

# FINAL BILL REPORT

## HB 2594

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Synopsis as Enacted

**Brief Description:** Distributing the insurance commissioner's examination reports.

**Sponsors:** By Representatives Kirby, Ormsby, Kenney and Upthegrove; by request of Insurance Commissioner.

**House Committee on Insurance, Financial Services & Consumer Protection**  
**Senate Committee on Financial Institutions & Insurance**

### **Background:**

#### Examinations by the Insurance Commissioner.

Under the Insurance Code, the Insurance Commissioner (Commissioner) is authorized to examine the financial affairs, transactions, accounts, records, documents, assets, and business practices of regulated entities (these entities include insurers, health care service contractors, health maintenance organizations, and other persons or corporations involved in the business of insurance).

*Financial Examinations.* The Commissioner is authorized to examine regulated entities at least every five years. In conducting an examination, the Commissioner must be given access to accounts, records, documents, and files relating to the subject of the examination.

*Market Analyses and Market Conduct Examinations.* The Commissioner may also undertake a market analysis or a market conduct examination. In 2007 a new statutory framework was enacted for market analyses and market conduct examinations. In a market analysis, staff for the Office of the Insurance Commissioner (OIC) collect and use information to develop a baseline understanding of the market and determine if a regulated entity is deviating from the norm or engaging in a practice that may be detrimental to consumers. A market analysis may lead to some sort of action to remedy a practice of a regulated entity. It may also lead to a more thorough market conduct review of a regulated entity. Market conduct actions must focus on general business practices and compliance activities instead of infrequent or unintentional random errors. The Commissioner may determine that the market conduct action has not sufficiently addressed the business practices of a regulated entity and decide to have a market conduct examination. In conducting a market conduct examination, the Commissioner must be given access to accounts, records, documents, and files relating to the subject of the examination.

#### Examination Reports.

Within 60 days after completing an examination, the Commissioner must make a full certified written report containing facts, conclusions, and recommendations. A copy of the report is provided to the examined entity not less than 10 days and not more than 30 days prior to the

filing of the report for public inspection. If the examined entity requests in writing within this time period, the Commissioner must hold a hearing to consider objections to the report as proposed and must not file the report until after the hearing and after any necessary modifications in the report have been made. Within 30 days of this time period, the Commissioner must consider the report, together with any written submissions or rebuttals, and any relevant portions of the examiner's workpapers and enter an order that may be appealed. The order may:

- adopt the examination report as filed or modified. This may include a requirement to cure any violations;
- reject the examination report and direct the examiners to reopen the examination, obtain more information, and file a new examination report; or
- call for an investigatory hearing for the purpose of obtaining more information.

#### Examination Report Confidentiality.

After adopting an examination report, the Commissioner must continue to hold the content of the examination report as private and confidential information for a period of five days except that the order may be disclosed to the examined entity. After that time, the Commissioner may open the report for public inspection so long as no court of competent jurisdiction has stayed its publication. The Commissioner may withhold from public inspection any examination or investigation report for so long as he or she deems it advisable.

#### **Summary:**

The Commissioner may provide copies of financial examination reports to an examined entity by certifiable electronic means instead of sending the report by certified mail to the entity. The Commissioner may provide copies of an order adopting, rejecting, or calling for an investigatory hearing regarding a market conduct examination report to an examined entity by certifiable electronic means instead of sending the order by certified mail to the entity.

The Commissioner may provide copies of financial examination reports by certifiable electronic means to the personal e-mail account of a director of an examined entity instead of sending the report by certified mail to the director's residence. The Commissioner may provide copies of the order adopting, rejecting, or calling for an investigatory hearing regarding a market conduct examination report by certifiable electronic means to the personal e-mail account of a director of an examined entity instead of sending the report by certified mail to the director's residence.

A grammatical change is made for statutory consistency.

#### **Votes on Final Passage:**

House	93	0
Senate	47	0

**Effective:** June 12, 2008