the requirements for investment under any other section of this title, and the insurer has notified the commissioner thereof. [2015 c 122 § 2; 1993 c 462 § 3.]

**Effective dates—2015 c 122:** See note following RCW 48.31B.005.