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**Insurance, Financial Services &  
Consumer Protection Committee**

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**HB 1066**

**Brief Description:** Prohibiting interested third parties from processing insurance claims.

**Sponsors:** Representatives Kirby, Strow, Simpson, Rodne, Lovick, Clibborn, Dunshee, Sells, P. Sullivan, Morrell and Kenney.

**Brief Summary of Bill**

- Prohibits an insurer from contracting with a third-party administrator to administer auto glass claims if the third-party administrator also directly or indirectly engages in the retail auto glass business.

**Hearing Date:** 1/16/07

**Staff:** Sarah Beznoska (786-7109).

**Background:**

The insurance industry is regulated by the Insurance Commissioner (Commissioner), pursuant to the statutory provisions set forth in Title 48 RCW.

A third-party administrator (TPA) is an entity that manages an insurance program for an organization, and functions as an intermediary between an insurer and an insured. TPAs are sometimes used by insurers with respect to insurance programs. TPAs typically process claims and may also collect premiums, solicit enrollees, and underwrite.

There are currently no state statutes or regulations related to the use of certain TPAs by insurers.

**Summary of Bill:**

An insurer is prohibited from contracting with a TPA if the TPA directly or indirectly engages in the retail auto glass business. TPA is defined as an independent association, agency, entity, or enterprise that, through a contractual agreement, administers the claim payment process on behalf of an insurer.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

A TPA indirectly engages in the auto glass business if:

- the TPA actually, or constructively through related parties, owns at least 10 percent of the capital or profit interest in the auto glass business; or
- at least 10 percent of the TPA's capital or profit interest is actually, or constructively through related parties, owned by an association, agency, entity, or enterprise engaged in the auto glass business.

A TPA's right to share in the profits of an auto glass business includes a loan to the business if the interest on the loan is based on the income of the business or the loan carries more than a commercially reasonable rate of interest.

Each claim processed by a TPA in violation of these requirements is a violation subject to existing penalties under the Title 48 RCW. The Commissioner may refuse, suspend, or revoke an insurer's certificate of authority. In addition, or in lieu of suspension, revocation, or refusal to renew, after a hearing or with the consent of the insurer the Commissioner may impose a fine on the insurer in an amount not less than two hundred fifty dollars and not more than ten thousand dollars.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.