

# SENATE BILL REPORT

## SB 5433

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As Passed Senate, March 7, 1995

**Title:** An act relating to prohibited investments by insurers.

**Brief Description:** Regulating investments by insurers.

**Sponsors:** Senators Prentice, Hale and Fraser; by request of Insurance Commissioner.

**Brief History:**

**Committee Activity:** Financial Institutions & Housing: 2/7/95, 2/10/95 [DP].  
Passed Senate, 3/7/95, 46-0.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar, Smith and Sutherland.

**Staff:** Catherine Mele (786-7470)

**Background:** The Office of the Insurance Commissioner oversees the financial activities of insurance companies. All companies authorized to conduct business 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 by rule. For example, 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 an investment would result in the insurer directly or indirectly owning a majority of the stock in that corporation.

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

**Appropriation:** None.

**Fiscal Note:** Requested on February 4, 1995.

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

**Testimony For:** The section deleted is no longer needed because another section of the Revised Code of Washington already addresses the investment issue.

**Testimony Against:** None.

**Testified:** John Woodall, Insurance Commissioner's office (pro).