

HOUSE BILL REPORT

HB 1149

As Reported By House Committee On:

Financial Institutions & Insurance

Title: An act relating to accounting standards under the insurance code.

Brief Description: Adopting accounting standards under the insurance code.

Sponsors: Representatives Sullivan, Kastama, Lantz, Gombosky, Rockefeller, Linville, Conway, Murray, H. Sommers and Wolfe.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/2/99, 2/11/99 [DPS].

Brief Summary of Substitute Bill

- Financial reports of insurance companies and health carriers must follow accounting standards adopted by the National Association of Insurance Commissioners.

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 Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean; Cairnes; DeBolt; Keiser; Quall; Santos; Sullivan and Talcott.

Staff: Charlie Gavigan (786-7340).

Background:

Insurance companies, health carriers, and fraternal benefit societies are regulated by statute and the Office of the Insurance Commissioner. An important regulatory responsibility of the commissioner is the solvency of insurance companies, health carriers, and fraternal benefit societies. Financial statements and underlying accounting standards provide information on the financial condition of insurance companies, health carriers, and others regulated by the Insurance Commissioner.

The National Association of Insurance Commissioners (NAIC) is an association of state insurance agencies that attempts to coordinate the regulation of insurance. Insurance is regulated by the states rather than the federal government. One approach the NAIC uses to coordinate state regulation of insurance is to develop model laws and standards. An accreditation program encourages states to adopt key proposals recommended by the NAIC.

Financial reports must be filed annually with the Insurance Commissioner and the NAIC, and be consistent with financial reporting requirements of the NAIC.

Generally, the Legislature cannot delegate its authority to make or change laws, but can delegate necessary authority (such as rule making) to state and local agencies to carry out duties assigned to them by the Legislature.

Summary of Substitute Bill:

Financial reports filed by insurance companies, fraternal benefit societies, and health carriers must follow the statutory accounting principles adopted by the National Association of Insurance Commissioners except when contrary to Washington law.

Substitute Bill Compared to Original Bill:

The substitute bill adopts the accounting standards of the National Association of Insurance Commissioners by statute, rather than having the Insurance Commissioner adopt these by rule.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: (Substitute bill) Most insurance companies operate in several states, and many are nationwide. Solvency regulation is very important; uniform financial reporting is necessary for efficient regulation in this area. In order for reliable auditing of an insurance company's financial statements and financial position, uniform accounting standards are necessary. This should not be a burden on insurance companies.

Testimony Against: None.

Testified: (Substitute bill) Representative Brian Sullivan, prime sponsor; Basil Badley, American Insurance Association, American Council of Life Insurers, and Health Insurers Association of America; John Woodall, Office of the Insurance Commissioner; and Mel Sorensen, National Association of Independent Insurers and Washington Physicians Service.