

# HOUSE BILL REPORT

## HB 1364

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### As Reported By House Committee On:

Financial Institutions & Insurance

**Title:** An act relating to the disclosure of material transactions of insurance companies, certified health plans, health service contractors, and health maintenance organizations.

**Brief Description:** Disclosing material transactions.

**Sponsors:** Representatives L. Thomas and Kessler.

### Brief History:

#### Committee Activity:

Financial Institutions & Insurance: 1/30/95, 2/1/95 [DPS].

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## HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Wolfe, Ranking Minority Member; Campbell, Assistant Ranking Minority Member; Benton; Costa; Dellwo; Dyer; Huff; Kessler; Mielke and Pelesky.

**Staff:** Charlie Gavigan (786-7340).

**Background:** The Office of the Insurance Commissioner (OIC) oversees the corporate and financial activities of insurance companies authorized to transact insurance in Washington State. These companies must meet statutory requirements for capital, surplus capital, reserves, investments, and other financial and operational considerations. The OIC monitors company organization, financial condition, and investments.

Reinsurance is insurance an insurance company purchases to spread some of its business risk to other companies.

**Summary of Substitute Bill:** Material transactions of insurance companies, certified health plans, health care service contractors, and health maintenance organizations must be reported to the Office of the Insurance Commissioner annually if the information is not reported under other laws. Material transactions are transactions

that, during any 30-day period, include an acquisition or disposition that is: (1) non-recurring and not in the ordinary course of business; and (2) involves 5 percent or more of the company's total assets. Assigned reinsurance agreements must be disclosed if they exceed specified limits. Information on material transactions disclosed by companies under these requirements is confidential.

**Substitute Bill Compared to Original Bill:** A correction is made to clarify a reference to unauthorized insurers.

**Appropriation:** None.

**Fiscal Note:** Requested January 26, 1995.

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

**Testimony For:** This bill is necessary to improve the regulation of insurance company solvency. It is important to adopt the bill to be consistent with the NAIC accreditation process and to promote uniformity in insurance regulations.

**Testimony Against:** None.

**Testified:** John Woodall, Office of the Insurance Commissioner (pro); Mel Sorensen, National Association of Independent Insurers (pro); and Basil Badley, American Insurance Association (pro).