SENATE BILL REPORT
SB 6048

As of January 8, 2020

Title: An act relating to the group-wide supervision of internationally active insurance groups.

Brief Description: Addressing the group-wide supervision of internationally active insurance groups.

Sponsors: Senators Das, Lovelett, Nguyen, Saldaña and Kuderer; by request of Insurance Commissioner.

Brief History:
Committee Activity: Financial Institutions, Economic Development & Trade: 1/14/20.

Brief Summary of Bill

- Grants the Office of the Insurance Commissioner the authority to supervise internationally active insurance groups or defer authority to another appropriate regulatory official.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Staff: Kellee Gunn (786-7429)

Background: In response to the 2008 financial crisis, the National Association of Insurance Commissioners (NAIC) updated the NAIC Holding Company Model Act. The intent of the act was to provide a stronger domestic legal structure under which holding companies are supervised. An insurance holding company system (IHCS) is a system consisting of two or more affiliated persons, one or more of which is an insurer. Washington enacted legislation in 2015 that incorporated those updates, making changes to the Insurer Holding Company Act.

Soon after adopting the updates to the act in 2010, the NAIC discovered some gaps in legal authority and the power of a state supervising internationally active insurance groups (IAIGs). An IAIG is an IHCS that has:

- premiums written in at least three countries;

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- at least 10 percent of total gross written premiums written outside the United States; and
- total assets of the system based on a three-year rolling average that are at least $50 billion, or total gross written premiums of $10 billion.

In December 2014, the NAIC adopted additional changes to clarify the legal authority and power of a state to act as a group-wide supervisor for IAIGs, as well as the authority for domestic regulators to cooperate in requiring certain actions by an IHCS. The new changes were put forth as NAIC's Holding Company Model Act (#440).

The NAIC is an association composed of elected and appointed insurance regulators from the states and territories of the Unites States. The Office of the Insurance Commissioner (OIC) is a member of the NAIC.

Summary of Bill: The provisions of the Insurer Holding Company Act are amended to include the NAIC's Holding Company Model Act (#440), as required for accreditation by the NAIC.

The OIC is authorized to act as a group-wide supervisor. As a group-wide supervisor for IAIGs, the OIC must engage in certain supervision activities including assessing the enterprise risk of the IAIG. The OIC may acknowledge another regulatory official as the group-wide supervisor if there are no substantial insurance operations by the IAIG in Washington State or the United States, or it is determined that another group-wide supervisor is the appropriate regulatory official.

If there is a material change in where the IAIG is domiciled, or where the largest share of the group's premiums, assets, or liabilities are, the OIC will determine the group-wide supervisor. The OIC shall publish the identity of IAIGs that are supervised by the OIC in the Washington State Register and on the OIC website.

An IAIG must be a registered insurer and is liable for, and must pay, reasonable expenses for administering their supervision.

Appropriation: None.

Fiscal Note: Requested on January 8, 2020.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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