

HOUSE BILL ANALYSIS

HB 2848

Title: An act relating to the safeguarding of securities of domestic insurance companies, health care service contractors, health maintenance organizations, and health carriers.

Brief Description: Safeguarding securities.

Sponsors: Representatives Hatfield, Benson and Keiser; by request of Insurance Commissioner.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Meeting Date: February 1, 2000.

Bill Analysis Prepared by: Charlie Gavigan (786-7340).

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.

When an insurance company purchases securities as investments, typically through a broker/dealer, the securities can be held by the insurance company itself, by the broker dealer, by a bank or trust company, or by a clearing corporation.

Summary of Bill: When a domestic insurance company buys securities, the securities can be held by the insurance company itself, a bank or trust company, or a clearing corporation. The securities cannot be held by the broker/dealer for more than 72 hours after the purchase. The broker/dealer must provide the insurance company confirmation of the purchase within 24 hours, and the holder of the securities on behalf of the insurance company must send confirmation to the insurance company that it has received the securities.

If the Insurance Commissioner has reasonable cause to believe that the domestic insurance company's solvency is threatened or determines that irreparable loss will occur, the Insurance Commission can order the insurance company to transfer the securities to a custodian approved by the Commissioner. This action by the Commissioner is not subject to an automatic stay.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after the session in which the bill passes.