

SENATE BILL REPORT

SHB 1565

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, March 25, 2009

Title: An act relating to business continuity plans for domestic insurers.

Brief Description: Addressing business continuity plans for domestic insurers.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kirby, Kelley, Williams and Simpson; by request of Insurance Commissioner).

Brief History: Passed House: 3/10/09, 96-0.

Committee Activity: Financial Institutions, Housing & Insurance: 3/18/09, 3/25/09 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: Do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin, McDermott, Parlette and Schoesler.

Staff: Diane Smith (786-7410)

Background: The insurance code provides that domestic insurers and fraternal benefit societies may adopt by emergency bylaw provisions for their continued operation during national emergencies. This may also include a provision for alternate locations of the principal office and for succession in the event of the death or incapacity of officers. If a domestic insurer fails to make these provisions, then the code provides a mandatory mechanism by which these insurers continue to operate when a national emergency occurs.

An "insurer" is defined as every person engaged in the business of making contracts of insurance, other than a fraternal benefit society, including reciprocal or interinsurance exchanges. Insurers do not include self-insurance by hospital, local governmental, or commercial fishing insurance pools.

An "issuer" is defined as an insurer, fraternal benefit society, certified health plan, health maintenance organization, and health care service contractor.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: Those entities currently defined as issuers are domestic "insurers" for purposes of contingency plans for emergencies. They are allowed to adopt their own provisions for continued operation during state and local, as well as national, emergencies. If they fail to do so, and a state, local, or national emergency occurs, then the existing code provisions apply to their operations during these emergencies.

All domestic insurers, called issuers in the rest of the Insurance Code, must create and maintain a written business continuity plan. This plan must address procedures relating to local, state, or national emergency, or significant business disruption.

The Office of Insurance Commissioner (OIC) must adopt rules setting standards for insurers and producers to follow for business continuity planning.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2011.

Staff Summary of Public Testimony: PRO: This bill ensures that all domestic insurers prepare for emergencies, whether state, local, or national, and of whatever type. The requirements are reasonable and appropriate.

Persons Testifying: PRO: Drew Bouton, OIC.