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**SUBSTITUTE HOUSE BILL 1364**

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**State of Washington**

**54th Legislature**

**1995 Regular Session**

**By** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas and Kessler)

Read first time 02/03/95.

1 AN ACT Relating to the disclosure of material transactions of  
2 insurance companies, certified health plans, health service  
3 contractors, and health maintenance organizations; adding new sections  
4 to chapter 48.05 RCW; adding new sections to chapter 48.43 RCW; adding  
5 new sections to chapter 48.44 RCW; adding new sections to chapter 48.46  
6 RCW; and adding a new section to chapter 42.17 RCW.

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

8 NEW SECTION. **Sec. 1.** (1) Every insurer domiciled in this state  
9 shall file a report with the commissioner disclosing material  
10 acquisitions and dispositions of assets or material nonrenewals,  
11 cancellations, or revisions of ceded reinsurance agreements unless  
12 these acquisitions and dispositions of assets or material nonrenewals,  
13 cancellations, or revisions of ceded reinsurance agreements have been  
14 submitted to the commissioner for review, approval, or information  
15 purposes under other provisions of this title or other requirements.

16 (2) The report required in subsection (1) of this section is due  
17 within fifteen days after the end of the calendar month in which any of  
18 the transactions occur.

1 (3) One complete copy of the report, including any exhibits or  
2 other attachments filed as part of the report, shall be filed with the:

3 (a) Commissioner; and

4 (b) National association of insurance commissioners.

5 (4) All reports obtained by or disclosed to the commissioner under  
6 this section and sections 2 through 6 of this act are exempt from  
7 public inspection and copying and are not subject to subpoena. These  
8 reports shall not be made public by the commissioner, the national  
9 association of insurance commissioners, or any other person, except to  
10 insurance departments of other states, without the prior written  
11 consent of the insurer to which it pertains unless the commissioner,  
12 after giving the insurer that would be affected by disclosure notice  
13 and a hearing under chapter 48.04 RCW, determines that the interest of  
14 policyholders, shareholders, or the public will be served by the  
15 publication, in which event the commissioner may publish all or any  
16 part of the report in the manner he or she deems appropriate.

17 NEW SECTION. **Sec. 2.** No acquisitions or dispositions of assets  
18 need be reported under section 1 of this act if the acquisitions or  
19 dispositions are not material. For purposes of sections 1 through 6 of  
20 this act, a material acquisition, or the aggregate of any series of  
21 related acquisitions during any thirty-day period; or disposition, or  
22 the aggregate of any series of related dispositions during any thirty-  
23 day period is an acquisition or disposition that is nonrecurring and  
24 not in the ordinary course of business and involves more than five  
25 percent of the reporting insurer's total assets as reported in its most  
26 recent statutory statement filed with the commissioner.

27 NEW SECTION. **Sec. 3.** (1) Asset acquisitions subject to sections  
28 1 through 6 of this act include every purchase, lease, exchange,  
29 merger, consolidation, succession, or other acquisition other than the  
30 construction or development of real property by or for the reporting  
31 insurer or the acquisition of materials for such a purpose.

32 (2) Asset dispositions subject to sections 1 through 6 of this act  
33 include every sale, lease, exchange, merger, consolidation, mortgage,  
34 hypothecation, abandonment, destruction, other disposition, or  
35 assignment, whether the assignment is for the benefit of creditors or  
36 otherwise.

1        NEW SECTION.    **Sec. 4.**    (1) The following information is required to  
2 be disclosed in any report of a material acquisition or disposition of  
3 assets:

4        (a) Date of the transaction;

5        (b) Manner of acquisition or disposition;

6        (c) Description of the assets involved;

7        (d) Nature and amount of the consideration given or received;

8        (e) Purpose of or reason for the transaction;

9        (f) Manner by which the amount of consideration was determined;

10       (g) Gain or loss recognized or realized as a result of the  
11 transaction; and

12       (h) Names of the persons from whom the assets were acquired or to  
13 whom they were disposed.

14       (2) Insurers are required to report material acquisitions and  
15 dispositions on a nonconsolidated basis unless the insurer is part of  
16 a consolidated group of insurers that utilizes a pooling arrangement or  
17 one hundred percent reinsurance agreement that affects the solvency and  
18 integrity of the insurer's reserves and such an insurer ceded  
19 substantially all of its direct and assumed business to the pool. An  
20 insurer has ceded substantially all of its direct and assumed business  
21 to a pool if the insurer has less than one million dollars total direct  
22 plus assumed written premiums during a calendar year that are not  
23 subject to a pooling arrangement and the net income of the business not  
24 subject to the pooling arrangement represents less than five percent of  
25 the insurer's capital and surplus.

26       NEW SECTION.    **Sec. 5.**    (1) No nonrenewals, cancellations, or  
27 revisions of ceded reinsurance agreements need be reported under  
28 section 1 of this act if the nonrenewals, cancellations, or revisions  
29 are not material. For purposes of sections 1 through 6 of this act, a  
30 material nonrenewal, cancellation, or revision is one that affects:

31       (a) More than fifty percent of a property and casualty insurer's  
32 total ceded written premium;

33       (b) More than fifty percent of the property and casualty insurer's  
34 total ceded indemnity and loss adjustment reserves;

35       (c) More than fifty percent of a nonproperty and casualty insurer's  
36 total reserve credit taken for business ceded, on an annualized basis,  
37 as indicated in the insurer's most recent annual statement;

1 (d) More than ten percent of an insurer's total cession when it is  
2 replaced by one or more unauthorized reinsurers; or

3 (e) Previously established collateral requirements, when they have  
4 been reduced or waived as respects one or more unauthorized reinsurers  
5 representing collectively more than ten percent of a total cession.

6 (2) However, a filing is not required if:

7 (a) A property and casualty insurer's total ceded written premium  
8 represents, on an annualized basis, less than ten percent of its total  
9 written premium for direct and assumed business; or

10 (b) A nonproperty and casualty insurer's total reserve credit taken  
11 for business ceded represents, on an annualized basis, less than ten  
12 percent of the statutory reserve requirement prior to any cession.

13 NEW SECTION. **Sec. 6.** (1) The following is required to be  
14 disclosed in any report of a material nonrenewal, cancellation, or  
15 revision of ceded reinsurance agreements:

16 (a) The effective date of the nonrenewal, cancellation, or  
17 revision;

18 (b) The description of the transaction with an identification of  
19 the initiator;

20 (c) The purpose of or reason for the transaction; and

21 (d) If applicable, the identity of the replacement reinsurers.

22 (2) Insurers are required to report all material nonrenewals,  
23 cancellations, or revisions of ceded reinsurance agreements on a  
24 nonconsolidated basis unless the insurer is part of a consolidated  
25 group of insurers that utilizes a pooling arrangement or one hundred  
26 percent reinsurance agreement that affects the solvency and integrity  
27 of the insurer's reserves and the insurer ceded substantially all of  
28 its direct and assumed business to the pool. An insurer has ceded  
29 substantially all of its direct and assumed business to a pool if the  
30 insurer has less than one million dollars total direct plus assumed  
31 written premiums during a calendar year that are not subject to a  
32 pooling arrangement and the net income of the business not subject to  
33 the pooling arrangement represents less than five percent of the  
34 insurer's capital and surplus.

35 NEW SECTION. **Sec. 7.** (1) Every certified health plan domiciled in  
36 this state shall file a report with the commissioner disclosing  
37 material acquisitions and dispositions of assets or material

1 nonrenewals, cancellations, or revisions of ceded reinsurance  
2 agreements unless these acquisitions and dispositions of assets or  
3 material nonrenewals, cancellations, or revisions of ceded reinsurance  
4 agreements have been submitted to the commissioner for review,  
5 approval, or information purposes under other provisions of this title  
6 or other requirements.

7 (2) The report required in subsection (1) of this section is due  
8 within fifteen days after the end of the calendar month in which any  
9 of the transactions occur.

10 (3) One complete copy of the report, including any exhibits or  
11 other attachments filed as part of the report, shall be filed with the:

12 (a) Commissioner; and

13 (b) National association of insurance commissioners.

14 (4) All reports obtained by or disclosed to the commissioner under  
15 this section and sections 8 through 12 of this act are exempt from  
16 public inspection and copying and shall not be subject to subpoena.  
17 These reports shall not be made public by the commissioner, the  
18 national association of insurance commissioners, or any other person,  
19 except to insurance departments of other states, without the prior  
20 written consent of the certified health plan to which it pertains  
21 unless the commissioner, after giving the certified health plan that  
22 would be affected by disclosure notice and a hearing under chapter  
23 48.04 RCW, determines that the interest of policyholders, subscribers,  
24 shareholders, or the public will be served by the publication, in which  
25 event the commissioner may publish all or any part of the report in the  
26 manner he or she deems appropriate.

27 NEW SECTION. **Sec. 8.** No acquisitions or dispositions of assets  
28 need be reported pursuant to section 7 of this act if the acquisitions  
29 or dispositions are not material. For purposes of sections 7 through 12  
30 of this act, a material acquisition, or the aggregate of any series of  
31 related acquisitions during any thirty-day period; or disposition, or  
32 the aggregate of any series of related dispositions during any thirty-  
33 day period is an acquisition or disposition that is nonrecurring and  
34 not in the ordinary course of business and involves more than five  
35 percent of the reporting certified health plan's total assets as  
36 reported in its most recent statutory statement filed with the  
37 commissioner.

1        NEW SECTION.    **Sec. 9.**    (1) Asset acquisitions subject to sections  
2 7 through 12 of this act include every purchase, lease, exchange,  
3 merger, consolidation, succession, or other acquisition other than the  
4 construction or development of real property by or for the reporting  
5 certified health plan or the acquisition of materials for such purpose.

6        (2) Asset dispositions subject to sections 7 through 12 of this act  
7 include every sale, lease, exchange, merger, consolidation, mortgage,  
8 hypothecation, abandonment, destruction, other disposition, or  
9 assignment, whether for the benefit of creditors or otherwise.

10       NEW SECTION.    **Sec. 10.**    (1) The following information is required  
11 to be disclosed in any report of a material acquisition or disposition  
12 of assets:

- 13        (a) Date of the transaction;
- 14        (b) Manner of acquisition or disposition;
- 15        (c) Description of the assets involved;
- 16        (d) Nature and amount of the consideration given or received;
- 17        (e) Purpose of or reason for the transaction;
- 18        (f) Manner by which the amount of consideration was determined;
- 19        (g) Gain or loss recognized or realized as a result of the  
20 transaction; and
- 21        (h) Names of the persons from whom the assets were acquired or to  
22 whom they were disposed.

23        (2) Certified health plans are required to report material  
24 acquisitions and dispositions on a nonconsolidated basis unless the  
25 certified health plan is part of a consolidated group of insurers that  
26 utilizes a pooling arrangement or one hundred percent reinsurance  
27 agreement that affects the solvency and integrity of the certified  
28 health plan's reserves and such certified health plan ceded  
29 substantially all of its direct and assumed business to the pool. A  
30 certified health plan has ceded substantially all of its direct and  
31 assumed business to a pool if the certified health plan has less than  
32 one million dollars total direct plus assumed written premiums during  
33 a calendar year that are not subject to a pooling arrangement and the  
34 net income of the business not subject to the pooling arrangement  
35 represents less than five percent of the certified health plan's net  
36 worth.

1        NEW SECTION.    **Sec. 11.**    (1) No nonrenewals, cancellations, or  
2 revisions of ceded reinsurance agreements need be reported under  
3 section 7 of this act if the nonrenewals, cancellations, or revisions  
4 are not material. For purposes of sections 7 through 12 of this act, a  
5 material nonrenewal, cancellation, or revision is one that affects:

6        (a) More than fifty percent of a certified health plan's total  
7 reserve credit taken for business ceded, on an annualized basis, as  
8 indicated in the certified health plan's most recent annual statement;

9        (b) More than ten percent of a certified health plan's total  
10 cession when it is replaced by one or more unauthorized reinsurers; or

11        (c) Previously established collateral requirements, when they have  
12 been reduced or waived as respects one or more unauthorized reinsurers  
13 representing collectively more than ten percent of a total cession.

14        (2) However, a filing is not required if the certified health  
15 plan's total reserve credit taken for business ceded represents, on an  
16 annualized basis, less than ten percent of the statutory reserve  
17 requirement prior to any cession.

18        NEW SECTION.    **Sec. 12.**    (1) The following is required to be  
19 disclosed in any report of a material nonrenewal, cancellation, or  
20 revision of ceded reinsurance agreements:

21        (a) The effective date of the nonrenewal, cancellation, or  
22 revision;

23        (b) The description of the transaction with an identification of  
24 the initiator;

25        (c) The purpose of or reason for the transaction; and

26        (d) If applicable, the identity of the replacement reinsurers.

27        (2) Certified health plans are required to report all material  
28 nonrenewals, cancellations, or revisions of ceded reinsurance  
29 agreements on a nonconsolidated basis unless the certified health plan  
30 is part of a consolidated group of insurers which utilizes a pooling  
31 arrangement or one hundred percent reinsurance agreement that affects  
32 the solvency and integrity of the certified health plan's reserves and  
33 the certified health plan ceded substantially all of its direct and  
34 assumed business to the pool. A certified health plan has ceded  
35 substantially all of its direct and assumed business to a pool if the  
36 certified health plan has less than one million dollars total direct  
37 plus assumed written premiums during a calendar year that are not  
38 subject to a pooling arrangement and the net income of the business not

1 subject to the pooling arrangement represents less than five percent of  
2 the certified health plan's net worth.

3 NEW SECTION. **Sec. 13.** (1) Every health care service contractor  
4 domiciled in this state shall file a report with the commissioner  
5 disclosing material acquisitions and dispositions of assets or material  
6 nonrenewals, cancellations, or revisions of ceded reinsurance  
7 agreements unless these acquisitions and dispositions of assets or  
8 material nonrenewals, cancellations, or revisions of ceded reinsurance  
9 agreements have been submitted to the commissioner for review,  
10 approval, or information purposes under other provisions of this title  
11 or other requirements.

12 (2) The report required in subsection (1) of this section is due  
13 within fifteen days after the end of the calendar month in which any  
14 of the transactions occur.

15 (3) One complete copy of the report, including any exhibits or  
16 other attachments filed as part of the report, shall be filed with the:

17 (a) Commissioner; and

18 (b) National association of insurance commissioners.

19 (4) All reports obtained by or disclosed to the commissioner under  
20 this section and sections 14 through 18 of this act are exempt from  
21 public inspection and copying and shall not be subject to subpoena.  
22 These reports shall not be made public by the commissioner, the  
23 national association of insurance commissioners, or any other person,  
24 except to insurance departments of other states, without the prior  
25 written consent of the health care service contractor to which it  
26 pertains unless the commissioner, after giving the health care service  
27 contractor that would be affected by disclosure notice and a hearing  
28 under chapter 48.04 RCW, determines that the interest of policyholders,  
29 subscribers, shareholders, or the public will be served by the  
30 publication, in which event the commissioner may publish all or any  
31 part of the report in the manner he or she deems appropriate.

32 NEW SECTION. **Sec. 14.** No acquisitions or dispositions of assets  
33 need be reported pursuant to section 13 of this act if the acquisitions  
34 or dispositions are not material. For purposes of sections 13 through  
35 18 of this act, a material acquisition, or the aggregate of any series  
36 of related acquisitions during any thirty-day period; or disposition,  
37 or the aggregate of any series of related dispositions during any



1 thirty-day period is an acquisition or disposition that is nonrecurring  
2 and not in the ordinary course of business and involves more than five  
3 percent of the reporting health care service contractor's total assets  
4 as reported in its most recent statutory statement filed with the  
5 commissioner.

6 NEW SECTION. **Sec. 15.** (1) Asset acquisitions subject to sections  
7 13 through 18 of this act include every purchase, lease, exchange,  
8 merger, consolidation, succession, or other acquisition other than the  
9 construction or development of real property by or for the reporting  
10 health care service contractor or the acquisition of materials for such  
11 purpose.

12 (2) Asset dispositions subject to sections 13 through 18 of this  
13 act include every sale, lease, exchange, merger, consolidation,  
14 mortgage, hypothecation, abandonment, destruction, other disposition,  
15 or assignment, whether for the benefit of creditors or otherwise.

16 NEW SECTION. **Sec. 16.** The following information is required to be  
17 disclosed in any report of a material acquisition or disposition of  
18 assets:

- 19 (1) Date of the transaction;
- 20 (2) Manner of acquisition or disposition;
- 21 (3) Description of the assets involved;
- 22 (4) Nature and amount of the consideration given or received;
- 23 (5) Purpose of or reason for the transaction;
- 24 (6) Manner by which the amount of consideration was determined;
- 25 (7) Gain or loss recognized or realized as a result of the  
26 transaction; and
- 27 (8) Names of the persons from whom the assets were acquired or to  
28 whom they were disposed.

29 NEW SECTION. **Sec. 17.** (1) No nonrenewals, cancellations, or  
30 revisions of ceded reinsurance agreements need be reported under  
31 section 13 of this act if the nonrenewals, cancellations, or revisions  
32 are not material. For purposes of sections 13 through 18 of this act,  
33 a material nonrenewal, cancellation, or revision is one that affects:

- 34 (a) More than fifty percent of a health care service contractor's  
35 total reserve credit taken for business ceded, on an annualized basis,

1 as indicated in the health care service contractor's most recent annual  
2 statement;

3 (b) More than ten percent of a health care service contractor's  
4 total cession when it is replaced by one or more unauthorized  
5 reinsurers; or

6 (c) Previously established collateral requirements, when they have  
7 been reduced or waived as respects one or more unauthorized reinsurers  
8 representing collectively more than ten percent of a total cession.

9 (2) However, a filing is not required if a health care service  
10 contractor's total reserve credit taken for business ceded represents,  
11 on an annualized basis, less than ten percent of the statutory reserve  
12 requirement prior to any cession.

13 NEW SECTION. **Sec. 18.** The following is required to be disclosed  
14 in any report of a material nonrenewal, cancellation, or revision of  
15 ceded reinsurance agreements:

16 (1) The effective date of the nonrenewal, cancellation, or  
17 revision;

18 (2) The description of the transaction with an identification of  
19 the initiator;

20 (3) The purpose of or reason for the transaction; and

21 (4) If applicable, the identity of the replacement reinsurers.

22 NEW SECTION. **Sec. 19.** (1) Every health maintenance organization  
23 domiciled in this state shall file a report with the commissioner  
24 disclosing material acquisitions and dispositions of assets or material  
25 nonrenewals, cancellations, or revisions of ceded reinsurance  
26 agreements unless these acquisitions and dispositions of assets or  
27 material nonrenewals, cancellations, or revisions of ceded reinsurance  
28 agreements have been submitted to the commissioner for review,  
29 approval, or information purposes under other provisions of this title  
30 or other requirements.

31 (2) The report required in subsection (1) of this section is due  
32 within fifteen days after the end of the calendar month in which any of  
33 the transactions occur.

34 (3) One complete copy of the report, including any exhibits or  
35 other attachments filed as part of the report, shall be filed with the:

36 (a) Commissioner; and

37 (b) National association of insurance commissioners.

1 (4) All reports obtained by or disclosed to the commissioner under  
2 this section and sections 20 through 24 of this act are exempt from  
3 public inspection and copying and shall not be subject to subpoena.  
4 These reports shall not be made public by the commissioner, the  
5 national association of insurance commissioners, or any other person,  
6 except to insurance departments of other states, without the prior  
7 written consent of the health maintenance organization to which it  
8 pertains unless the commissioner, after giving the health maintenance  
9 organization that would be affected by disclosure notice and a hearing  
10 under chapter 48.04 RCW, determines that the interest of policyholders,  
11 subscribers, shareholders, or the public will be served by the  
12 publication, in which event the commissioner may publish all or any  
13 part of the report in the manner he or she deems appropriate.

14 NEW SECTION. **Sec. 20.** No acquisitions or dispositions of assets  
15 need be reported pursuant to section 19 of this act if the acquisitions  
16 or dispositions are not material. For purposes of sections 19 through  
17 24 of this act, a material acquisition, or the aggregate of any series  
18 of related acquisitions during any thirty-day period; or disposition,  
19 or the aggregate of any series of related dispositions during any  
20 thirty-day period is an acquisition or disposition that is nonrecurring  
21 and not in the ordinary course of business and involves more than five  
22 percent of the reporting health maintenance organization's total assets  
23 as reported in its most recent statutory statement filed with the  
24 commissioner.

25 NEW SECTION. **Sec. 21.** (1) Asset acquisitions subject to sections  
26 19 through 24 of this act include every purchase, lease, exchange,  
27 merger, consolidation, succession, or other acquisition other than the  
28 construction or development of real property by or for the reporting  
29 health maintenance organization or the acquisition of materials for  
30 such purpose.

31 (2) Asset dispositions subject to sections 19 through 24 of this  
32 act include every sale, lease, exchange, merger, consolidation,  
33 mortgage, hypothecation, abandonment, destruction, other disposition,  
34 or assignment, whether for the benefit of creditors or otherwise.

1        NEW SECTION.    **Sec. 22.**    The following information is required to be  
2 disclosed in any report of a material acquisition or disposition of  
3 assets:

- 4        (1) Date of the transaction;
- 5        (2) Manner of acquisition or disposition;
- 6        (3) Description of the assets involved;
- 7        (4) Nature and amount of the consideration given or received;
- 8        (5) Purpose of or reason for the transaction;
- 9        (6) Manner by which the amount of consideration was determined;
- 10       (7) Gain or loss recognized or realized as a result of the  
11 transaction; and
- 12       (8) Names of the persons from whom the assets were acquired or to  
13 whom they were disposed.

14       NEW SECTION.    **Sec. 23.**    (1) No nonrenewals, cancellations, or  
15 revisions of ceded reinsurance agreements need be reported under  
16 section 19 of this act if the nonrenewals, cancellations, or revisions  
17 are not material. For purposes of sections 19 through 24 of this act,  
18 a material nonrenewal, cancellation, or revision is one that affects:

19        (a) More than fifty percent of a health maintenance organization's  
20 total reserve credit taken for business ceded, on an annualized basis,  
21 as indicated in the health maintenance organization's most recent  
22 annual statement;

23        (b) More than ten percent of a health maintenance organization's  
24 total cession when it is replaced by one or more unauthorized  
25 reinsurers; or

26        (c) Previously established collateral requirements, when they have  
27 been reduced or waived as respects one or more unauthorized reinsurers  
28 representing collectively more than ten percent of a total cession.

29        (2) However, a filing is not required if a health maintenance  
30 organization's total reserve credit taken for business ceded  
31 represents, on an annualized basis, less than ten percent of the  
32 statutory reserve requirement prior to any cession.

33       NEW SECTION.    **Sec. 24.**    The following is required to be disclosed  
34 in any report of a material nonrenewal, cancellation, or revision of  
35 ceded reinsurance agreements:

- 36        (1) The effective date of the nonrenewal, cancellation or revision;

- 1 (2) The description of the transaction with an identification of  
2 the initiator;  
3 (3) The purpose of or reason for the transaction; and  
4 (4) If applicable, the identity of the replacement reinsurers.

5 NEW SECTION. **Sec. 25.** A new section is added to chapter 42.17 RCW  
6 to read as follows:

7 Information provided under sections 1 through 24 of this act is  
8 exempt from disclosure under this chapter.

9 NEW SECTION. **Sec. 26.** Sections 1 through 6 of this act are each  
10 added to chapter 48.05 RCW.

11 NEW SECTION. **Sec. 27.** Sections 7 through 12 of this act are each  
12 added to chapter 48.43 RCW.

13 NEW SECTION. **Sec. 28.** Sections 13 through 18 of this act are each  
14 added to chapter 48.44 RCW.

15 NEW SECTION. **Sec. 29.** Sections 19 through 24 of this act are each  
16 added to chapter 48.46 RCW.

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