

SENATE BILL REPORT

SB 5213

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, January 19, 2011

Title: An act relating to insurance.

Brief Description: Addressing insurance statutes, generally.

Sponsors: Senators Litzow and Hobbs; by request of Insurance Commissioner.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 1/19/11 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: Do pass.

Signed by Senators Hobbs, Chair; Prentice, Vice Chair; Benton, Ranking Minority Member; Fain, Haugen, Keiser and Litzow.

Staff: Edward Redmond (786-7471)

Background: The Office of Insurance Commissioner (OIC) is authorized to regulate all insurance business in Washington, including certification of various types of insurers, approval of rate and form contracts, licensing of agents and brokers, collection of premium taxes, and responding to consumer complaints.

The Revised Code of Washington is periodically updated and clarified by the various state agencies responsible for its implementation. This clean-up process eliminates obsolete language, makes minor substantive or technical changes, and repeals outdated sections. This is the OIC's clean-up bill.

Summary of Bill: Numerous provisions of the insurance code are modernized and clarified. Outdated sections are repealed, internal cross-references are corrected, and minor substantive or technical changes are made, as follows:

- completes the 2010 modernization process by requiring various insurance providers, brokers, and adjusters that are foreign, nonresident, or unauthorized to appoint the Commissioner as its attorney to receive service of legal process;
- removes requirement that OIC stock and provide insurers' annual report blanks;

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- changes the due dates for regulatory surcharges paid by insurers from June 15 to July 15, and the assessment of penalties for nonpayment from June 30 to July 31;
- assigns the director of personnel as the correct authoritative body for setting examiner salaries;
- requires healthcare service providers to report premiums and prepayments, for tax purposes, on a written basis or on a paid-for basis consistent with the basis required by the annual statement; and
- removes conflicting language within the Long-Term Care Partnership Act to conform with provisions in the 2005 federal Deficit Reduction Act, thereby enabling Washington to become a Long-Term Partnership state.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This is a great, straight forward, technical bill. The change in the service of process provisions, which make up the majority of the bill, will standardize the way OIC handles lawsuits amongst the various regulated entities that may not be readily reachable. This authority is similar to the authority given to the Secretary of State for accepting service on behalf of corporations. The American Council of Life Insurers and National Association of Insurance & Financial Advisors (NAIFA) are also in full support of this bill. The bill is entirely technical, uncontroversial, and diligently worked on by all stakeholder groups. Given the bill's broad title, the industry has an agreement with the OIC that once introduced, things can come out of the bill, but no amendments can be made to add things into the bill. If an amendment is attached, it will be opposed by both the industry and OIC. The industry is in support of the Long-Term Care Partnership Act Amendment, which will make Washington a full partnership state.

Persons Testifying: PRO: Senator Litzow, prime sponsor; Drew Bouton, Office of Insurance Commissioner; Mel Sorensen, American Council of Life Insurers, NAIFA.