



Washington State Senate

Senator Margarita Prentice

Chair, Ways & Means Committee

11th Legislative District

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June 14, 2007

The Honorable Mike Kriedler, Commissioner
Office of the Insurance Commissioner
PO Box 40258
Olympia, WA 98504-0258

Dear Mike:

I'm pleased the Department of Financial Institutions is undertaking the preliminary rule making process to implement RCW 31.12.408. As Chair of the Senate Financial Institutions Committee when this bill was passed and prime sponsor of this legislation, I am concerned the recent draft rules have introduced a concept from your office that was purposefully left out of the bill.

Contrary to legislative intent, the proposed WAC discussion drafts from DFI would impose the requirements of the Insurance Code under Title 48 on a financial alternative share insurer that may wish to do business in this state per comments from your office. The previous share insurer, the former Washington Credit Union Share Guarantee Corporation, was not subject to Title 48. When drafting this bill, we intentionally continued the regulatory authority for alternative share insurance in Title 31 and gave the authority to the Department of Financial Institutions. This product is clearly not insurance in the traditional sense and that is why we adopted the changes to RCW 31.12.408. Imposing the requirements of Title 48 would make it impossible for any alternative share insurer, (and if applied, to the federal deposit insurance provided by the FDIC and NCUA), to operate in Washington. Subjecting them to title 48 would go against the legislative intent of the bill.


It was the legislature's - and it remains my intention - that the DFI be the regulator and supervising entity for any financial alternative share insurer. That is why Title 48 was specifically not mentioned in the enabling legislation.

In the May 1 letter from OIC's Deputy Commissioner James Odiorne, the DFI is urged to impose the Title 48 requirement for a financial alternative share insurer but offers no statutory

justification or rationale for such a request. As the Insurance Commissioner (and former legislator), I respectfully request that you reconsider this requirement so that the rule is compatible with legislative intent.

I look forward to your response.

Sincerely,



STATE SENATOR - 11th Legislative District
Chair, Ways and Means Committee

MP/mar

cc: Scott Jarvis, Director, DFI