

HOUSE BILL ANALYSIS

HB 1149

Title: *An act relating to accounting standards under the insurance code.*

Brief Description: *Adopting accounting standards under the insurance code.*

Sponsors: *Representatives Sullivan, Kastama, Lantz, Gombosky, Rockefeller, Linville, Conway, Murray, H. Sommers and Wolfe.*

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Meeting Date: February 2, 1999

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

Background: Insurance companies, health carriers, and fraternal benefit societies are regulated by statute and the Office of the Insurance Commissioner. An important regulatory responsibility of the commissioner is the solvency of insurance companies, health carriers, and fraternal benefit societies. Financial statements and underlying accounting standards provide information on the financial condition of insurance companies, health carriers, and others regulated by the Insurance Commissioner.

The National Association of Insurance Commissioners (NAIC) is an association of state insurance agencies that attempts to coordinate the regulation of insurance. Insurance is regulated by the states rather than the federal government. One approach the NAIC uses to coordinate state regulation of insurance is to develop model laws and standards. An accreditation program encourages states to adopt key proposals recommended by the NAIC.

Financial reports must be filed annually with the Insurance Commissioner and the NAIC, and be consistent with financial reporting requirements of the NAIC.

Generally, the Legislature cannot delegate its authority to make or change laws, but can delegate necessary authority (such as rule-making) to state and local agencies to carry out duties assigned to them by the legislature.

Summary of Bill: The Insurance Commissioner must adopt by rule accounting standards for financial statements that are substantially similar to the codification of statutory accounting principles adopted by the National Association of Insurance Commissioners (NAIC). Contrary provisions of the insurance code prevail over the NAIC's statutory accounting principles. The rule must list differences between the

rule and the statutory accounting principles adopted by the NAIC. The commissioner must update the rule periodically as necessary to maintain substantial similarity to the statutory accounting principles adopted by the NAIC.

Appropriation: None.

Fiscal Note: Not requested.

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

Rulemaking Authority: Not addressed.