

CERTIFICATION OF ENROLLMENT

**HOUSE BILL 1293**

60th Legislature  
2007 Regular Session

Passed by the House February 28, 2007  
Yeas 96 Nays 1

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**Speaker of the House of Representatives**

Passed by the Senate April 13, 2007  
Yeas 45 Nays 0

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 1293** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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HOUSE BILL 1293

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Passed Legislature - 2007 Regular Session

State of Washington                      60th Legislature                      2007 Regular Session

By Representatives Cody and Sommers; by request of Insurance  
Commissioner

Read first time 01/16/2007. Referred to Committee on Appropriations.

1            AN ACT Relating to insurance commissioner regulatory assessment  
2 fees; and amending RCW 48.02.190 and 48.46.120.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            **Sec. 1.** RCW 48.02.190 and 2004 c 260 s 22 are each amended to read  
5 as follows:

6            (1) As used in this section:

7            (a) "Organization" means every insurer, as defined in RCW  
8 48.01.050, having a certificate of authority to do business in this  
9 state (~~and~~), every health care service contractor, as defined in RCW  
10 48.44.010, every health maintenance organization, as defined in RCW  
11 48.46.020, or (~~self-funded~~) a self-funded multiple employer welfare  
12 arrangement, as defined in RCW 48.125.010, registered to do business in  
13 this state. "Class one" organizations shall consist of all insurers as  
14 defined in RCW 48.01.050. "Class two" organizations shall consist of  
15 all organizations registered under provisions of chapters 48.44 and  
16 48.46 RCW. "Class three" organizations shall consist of self-funded  
17 multiple employer welfare arrangements as defined in RCW 48.125.010.

18            (b)(i) "Receipts" means (A) net direct premiums consisting of  
19 direct gross premiums, as defined in RCW 48.18.170, paid for insurance

1 written or renewed upon risks or property resident, situated, or to be  
2 performed in this state, less return premiums and premiums on policies  
3 not taken, dividends paid or credited to policyholders on direct  
4 business, and premiums received from policies or contracts issued in  
5 connection with qualified plans as defined in RCW 48.14.021, and (B)  
6 prepayments to health care service contractors, as ~~((set forth))~~  
7 defined in RCW 48.44.010~~((+3))~~, health maintenance organizations, as  
8 defined in RCW 48.46.020, or participant contributions to self-funded  
9 multiple employer welfare arrangements, as defined in RCW 48.125.010,  
10 less experience rating credits, dividends, prepayments returned to  
11 subscribers, and payments for contracts not taken.

12 (ii) Participant contributions, under chapter 48.125 RCW, used to  
13 determine the receipts in this state under this section shall be  
14 determined in the same manner as premiums taxable in this state are  
15 determined under RCW 48.14.090.

16 (2) The annual cost of operating the office of insurance  
17 commissioner shall be determined by legislative appropriation. A pro  
18 rata share of the cost shall be charged to all organizations. Each  
19 class of organization shall contribute sufficient in fees to the  
20 insurance commissioner's regulatory account to pay the reasonable  
21 costs, including overhead, of regulating that class of organization.

22 (3) Fees charged shall be calculated separately for each class of  
23 organization. The fee charged each organization shall be that portion  
24 of the cost of operating the insurance commissioner's office, for that  
25 class of organization, for the ensuing fiscal year that is represented  
26 by the organization's portion of the receipts collected or received by  
27 all organizations within that class on business in this state during  
28 the previous calendar year: PROVIDED, That the fee shall not exceed  
29 one-eighth of one percent of receipts: PROVIDED FURTHER, That the  
30 minimum fee shall be one thousand dollars.

31 (4) The commissioner shall annually, on or before June 1<sup>st</sup>,  
32 calculate and bill each organization for the amount of its fee. Fees  
33 shall be due and payable no later than June 15<sup>th</sup> of each year:  
34 PROVIDED, That if the necessary financial records are not available or  
35 if the amount of the legislative appropriation is not determined in  
36 time to carry out such calculations and bill such fees within the time  
37 specified, the commissioner may use the fee factors for the prior year  
38 as the basis for the fees and, if necessary, the commissioner may

1 impose supplemental fees to fully and properly charge the  
2 organizations. (~~The penalties for failure to pay fees when due shall~~  
3 ~~be the same as the penalties for failure to pay taxes pursuant to~~) Any  
4 organization failing to pay the fees by June 30th shall pay the same  
5 penalties as the penalties for failure to pay taxes when due under RCW  
6 48.14.060. The fees required by this section are in addition to all  
7 other taxes and fees now imposed or that may be subsequently imposed.

8 (5) All moneys collected shall be deposited in the insurance  
9 commissioner's regulatory account in the state treasury which is hereby  
10 created.

11 (6) Unexpended funds in the insurance commissioner's regulatory  
12 account at the close of a fiscal year shall be carried forward in the  
13 insurance commissioner's regulatory account to the succeeding fiscal  
14 year and shall be used to reduce future fees. (~~During the 2003-2005~~  
15 ~~fiscal biennium, the legislature may transfer from the insurance~~  
16 ~~commissioner's regulatory account to the state general fund such~~  
17 ~~amounts as reflect excess fund balance in the account.~~)

18 **Sec. 2.** RCW 48.46.120 and 1987 c 83 s 1 are each amended to read  
19 as follows:

20 (1) The commissioner may make an examination of the operations of  
21 any health maintenance organization as often as he deems necessary in  
22 order to carry out the purposes of this chapter.

23 (2) Every health maintenance organization shall submit its books  
24 and records relating its operation for financial condition and market  
25 conduct examinations and in every way facilitate them. The quality or  
26 appropriateness of medical services or systems shall not be examined  
27 except to the extent that such items are incidental to an examination  
28 of the financial condition or the market conduct of a health  
29 maintenance organization. For the purpose of examinations, the  
30 commissioner may issue subpoenas, administer oaths, and examine the  
31 officers and principals of the health maintenance organization and the  
32 principals of such providers concerning their business.

33 (3) The commissioner may elect to accept and rely on audit reports  
34 made by an independent certified public accountant for the health  
35 maintenance organization in the course of that part of the  
36 commissioner's examination covering the same general subject matter as

1 the audit. The commissioner may incorporate the audit report in his  
2 report of the examination.

3 ~~((4) Health maintenance organizations licensed in the state shall  
4 be equitably assessed to cover the cost of financial condition and  
5 market conduct examinations, the costs of promulgating rules, and the  
6 costs of enforcing the provisions of this chapter. The assessments  
7 shall be levied not less frequently than once every twelve months and  
8 shall be in an amount expected to fund the examinations, promulgation  
9 of rules, and enforcement of the provisions of this chapter, including  
10 a reasonable margin for cost variations. The assessments shall be  
11 established by rules promulgated by the commissioner but shall not  
12 exceed five and one half cents per month per person entitled to health  
13 care services pursuant to a health maintenance agreement, excluding  
14 such persons who are not residents of this state: PROVIDED, That the  
15 minimum fee shall be one thousand dollars. Assessment receipts shall  
16 be deposited in the insurance commissioner's regulatory account in the  
17 state treasury; shall be used for the purpose of funding the  
18 examinations authorized in subsection (1) of this section, the costs of  
19 promulgating rules, and the costs of enforcing the provisions of this  
20 chapter; and shall be accounted for jointly with fees from health care  
21 service contractors but separately from insurers. Assessment receipts  
22 received from health maintenance organizations shall be used to pay a  
23 pro rata share of the costs, including overhead, of regulating health  
24 care service contractors and health maintenance organizations. Amounts  
25 remaining in the separate account at the end of a biennium shall be  
26 applied to reduce the assessments in the succeeding biennium.))~~

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