

# SENATE BILL REPORT

## SB 5670

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As of February 17, 2009

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

**Brief Description:** Addressing insurance, generally.

**Sponsors:** Senator Berkey; by request of Insurance Commissioner.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 2/17/09.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Staff:** Diane Smith (786-7410)

**Background:** Part of the regulatory function of the Office of Insurance Commissioner (OIC) is to calculate annually the regulatory surcharge required to be charged to every insurer having a certificate of authority to do business in this state, including health insurers. The regulatory surcharge is calculated as that portion of the cost of operating the OIC's office for the ensuing fiscal year that is represented by the insurer's portion of the receipts collected by all insurance companies on business in this state during the previous calendar year.

Though the insurers are divided into three classes and the surcharge is calculated separately by class, the minimum annual regulatory surcharge is \$1,000. The maximum may not exceed one-eighth of one percent of receipts.

Unexpended funds in the OIC's regulatory account at the close of a fiscal year must be carried forward to succeeding fiscal years. However, during the 2007-2009 fiscal year, the Legislature can transfer any excess fund balance to the Washington State Heritage Center Account. This transfer has already occurred.

An act relating to safeguarding securities owned by insurers was enacted last year. This legislation contained a typographical error that resulted in the word "equity" being enacted instead of the word "entry."

Insurance companies must make two reports of the amount of premiums they collect each year. One report is for payment of the 2 percent premium tax and the other report is for the annual statement. Each report has a basis of either written or paid-for. Legislation was

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proposed last year to require both reports to have the same basis. This proposed legislation was not enacted.

Replacement medicare supplement insurance policies issued after January 1, 1996, must issue coverage under standardized benefit plans B, C, D, E, F, as well as G, K, and L, to certain residents of this state, without evidence of insurability. Likewise, plans A, H, I, and J must be replaced without evidence of insurability for the same standardized plans. After December 31, 2005, replacement of plans H, I, and J may only occur if outpatient prescription drug coverage is removed.

**Summary of Bill:** Reference to the 2007-2009 biennium's transfer of regulatory account excess to the Washington State Heritage Center Account is removed.

The typographical error of "equity" is changed to "entry."

Both the report made by insurance companies required for calculation of the payment of the 2 percent premium tax and the report required for the annual statement must have the same basis.

For replacement medicare supplement insurance policies issued from January 1, 1996, to June 1, 2010, existing statutory provisions apply.

On or after June 1, 2010, replacement medicare supplement insurance policies must issue coverage to certain residents of this state under standardized benefit plans B, C, D, E, F with high deductible, G, K, L, M, or N without evidence of insurability.

Also on or after June 1, 2010, replacement medicare supplement insurance policies must issue coverage to certain residents of this state under standardized benefit plan A without evidence of insurability.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**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 an agency-request bill to correct and update references in the insurance code. The Medicare supplement section updates and aligns the code to the 2007 federal Medicare Improvement Act.

**Persons Testifying:** PRO: Drew Bouton, OIC.