

HOUSE BILL REPORT

HB 2480

*As Reported By House Committee on:
Financial Institutions & Insurance*

Title: An act relating to the financial supervision and solvency oversight of insurance companies by the commissioner of insurance in order to allow for accreditation of the insurance commissioner as an approved insurance regulator by the national association of insurance commissioners.

Brief Description: Affecting insurance regulation.

Sponsor(s): Representatives Dellwo, Broback, R. Johnson, Paris, Inslee, Winsley and Jones; by request of Insurance Commissioner.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 4, 1992,
DPS.

**HOUSE COMMITTEE ON
FINANCIAL INSTITUTIONS & INSURANCE**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 12 members: Representatives Dellwo, Chair; Zellinsky, Vice Chair; Broback, Ranking Minority Member; Anderson; Dorn; Inslee; R. Johnson; R. Meyers; Paris; Schmidt; Scott; and Winsley.

Staff: John Conniff (786-7119).

Background: The National Association of Insurance Commissioners (NAIC) coordinates the insurance regulatory activities of the states. The NAIC has established model statutes and regulations for adoption by each state; in particular, the NAIC has created financial regulation standards for supervision of insurance companies. The NAIC will be conducting a review of each state's insurance statutes and regulations to determine whether states meet these financial regulation standards. If Washington meets the standards, the state will be accredited by the NAIC.

After January 1, 1994, states that have received NAIC accreditation will reject the financial solvency

examinations of insurance companies conducted by non-accredited states. Insurance companies chartered in non-accredited states may be refused authority to sell insurance in accredited states or may be subject to re-examination by the accredited state.

Summary of Substitute Bill: The Washington insurance code is amended to conform to the NAIC's recommended financial regulation standards and recommended regulatory statutes. The amendments address insurance holding companies; insurance broker controlled property and casualty insurance companies; reinsurance intermediaries; managing general agents; insurance company examination procedures; insurer capital and surplus requirements; limitations upon individual insurance company exposure to individual risks; valuation of insurance company investments; receivership, liquidation and rehabilitation of insurance companies; insurance company liabilities and reserves; and regulation of risk retention and risk purchasing groups.

Substitute Bill Compared to Original Bill: Technical corrections are made.

Fiscal Note: Requested January 22, 1992.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: These changes to the insurance code are necessary for Washington State to gain accreditation by the NAIC. Apart from the need for accreditation, the changes will improve the state's ability to limit and prevent insurance company insolvencies.

Testimony Against: None.

Witnesses: (Pro): Roger Polzin, OIC; Dennis Martin, Washington State Trail Lawyers; and Mel Sorensen, NAII.