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SENATE BILL 5714

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State of Washington                      56th Legislature                      1999 Regular Session

By Senators Prentice and Winsley; by request of Insurance Commissioner

Read first time . Referred to Committee on .

1            AN ACT Relating to the application of the insurer holding company  
2 act to health carriers, health care service contractors, and health  
3 maintenance organizations; and amending RCW 48.31B.005.

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

5            **Sec. 1.** RCW 48.31B.005 and 1993 c 462 s 2 are each amended to read  
6 as follows:

7            As used in this chapter, the following terms have the meanings set  
8 forth in this section, unless the context requires otherwise.

9            (1) An "affiliate" of, or person "affiliated" with, a specific  
10 person, is a person who directly, or indirectly through one or more  
11 intermediaries, controls, or is controlled by, or is under common  
12 control with, the person specified.

13            (2) The term "control," including the terms "controlling,"  
14 "controlled by," and "under common control with," means the possession,  
15 direct or indirect, of the power to direct or cause the direction of  
16 the management and policies of a person, whether through the ownership  
17 of voting securities, by contract other than a commercial contract for  
18 goods or nonmanagement services, or otherwise, unless the power is the  
19 result of an official position with or corporate office held by the

1 person. Control is presumed to exist if a person, directly or  
2 indirectly, owns, controls, holds with the power to vote, or holds  
3 proxies representing, ten percent or more of the voting securities of  
4 any other person. This presumption may be rebutted by a showing made  
5 in a manner similar to that provided by RCW 48.31B.025(11) that control  
6 does not exist in fact. The commissioner may determine, after  
7 furnishing all persons in interest notice and opportunity to be heard  
8 and making specific findings of fact to support such determination,  
9 that control exists in fact, notwithstanding the absence of a  
10 presumption to that effect.

11 (3) An "insurance holding company system" consists of two or more  
12 affiliated persons, one or more of which is an insurer.

13 (4) The term "insurer" has the same meaning as set forth in RCW  
14 48.01.050(~~it~~). "Insurer" as defined in RCW 48.01.050 includes  
15 health carriers regulated under chapter 48.43 RCW, health care service  
16 contractors regulated under chapter 48.44 RCW, and health maintenance  
17 organizations regulated under chapter 48.46 RCW. "Insurer" does not  
18 include agencies, authorities, or instrumentalities of the United  
19 States, its possessions and territories, the commonwealth of Puerto  
20 Rico, the District of Columbia, or a state or political subdivision of  
21 a state.

22 (5) A "person" is an individual, a corporation, a partnership, an  
23 association, a joint stock company, a trust, an unincorporated  
24 organization, a similar entity, or any combination of the foregoing  
25 acting in concert, but does not include a joint venture partnership  
26 exclusively engaged in owning, managing, leasing, or developing real or  
27 tangible personal property.

28 (6) A "securityholder" of a specified person is one who owns a  
29 security of that person, including common stock, preferred stock, debt  
30 obligations, and any other security convertible into or evidencing the  
31 right to acquire any of the foregoing.

32 (7) A "subsidiary" of a specified person is an affiliate controlled  
33 by that person directly or indirectly through one or more  
34 intermediaries.

35 (8) The term "voting security" includes a security convertible into  
36 or evidencing a right to acquire a voting security.

1       (9) "Surplus" and "surplus as regards policyholders" means net  
2 worth when applied to a health carrier, health care service contractor,  
3 and health maintenance organization.

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