FINAL BILL REPORT
HB 1727

C 90 L 01

Synopsis as Enacted

Brief Description: Regulating the investment limits of insurers in noninsurance subsidiaries.

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

House Committee on Financial Institutions & Insurance
Senate Committee on Labor, Commerce & Financial Institutions

Background:

The insurance industry is 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 Office of the Insurance Commissioner. Key to the regulatory scheme imposed on the insurance industry are the statutory provisions regulating insurance company investments. The purpose of such regulation is to ensure that insurance companies invest prudently and thus remain solvent.

An insurer may invest its funds in an aggregate amount of up to 10 percent of total assets or 50 percent of surplus over its capital and other liabilities, whichever is less. This investment limitation does not apply with respect to an insurer's investments in its subsidiaries.

Summary:

With respect to the aggregate investment of funds in one or more subsidiaries, an insurer's investment is limited to the lesser of either 10 percent of its assets or 50 percent of its surplus. An insurer's investments in subsidiaries that are either insurance companies, health care service contractors, or health maintenance organizations are not subject to this limitation.

Votes on Final Passage:

House 98 0
Senate 48 0

Effective: July 22, 2001