

# SENATE BILL REPORT

## SHB 1149

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As Reported By Senate Committee On:  
Commerce, Trade, Housing & Financial Institutions, March 30, 1999

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

**Brief Description:** Filing financial statements under the insurance code.

**Sponsors:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Sullivan, Kastama, Lantz, Gombosky, Rockefeller, Linville, Conway, Murray, H. Sommers and Wolfe).

**Brief History:**

**Committee Activity:** Commerce, Trade, Housing & Financial Institutions: 3/18/99, 3/30/99 [DP].

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### SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

**Majority Report:** Do pass.

Signed by Senators Shin, Vice Chair; Benton, Gardner, Hale, Heavey, T. Sheldon, West and Winsley.

**Staff:** Catherine Mele (786-7470)

**Background:** Insurance companies, health carriers, and fraternal benefit societies are regulated by 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.

**Summary of 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.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This bill is the result of four years of work at the National Association of Insurance Commissioners and in the states. Most insurance companies operate in several states and many are nationwide. Solvency regulation is very important and uniform financial reporting is necessary for efficient regulation. 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:** PRO: John B. Woodall, OIC; Mel Sorensen, NAIC Washington Physicians Service.