

# SENATE BILL REPORT

## SB 6323

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As of January 27, 2016

**Title:** An act relating to insurers.

**Brief Description:** Regulating the acquisition of domestic insurers.

**Sponsors:** Senator Chase.

**Brief History:**

**Committee Activity:** Financial Institutions & Insurance: 1/27/16.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Staff:** Aldo Melchiori (786-7439)

**Background:** No person other than the issuer may:

- make a tender offer for or a request or invitation for tenders of;
- enter into an agreement to exchange securities of; or
- seek to acquire, or acquire, in the open market;

a voting security of a domestic insurer if the person would, directly or indirectly, or by conversion or by exercise of a right to acquire, be in control of the insurer.

No person may enter into an agreement to merge with or otherwise to acquire control of a domestic insurer or person controlling a domestic insurer unless, at the time the offer, request, or invitation is made or the agreement is entered into, or before the acquisition of the securities if no offer or agreement is involved, the person has filed with the commissioner and has sent to the insurer, a statement containing specified information and the offer, request, invitation, agreement, or acquisition has been approved by the commissioner. The person must file a preacquisition notification with the commissioner containing the specified information 60 days before the proposed effective date of the acquisition.

This does not apply to: (a) the merger or consolidation of two or more insurers; or (b) an offer, request, invitation, agreement, or acquisition that the commissioner by order has exempted.

"Acquisition" means an agreement, arrangement, or activity, the consummation of which results in a person acquiring directly or indirectly the control of another person, and includes but is not limited to the acquisition of voting securities, the acquisition of assets, bulk

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reinsurance, and mergers. A domestic insurer includes a person controlling a domestic insurer unless the person is either directly or through its affiliates primarily engaged in business other than the business of insurance.

**Summary of Bill:** No person, other than the issuer, may make an offer to acquire or enter into any agreement to acquire control of a domestic insurer, incorporated as a nonprofit, if the person would directly or indirectly be in control of the insurer unless (1) the person has filed a notice of intent to acquire with the commissioner at least 60 days prior to the offer or entering into any agreement to acquire control; (2) the person has sent to the insurer a statement containing the information required by the commissioner for other acquisitions; and (3) the agreement or acquisition has been approved.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:** PRO: Group Health Cooperative (GHC) would no longer be a cooperative if the acquisition by the Keiser Foundation Health Plan, Inc. (KHP) happens. If you have Group Health coverage, you are a member of the nonprofit cooperative and you may vote. The GHC bylaws say that you must be given the chance to make an informed decision. Members have not been given the information they need to make an informed decision because the GHC claims that the information is proprietary. Collective membership implies a democratic process, but only 9 percent of the membership will vote. To be a voting member, you must give 60 days notice that you intend to vote, but the members were only told of the impending vote 57 days in advance. The entire GHC membership should be given the information they need and then allowed to vote. The bill's intent is to protect the consumer's interest. The acquisition will turn the GHC into a California corporation. The March 9 vote will wipe out the voting rights of the GHC members. There is no proof that the GHC is financially stressed. The GHC doctors and nurses are members and have a conflict of interest when they vote because they stand to obtain increased wages. Many members feel betrayed by this process. GHC rigged the publication of the opposing viewpoint by not allowing enough time for it to be written and submitted.

CON: Last year the provisions of the Insurer Holding Company Act are amended to adopt the National Association of Insurance Commissioners model act. The Insurance Commissioner and the insurers supported adoption of the model act without amendment. The present bill is inconsistent with that model act.

**Persons Testifying:** PRO: Walter Jorgensen; Sharron Coontz; Dennis Julnes, Public Interest; Thad Curtz.

CON: Mel Sorensen, America's Health Insurance Plans.

Persons Signed In To Testify But Not Testifying: No one.