

# HOUSE BILL REPORT

## HB 1855

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As Reported By House Committee On:  
Financial Institutions & Insurance  
Appropriations

**Title:** An act relating to the financial supervision and solvency oversight of insurance companies.

**Brief Description:** Enabling accreditation of the insurance commissioner.

**Sponsors:** Representatives Zellinsky, Kessler and R. Meyers; by request of Insurance Commissioner.

**Brief History:**

Reported by House Committee on:  
Financial Institutions & Insurance, February 25, 1993,  
DPS;  
Appropriations, March 6, 1993, DPS(FII).

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Zellinsky, Chair; Scott, Vice Chair; Mielke, Ranking Minority Member; Dyer, Assistant Ranking Minority Member; Anderson; Dellwo; Dorn; Grant; R. Johnson; Kessler; Kremen; Lemmon; R. Meyers; Reams; Schmidt; and Tate.

**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:** Provisions requiring Insurance Commissioner approval prior to insurer distributions to stockholders are modified and technical amendments are made.

**Fiscal Note:** Requested February 17, 1993.

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

**Testimony For:** These amendments and additions to the insurance code are necessary for the state to obtain accreditation by the National Association of Insurance Commissioners. Without such accreditation, Washington insurers will be at a competitive disadvantage to those insurers headquartered in accredited states.

**Testimony Against:** None.

**Witnesses:** John Woodall, Office of the Insurance Commissioner (pro); and Dan Wolfe, SAFECO (pro).

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#### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill by Committee on Financial Institutions & Insurance be substituted therefor and the substitute bill do pass. Signed by 26 members: Representatives Locke, Chair; Valle, Vice Chair; Silver, Ranking Minority Member; Carlson, Assistant Ranking Minority Member; Appelwick; Ballasiotes; Basich; Cooke; Dellwo; Dorn; Dunshee; G. Fisher; Jacobsen; Lemmon; Leonard; Linville; Morton; Peery; Rust; Sehlin; Sheahan; Stevens; Talcott; Wang; Wineberry; and Wolfe.

**Staff:** Beth Redfield (786-7130).

**Summary of Recommendation of Committee on Appropriations  
Compared to Recommendation of Committee on Financial  
Institutions & Insurance:** No new changes were recommended.

**Fiscal Note:** Requested February 17, 1993.

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

**Testimony For:** The bill was developed over a two year period working very closely with the National Association of Insurance Commissioners and with input from all interested groups. The purpose of the bill is to enhance the commissioner's ability to regulate insurance companies for solvency. The bill has no general fund state impact.

**Testimony Against:** None.

**Witnesses:** John Woodall, Insurance Commissioner's Office (supports).