
SENATE BILL 5041

State of Washington 60th Legislature 2007 Regular Session

By Senator Prentice; by request of Insurance Commissioner

Read first time 01/08/2007. Referred to Committee on Ways & Means.

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 1st,
32 calculate and bill each organization for the amount of its fee. Fees
33 shall be due and payable no later than June 15th 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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