

SENATE BILL REPORT

SB 6198

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, January 20, 2010

Title: An act relating to the exemption to the three-year active transacting requirement for foreign or alien insurer applicants.

Brief Description: Modifying the exemption to the three-year active transacting requirement for foreign or alien insurer applicants.

Sponsors: Senators Berkey, Schoesler and Hobbs.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 1/19/10, 1/20/10 [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: A foreign insurer is one formed under the laws of a state other than Washington State. An alien insurer is one formed under the laws of a nation other than the United States.

Foreign insurers must deposit assets with the commissioner for the protection of their policyholders. The amount and kind of assets are the same as are required of like domestic insurers transacting like kinds of insurance business.

No certificates of authority to transact business in this state may be issued to foreign or alien applicants that have not actively transacted business in this state for three years in the class of insurance for which the application is made.

Summary of Bill: The requirement that foreign or alien insurers must have transacted business in Washington for three years prior to their application for a certificate of authority is changed for certain applicants. The certificate of authority is to be granted by the commissioner. For applicants that have a surplus of not less than \$25 million and that have

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deposited \$1 million with the commissioner for the sole benefit of Washington policyholders, the three-year requirement does not apply.

If the foreign or alien insurer remains in good standing with the commissioner for three years after its certificate was issued, the deposit must be released.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This bill is about a new company offering private mortgage insurance. It is the first and only newly capitalized entrant in this industry in more than 10 years. Fannie Mae and Freddie Mac require mortgage insurance for those mortgage loans having a down payment of less than 20 percent. Current private mortgage providers are at risk of not being able to raise enough capital to maintain their required risk-to-capital ratios. In order to allow borrowers without the 20 percent down to qualify for homes and spur the recovery, the downturn may be protracted. This new company is well capitalized.

Persons Testifying: PRO: Carrie Tellefson, Essent Guaranty; Tony shore, Essent Guaranty.