

HOUSE BILL REPORT

HB 1371

As Passed House:
February 17, 1995

Title: An act relating to prohibited investments by insurers.

Brief Description: Regulating investments by insurers.

Sponsors: Representatives L. Thomas, Wolfe, Kessler, Dyer and Jacobsen; by request of Insurance Commissioner.

Brief History:

Committee Activity:

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

Floor Activity:

Passed House: 2/17/95, 94-0.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: 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 Insurance Commissioner oversees the corporate and financial activities of insurance companies. All companies authorized to conduct insurance operations in Washington must meet statutory requirements for capital, surplus capital, reserves, investments, and other financial and operational considerations.

Allowable investments of insurance companies are regulated by statute and rule. For instance, insurance companies cannot have investments or loans with one person, corporation, institution, or municipal corporation exceeding 4 percent of total assets, except for general obligations of states, the federal government, or certain foreign obligations. Insurance companies can invest up to 10 percent of their assets in corporate stocks. Generally, an insurance company cannot have more than 10 percent of its assets in ownership of its home office and other offices or buildings without the

approval of the Insurance Commissioner. The type of investments allowed for capital and reserves is limited, and certain investments are prohibited.

In addition, insurance companies cannot acquire corporate stock if such investment would result in the insurer directly or indirectly owning a majority of the stock in that corporation.

Summary of Bill: The provision is removed that prohibits an insurance company from acquiring a majority of the stock issued by a corporation.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This removes an obsolete, unnecessary provision; other insurance laws address this issue.

Testimony Against: None.

Testified: John Woodall, Office of the Insurance Commissioner (pro); and Basil Badley, American Insurance Association and American Council of Life Insurers (pro).