

SENATE BILL REPORT

HB 1235

As Reported By Senate Committee On:
Financial Institutions & Insurance, March 27, 2007

Title: An act relating to providing confidentiality to certain insurance commissioner examinations.

Brief Description: Providing confidentiality to certain insurance commissioner examinations.

Sponsors: Representatives Kirby and Roach; by request of Insurance Commissioner.

Brief History: Passed House: 2/28/07, 97-0.

Committee Activity: Financial Institutions & Insurance: 3/20/07, 3/27/07 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin, Hatfield, Parlette and Schoesler.

Staff: Diane Smith (786-7410)

Background: The Public Disclosure Act (Act) requires state agencies to make public records available to the public, unless the records are specifically exempted from the disclosure requirements or are made confidential by another statute.

In general, information the Insurance Commissioner (Commissioner) obtains from an insurer in the course of a financial or market conduct examination is exempt from the disclosure.

There are three exceptions to this general rule: (1) If the Commissioner cites exempt records in connection with an official agency action, the records are subject to disclosure; (2) If exempt information obtained by the Commissioner in the course of a financial or market conduct examination is connected to allegations of negligence or malfeasance, then any person may petition any superior court in Washington for access to the information; (3) Information related to a financial or market conduct examination undertaken as a result of a proposed change in control or ownership of a nonprofit or mutual health insurer must be disclosed, unless the information is otherwise privileged or exempted from public disclosure or the Commissioner finds that the public interest in nondisclosure outweighs the public interest in disclosure.

Summary of Bill: The existing specific exceptions for information obtained by the Commissioner in a financial or market conduct examination are extended to the information

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obtained by the Commissioner in the course of financial analysis or a market conduct desk audit.

Appropriation: None.

Fiscal Note: Available.

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: In 2005, the Legislature passed SB 5317 which provided confidentiality to certain working papers developed or obtained in a financial or market conduct examination. This addressed a problem the Office of Insurance Commission (OIC) faced in participating in zone exams with other states or the National Association of Insurance Commissioners (NAIC). Insurers prevented the OIC from being a member in those joint exams because the OIC could not protect information to the same degree as insurance departments in other states. Instead, the OIC had to do separate exams which added to the burden of the examined insurers. It also cost the OIC time and money. The 2005 bill was negotiated with stakeholders. Recently, the OIC became aware that changes were needed to align the law with NAIC accreditation standards. The desk audit is in our offices.

Persons Testifying: PRO: Jim Odiorne, Office of the Insurance Commissioner.