

SENATE BILL REPORT

SB 6048

As Reported by Senate Committee On:
Financial Institutions, Economic Development & Trade, January 16, 2020

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: Senators Das, Lovelett, Nguyen, Saldaña, Kuderer and Wilson, C.; by request of Insurance Commissioner.

Brief History:

Committee Activity: Financial Institutions, Economic Development & Trade: 1/14/20, 1/16/20 [DPS].

Brief Summary of First Substitute Bill

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

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Majority Report: That Substitute Senate Bill No. 6048 be substituted therefor, and the substitute bill do pass.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Wilson, L., Ranking Member; Braun and Hobbs.

Staff: Kellee Gunn (786-7429)

Background: In response to the 2008 financial crisis, the National Association of Insurance Commissioners (NAIC) updated the NAIC Holding Company Model Act. The intent of the act was to provide a stronger domestic legal structure under which holding companies are supervised. An insurance holding company system (IHCS) is a system consisting of two or more affiliated persons, one or more of which is an insurer. Washington enacted legislation

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in 2015 that incorporated those updates, making changes to the Insurer Holding Company Act.

Soon after adopting the updates to the act in 2010, the NAIC discovered some gaps in legal authority and the power of a state supervising internationally active insurance groups (IAIGs). An IAIG is an IHCS that has:

- premiums written in at least three countries;
- at least 10 percent of total gross written premiums written outside the United States; and
- total assets of the system based on a three-year rolling average that are at least \$50 billion, or total gross written premiums of \$10 billion.

In December 2014, the NAIC adopted additional changes to clarify the legal authority and power of a state to act as a group-wide supervisor for IAIGs, as well as the authority for domestic regulators to cooperate in requiring certain actions by an IHCS. The new changes were put forth as NAIC's Holding Company Model Act (#440).

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

Summary of Bill (First Substitute): The provisions of the Insurer Holding Company Act are amended to include the NAIC's Holding Company Model Act (#440), 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 State or the United States, or 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 shall 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.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE COMMITTEE (First Substitute): A technical change is made to allow for the OIC to conduct other group-wide supervision activities, as long as they are consistent with the authorities and the model act. The language comes from the NAIC's Holding Company Model Act (#440).

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This amends the Holding Company Model Act. This will fulfill the NAIC's recommendation. It will allow greater flexibility in its role of authorizing a domestic insurer, and its role internationally. In 2015, the Legislature passed the Holding Company Act. At the time, NAIC told states without IAIG's they did not need to include language regarding supervision of IAIGs in the state's Holding Company Act. It is important to know this is an NAIC requirement for accreditation and it is important for domestic companies like PEMCO and Regents. There are no IAIGs in this state. I am here on behalf of three insurance associations, representing hundreds of companies providing all kinds of lines of insurance. One of the principal tenets of insurance is to maintain NAIC accreditation. Not adopting this would jeopardize NAIC accreditation.

Persons Testifying: PRO: Senator Mona Das, Prime Sponsor; Mel Sorensen, American Property and Casualty Insurance Association, American Council of Life Insurance, America's Health Insurance Plans; Lonnie Johns-Brown, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: No one.