

# HOUSE BILL REPORT

## HB 2419

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### As Passed Legislature

**Title:** An act relating to the exemption to the three-year active transacting requirement for foreign or alien insurer applicants.

**Brief Description:** Modifying the exemption to the three-year active transacting requirement for foreign or alien insurer applicants.

**Sponsors:** Representatives Bailey, Nelson and Kirby.

#### **Brief History:**

##### **Committee Activity:**

Financial Institutions & Insurance: 1/19/10, 1/21/10 [DP].

##### **Floor Activity:**

Passed House: 1/28/10, 97-0.

Passed Senate: 3/3/10, 45-0.

Passed Legislature.

#### **Brief Summary of Bill**

- Allows certain applicants for a certificate of authority to be an insurer to provide a monetary deposit with the Insurance Commissioner instead of having a three-year history of selling the class or classes of insurance.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass. Signed by 11 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, Roach, Rodne, Santos and Simpson.

**Staff:** Jon Hedegard (786-7127).

#### **Background:**

The Insurance Commissioner (Commissioner) regulates insurance in this state.

A "foreign" insurer is one formed under the laws of:

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- the United States;
- a state other than this state; or
- the District of Columbia.

An "alien" insurer is one formed under the laws of a nation other than the United States.

An insurer may not transact business in the admitted market without a certificate of authority. State law requires a foreign or alien insurer applicant for a certificate of authority to have actively transacted business for three years in the classes of insurance for which it seeks to be admitted. This is known as the "seasoning" requirement. The requirement does not apply to any subsidiary of a seasoned, reputable insurer that has held a certificate of authority in this state for at least three years.

**Summary of Bill:**

The seasoning requirement does not apply to any applicant for a certificate of authority that has:

- surplus reserves of not less than \$25 million; and
- provided a deposit to the Commissioner of \$1 million that is for the sole benefit of the applicant's policyholders in this state.

The Commissioner must release the deposit to an authorized insurer who originally met the deposit requirement for seasoning if the:

- certificate of authority was issued at least three years prior to application for release of the deposit; and
- insurer is in good standing with the Commissioner.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) There are a number of reasons why this bill will help consumers. The main reason is that it will increase the competition in the state in the mortgage insurance market. An insurer based in another state can't transact business in this state for three years after it receives a certificate of authority. Mortgage insurance is purchased by home buyers who do not or cannot pay 20 percent of the purchase price of a home. The mortgage insurance market has been stressed by the problems in the real estate market. Claims have been high and insurers aren't able to write as much business. There are only six private mortgage insurers in the country. A new mortgage insurer was recently created. It is licensed in 43 states and wants to do business in this state. In most states, the Commissioner has the discretion to waive the seasoning requirements; in this state, the Commissioner does not have that ability. The bill requires substantial financial reserves and a deposit as an alternate

standard to the current seasoning requirements. The bar would remain very high for new insurer entrants to the state; it would be one of the highest standards in the country.

(Opposed) None.

**Persons Testifying:** (In support) Representative Bailey, prime sponsor; and Carrie Tellefson and Tony Shore, Essent Guaranty.

**Persons Signed In To Testify But Not Testifying:** None.