

HOUSE BILL REPORT

HB 1296

As Passed Legislature

Title: An act relating to restricting the investment of insurers in depository institutions or any company which controls a depository institution.

Brief Description: Restricting the investment of insurers in depository institutions or any company which controls a depository institution.

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

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/6/01, 2/9/01 [DP].

Floor Activity:

Passed House: 3/9/01, 98-0.

Passed Senate: 4/4/01, 47-0.

Passed Legislature.

Brief Summary of Bill

- Prohibits an insurer from investing more than 5 percent of its assets in the securities of any depository institution.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: 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, Miloscia, Roach, Santos and Simpson.

Staff: Thamas Osborn (786-7129).

Background:

The insurance industry has been explicitly recognized under the law as one that is "affected by the public interest,– and thus insurers are subject to stringent regulatory oversight by the Insurance Commissioner (the commissioner). Key to the regulatory

scheme imposed upon the insurance industry are the statutory provisions regulating the investments made by insurance companies. The purpose of such regulation is to ensure that insurance companies invest prudently, and thus remain solvent.

Under current law, insurance companies may not invest more than 4 percent of total assets in the securities of any one person, institution or municipal corporation.

Summary of Bill:

An insurer is prohibited from investing more than 5 percent of its total assets in the voting securities of a depository institution (i.e., bank, savings and loan, credit union, etc.) or any company that controls such institution, absent the consent of the commissioner.

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: The bill makes Washington law consistent with federal law (i.e., the Gramm-Leach-Bliley Act) regarding the investment of assets by insurance companies. The bill increases from 4 percent to 5 percent, the assets an insurer may invest in the securities of any one depository institution.

Testimony Against: None.

Testified: (In support) Bill Daley, Insurance Commissioner's Office.