

SENATE BILL REPORT

SHB 1837

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, MARCH 24, 1993

**Brief Description:** Regulating credit for reinsurance.

**SPONSORS:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kessler, Mielke and Zellinsky; by request of Insurance Commissioner)

**HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**SENATE COMMITTEE ON LABOR & COMMERCE**

**Majority Report:** Do pass.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Amondson, Barr, Cantu, Fraser, McAuliffe, Newhouse, Pelz, Prince, and Sutherland.

**Staff:** Benson Porter (786-7470)

**Hearing Dates:** March 22, 1993; March 24, 1993

**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:**

Insurance Code provisions governing the credit an insurance company may take on its balance sheet for reinsurance are updated.

Provisions governing reinsurers that are not authorized to transact business in this state are modified to require compliance with certain credit standards. The exemption of ocean marine insurance from the reinsurance provisions is repealed.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:**

These proposed changes will update the treatment of reinsurance to ensure the financial integrity of credits or deductions taken for reinsurance.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Representative Kessler, prime sponsor