

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact, no statement issued

Action:	Do Pass the A-Engrossed Measure
Vote:	5 - 0 - 0
Yeas:	Burdick, George, Girod, Rosenbaum, Bonamici
Nays:	0
Exc.:	0
Prepared By:	Lori Brocker, Administrator
Meeting Dates:	2/16

WHAT THE MEASURE DOES: Allows Director of Department of Consumer and Business Services to waive requirements, upon request of mortgage insurer, regarding the ratio of aggregate insurance policies covering obligations. Outlines requirements for department to consider in determining whether request is reasonable in relation to mortgage insurer's aggregate insured risk and adequate to insurer's financial needs. States that granted waiver may not exceed two years with extension of waiver not exceeding two additional years. Requires director to review waiver extension request with same criteria used in reviewing initial waiver request. Mandates director to charge fee for costs incurred reviewing waiver request. Declares an emergency; effective on passage.

ISSUES DISCUSSED:

- Impact of provisions on insurers
- Waiver and extension
- Possible sunset provision
- Discretion of Director of the Department of Consumer and Business Services
- Potential variance in application of provisions
- Standards in industry
- Pace of legislative action

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Current law prohibits a mortgage insurance company from writing new business if the insurer's total liability exceeds 25 times its capital, surplus, and reserves. The intent of the prohibition is to ensure that a mortgage insurance company maintains a sound financial structure and adequate reserves to meet financial obligations. Current economic conditions, however, are driving higher claims rates, potentially putting companies at risk of not being able to write new business, even though they are sufficiently capitalized to meet policyholders' claim obligations.

HB 3654A gives the Director of the Department of Consumer and Business Services the ability to adjust the risk-to-capital ratio at the request of a mortgage insurer. HB 3654A lists factors the department may consider when reviewing the request, including: insurer size, insurer's diversification, nature and extent of reinsurance program, quality of insurer's assets and portfolio, adequacy of reserves, an independent actuarial opinion as to historical and projected position, capital contributions and other related criteria.