

# SENATE BILL REPORT

## SB 5197

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As Reported By Senate Committee On:  
Financial Institutions, Housing & Consumer Protection, January 27, 2005

**Title:** An act relating to the administrative supervision of financially distressed insurers.

**Brief Description:** Conducting the administrative supervision of financially distressed insurers.

**Sponsors:** Senators Fairley, Benton, Keiser, Franklin and Berkey; by request of Insurance Commissioner.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Consumer Protection: 1/25/05, 1/27/05 [DP].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

**Majority Report:** Do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Brandland, Delvin, Keiser, Prentice and Schmidt.

**Staff:** Joanne Conrad (786-7472)

**Background:** The Office of the Insurance Commissioner (OIC) currently has authority to seek a court order placing an insurer into receivership, when the company is approaching insolvency. The National Association of Insurance Commissioners recently developed a Model Act, providing the additional option of "administrative supervision" allowing Insurance Commissioners to intervene short of receivership, when statutory indicators demonstrate that an insurer is becoming financially distressed. It is believed that earlier intervention may enhance consumer protection and increase the survivability of some insurance companies.

**Summary of Bill:** The Office of the Insurance Commissioner monitors the solvency of insurance carriers, health care service contractors, health maintenance organizations, and certified health plans that are authorized to do business in Washington State. Solvency issues are identified through market conduct or financial examinations, and financial analysis of statements filed by insurers. In cases where increased monitoring does not result in improvement, the Insurance Commissioner may petition the Superior Court for a "rehabilitation order," suspending the insurer's management and allowing OIC staff to manage operations. If, while under "administrative supervision" by OIC, rehabilitation is unlikely, the court may order the insurer liquidated. The OIC continues management of operations until liquidation is complete.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

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

**Testimony For:** Bill will allow OIC to step in and manage an at risk company, short of receivership, and maintain confidentiality. It is based on a model approach used in 19 states.

**Testimony Against:** None.

**Who Testified:** PRO: Mary Clogston, OIC.