

SENATE BILL REPORT

SB 5605

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, February 19, 2001

Title: An act relating to the investment limits of insurers in noninsurance subsidiaries.

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

Sponsors: Senators Prentice, Winsley, Gardner and Deccio; by request of Insurance Commissioner.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 2/19/01 [DP].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Gardner, Vice Chair; Benton, Fairley, Franklin, Hochstatter, Honeyford, Rasmussen, Regala and Winsley.

Staff: Joanne Conrad (786-7472)

Background: There have been cases of insurance companies investing excessively in related companies (subsidiaries). This practice lacks the investment protections provided by diversification, and can lead to conflicts of interest.

In addition, the National Association of Insurance Commissioners has an accreditation process that reviews state insurance laws. That process requires prohibition of excessive investment in subsidiaries of insurance companies.

Summary of Bill: Insurers are prohibited from investing in the securities (common or preferred stock, debt obligations, or other securities) of their subsidiaries in excess of a certain amount, as specified by formula.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: An NAIC audit revealed the need for this type of statute in Washington State.

Testimony Against: None.

Testified: Bill Daley, OIC.

