

SUBJECT: Allowing insurance companies to form investment pools

COMMITTEE: Insurance — favorable, with amendment

VOTE: 7 ayes — Smithee, Van de Putte, Averitt, Bonnen, Burnam, Eiland, G.
Lewis

0 nays

2 absent — Olivo, Wise

WITNESSES: For — Ronald Cobb, American Insurance Association

Against — None

DIGEST: HB 1680, as amended, would allow property and casualty insurance companies that are jointly owned by a company group to form investment pools.

The investment pool could not acquire securities issued, assumed, or guaranteed by a participating insurer or its affiliate; borrow or incur indebtedness for borrowed money; or invest more than 10 percent of its total assets in one business entity. Investments would have to be rated one or two by the securities valuation office or a comparable nationally recognized valuation office.

The investment pool would have to have a written pooling agreement and designate a pool manager. The pool agreement would have to provide that:

- 100 percent of the interest in the pool would be held by the insurer or its affiliates;
- the pool's underlying assets could not be comingled with those of the pool manager or any other person;
- each participant owned an undivided interest in proportion to the aggregate amount of its interest;
- a participant could withdraw all or any portion of its investments from the pool; and

- distributions could be made in cash, in kind, or in a combination of the two.

The pool manager would compile and maintain detailed accounting records and maintain the assets of the investment pool in one or more accounts under a custody agreement with a qualified bank. These records would have to be made available to the insurance commissioner upon request.

HB 1680 would take effect September 1, 1997.

**SUPPORTERS
SAY:**

HB 1680 would allow property and casualty insurance companies to cut investment costs and maximize investments by forming pools, a practice that has evolved in the industry over the last several years. The bill closely follows investment pool requirements laid out in a model act developed by the National Association of Insurance Commissioners and contains numerous provisions to protect solvency and to allow regulators to monitor the activities of investment pools.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The committee amendment would specify that the type and proportion of investments would be limited to those authorized by other provisions of the Insurance Code.

The companion bill, SB 1111 by Duncan, passed the Senate on April 23 and has been referred to the House Insurance Committee.

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House Research Organization
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