

SENATE BILL REPORT

SHB 2480

AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE,
FEBRUARY 28, 1992

Brief Description: Affecting insurance regulation.

SPONSORS: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Dellwo, Broback, R. Johnson, Paris, Inslee, Winsley and Jones; by request of Insurance Commissioner)

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators von Reichbauer, Chairman; Erwin, Vice Chairman; McCaslin, Moore, Pelz, Rasmussen, Vognild, and West.

Staff: Benson Porter (786-7470)

Hearing Dates: February 25, 1992; February 28, 1992

BACKGROUND:

The National Association of Insurance Commissioners (NAIC) coordinates the insurance regulatory activities of the states. In this role, the NAIC has established model statutes and regulations for adoption by each state. Some of these models concern financial regulation standards for the supervision of insurance companies. The NAIC will be reviewing each state's insurance statutes and regulations and accrediting those that meet these financial regulation standards. Currently, nine states have been 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:

The Washington Insurance Code is amended to conform to the NAIC's recommended financial regulation standards and regulatory statutes. The amendments address the following areas: 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.

Appropriation: none

Revenue: none

Fiscal Note: available

SUMMARY OF PROPOSED SENATE AMENDMENT:

An agent broker, premium finance company, or other person is not liable for uncollected unearned premiums when an insurer is declared insolvent.

During the acquisition of a domestic insurer, the statement filed with the commissioner does not need to describe the method by which the fairness of the proposal was arrived. A domestic insurer will not be charged for certain regulatory expenses associated with specific filings.

TESTIMONY FOR:

The state insurance department must be accredited to enable domestic companies to transact business outside Washington without any adverse treatment by accredited states after January 1, 1994.

TESTIMONY AGAINST:

(Striking amendment): The NAIC will be revisiting the distribution of dividend issue, and the bill's current language could be made void. As such, these provisions should be deleted and adopted next session after the issue has been resolved. In addition, the penalty provisions could be onerous, and capital and surplus increases should be made after an administrative hearing.

TESTIFIED: Dick Marquardt, Insurance Commissioner (pro); John Woodall, Insurance Commissioner's office (pro); Mel Sorensen, NAIH (pro); Clark Sitzes, Independent Insurance Agents (pro); Basil Badley, AIA