

FINAL BILL REPORT

HB 2848

C 221 L 00

Synopsis as Enacted

Brief Description: Safeguarding securities.

Sponsors: Representatives Hatfield, Benson and Keiser; by request of Insurance Commissioner.

House Committee on Financial Institutions & Insurance
Senate Committee on Commerce, Trade, Housing & Financial Institutions

Background:

The Office of the Insurance Commissioner oversees the financial activities of insurance companies. All companies authorized to conduct business in Washington must meet statutory requirements for capital, surplus capital, reserves, investments and other financial and operational considerations. Allowable investments of insurance companies are regulated by statute and by rule.

When an insurance company purchases securities as investments, typically through a broker/dealer, the securities may be held by the insurance company itself, by the broker/ dealer, by a bank or trust company, or by a clearing corporation.

Summary of Bill:

When a domestic insurance company buys securities, the securities may be held by the insurance company itself, a bank or trust company, or a clearing corporation. The securities may not be held by the broker/dealer for more than 72 hours after the purchase. The broker/dealer must provide the insurance company confirmation of the purchase within 24 hours, and the holder of the securities on behalf of the insurance company must send confirmation to the insurance company that it has received the securities.

If the Insurance Commissioner has reasonable cause to believe that the domestic insurance company's solvency is threatened or determines that irreparable loss will occur, the Insurance Commission may order the insurance company to transfer the securities to a custodian approved by the commissioner. This action by the commissioner is not subject to an automatic stay.

Votes on Final Passage:

House 94 1
Senate 44 0

Effective: June 8, 2000