Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Financial Institutions & Insurance Committee

HB 1727

Brief Description: *Regulating the investment limits of insurers in non-insurance subsidiaries.*

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

Brief Summary of Bill

- *Insurers are subject to a limitation on the aggregate amount of funds that may be invested in one or more subsidiaries. Specific classes of subsidiaries are exempt from the limitation.*

Hearing Date: *2/14/01*

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, 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 the subsidiaries of the insurer.

Summary of Bill:

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

Appropriation: *None.*

Fiscal Note: *Not Requested.*

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