

HOUSE BILL REPORT

HB 1837

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to credit for reinsurance.

Brief Description: Regulating credit for reinsurance.

Sponsors: Representatives Kessler, Mielke and Zellinsky; by request of Insurance Commissioner.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 25, 1993,
DPS.

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: Reinsurance is an insurance product purchased by insurance companies to pass some of the risk assumed by the insurance company onto the reinsurer. Since an insurance company's exposure to financial loss is reduced by the purchase of reinsurance, the Insurance Code permits the insurance company to take a credit for the reinsurance as if it were an asset. However, such a credit is permitted only if the reinsurance meets certain statutory standards designed to ensure the financial quality of the reinsurance.

Summary of Substitute Bill: Insurance Code provisions governing the credit an insurance company may take on its balance sheet for reinsurance are updated. The exemption of ocean marine insurance from the reinsurance provisions is repealed.

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

Fiscal Note: Not requested.

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

Testimony For: These changes are necessary to update the Insurance Code.

Testimony Against: None.

Witnesses: Basil Badley, American Council of Life Insurance (some concerns); and John Woodall, Office of the Insurance Commissioner (pro).