

HOUSE BILL REPORT

HB 2207

As Reported by House Committee On: Consumer Protection & Business

Title: An act relating to the group-wide supervision of internationally active insurance groups.

Brief Description: Addressing the group-wide supervision of internationally active insurance groups.

Sponsors: Representative Walen; by request of Insurance Commissioner.

Brief History:

Committee Activity:

Consumer Protection & Business: 1/14/20, 1/21/20 [DPS].

Brief Summary of Substitute Bill

- Authorizes the Office of the Insurance Commissioner to supervise internationally active insurance groups or defer authority to another appropriate regulatory official.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Kirby, Chair; Vick, Ranking Minority Member; Hoff, Assistant Ranking Minority Member; Barkis, Blake, Duerr, Dufault, Johnson, J., Ryu, Volz, Walen and Ybarra.

Minority Report: Do not pass. Signed by 1 member: Representative Santos.

Staff: Robbi Kesler (786-7153).

Background:

The National Association of Insurance Commissioners (NAIC) creates and recommends certain financial regulation standards and regulatory statutes for the insurance industry. In 2014 the NAIC adopted revisions to a model Insurance Holding Company System Regulatory Act to provide a framework for state insurance supervision of an internationally

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active insurance group (IAIG). The model act addresses, among other things, insurance holding companies; insurance company examination procedures; insurer capital and surplus requirements; limitations upon individual insurance company exposure to individual risks; valuation of insurance company investments; receivership, liquidation, and rehabilitation of insurance companies; and penalties that may be imposed by the Office of the Insurance Commissioner (OIC).

The NAIC is an association composed of elected and appointed insurance regulators from the states and territories of the United States. The OIC is a member of the NAIC.

Summary of Substitute Bill:

The provisions of the Insurance Holding Company System Regulatory Act are amended to include the NAIC's Holding Company Model Act, as required for accreditation by the NAIC.

The OIC is authorized to act as a group-wide supervisor. As a group-wide supervisor for IAIGs, the OIC must engage in certain supervision activities including assessing the enterprise risk of the IAIG. The OIC may acknowledge another regulatory official as the group-wide supervisor if there are no substantial insurance operations by the IAIG in Washington or the United States, or if it is determined that another group-wide supervisor is the appropriate regulatory official.

If there is a material change in where the IAIG is domiciled, or where the largest share of the group's premiums, assets, or liabilities are, the OIC will determine the group-wide supervisor. The OIC must publish the identity of IAIGs that are supervised by the OIC in the Washington State Register and on the OIC website.

An IAIG must be a registered insurer and is liable for, and must pay, reasonable expenses for administering their supervision.

Substitute Bill Compared to Original Bill:

The substitute bill added an additional subsection from the NAIC's Insurer Holding Company Model Act regarding the Insurance Commissioner's authority to engage in group-wide supervision activities.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The NAIC now requires the state holding act provide a framework for state insurance supervision of an IAIG. There are not currently any IAIGs in Washington, but the required language should be added in order to be in compliance with NAIC requirements. Previously, NAIC allowed states to not include the IAIG sections if they did not have IAIGs operating in the state. The guidelines have since been updated to ensure the rules are there in case IAIGs do begin operating. Maintaining NAIC accreditation is very important for insurance companies, particularly for those that are domiciled within the state.

(Opposed) None.

Persons Testifying: Amy Walen, prime sponsor; Lonnie Johns-Brown, Office of the Insurance Commissioner; and Mel Sorensen, American Property Casualty Insurance Association, American Council of Life Insurers, and America's Health Insurance Plans.

Persons Signed In To Testify But Not Testifying: None.