



Mike Kreidler- Insurance Commissioner

As required by

The Washington State Administrative Procedures Act

Chapter 34.05 RCW

Matter No. **R 2024-04**

**CONCISE EXPLANATORY STATEMENT; RESPONSIVENESS
SUMMARY; RULE DEVELOPMENT PROCESS; AND
IMPLEMENTATION PLAN**

Relating to the adoption of

**Implementation of SB 6027 (Chapter 42, Laws of 2024) Insurance Holding
Company Act**

September 17, 2024

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Section 1: Introduction

Revised Code of Washington (RCW) 34.05.325(6) requires the Office of Insurance Commissioner (OIC) to prepare a “concise explanatory statement” (CES) prior to filing a rule for permanent adoption. The CES shall:

1. Identify the Commissioner's reason's for adopting the rule;
2. Describe differences between the proposed rule and the final rule (other than editing changes) and the reasons for the differences; and
3. Summarize and respond to all comments received regarding the proposed rule during the official public comment period, indicating whether or not the comment resulted in a change to the final rule, or the Commissioner's reasoning in not incorporating the change requested by the comment; and
4. Be distributed to all persons who commented on the rule during the official public comment period and to any person who requests it.

Section 2: Reasons for Adopting the Rule

SB 6027 (Chapter 42, Laws of 2024), concerning the Insurance Holding Company Act, passed during the 68th Legislative Session. This new law aligns Washington's Insurer Holding Company Act (Ch. 48.31B RCW) with the updated National Association of Insurance Commissioners (NAIC) model authorities on this topic.

The purpose of this rule is to fully implement the new law and align Washington's insurance regulations with NAIC model law # 440 and model regulation # 450. Specifically, the rule clarifies:

- When a holding company system may be exempt from filing the annual group capital calculation or allowed to make a limited filing.
- The circumstances under which the Commissioner can require a previously exempted holding company system to file an annual group capital calculation.
- Which non-U.S. jurisdictions are considered to accept the group capital calculation.

Section 3: Rule Development Process

On June 4, 2024, the Commissioner filed a CR-101 (Preproposal Statement of Inquiry) with the Washington State Register (WSR) to provide notice to interested parties of potential rulemaking (WSR 24-12-074). The comment period for the CR-101 closed on July 19, 2024, and one interested party submitted a comment.

On August 5, 2024, the Commissioner filed a CR-102 (Proposed Rulemaking) with the WSR to begin formal rulemaking (WSR 24-16-117). The comment period for the CR-102 closed on September 13, 2024, and no comments were received.

The Commissioner held a public hearing on the proposed rule text on Thursday, September 12, 2024, at 9:00 AM. David Forte, Senior Policy Advisor, administered the public hearing as a virtual meeting. No testimony was given.

On September 17, 2024, the Commissioner filed the CR-103P to adopt these rules, which become effective October 18, 2024.

Section 4: Differences Between Proposed and Final Rule

There are no differences between the CR-102 proposed rulemaking language and the final CR 103P adopted text.

Section 5: Responsiveness Summary

Comments	Agency Response
CR 101	
The rules should clarify who must file when the holding company is domiciled outside of Washington but there are sub-entities licensed and operating in Washington. The rules should be very clear and specific regarding who needs to file under these requirements.	RCW 48.31B.025(13) instructs filers to submit their group capital calculation to the lead state commissioner of the insurance holding company. The Commissioner considered this comment and made no changes to the rule.
The rules should specify when filings must be submitted.	RCW 48.31B.025(1)(c) states that holding company registration statements are due on May 1 of each year. RCW 48.31B.025(13)(a) states that the group capital calculation shall be filed concurrently with the registration statement. The Commissioner considered this comment and made no changes to the rule.
How should amendments / corrections / updates be handled?	RCW 48.31B.025(13) does not provide for amendments, corrections, or updates to the annual group capital calculation filing. The Commissioner considered this comment and made no changes to the rule.
Are there any cases where the OIC will allow exceptions to the NAIC group capital calculations(GCC) model? If there will be any special admitted practices that may allow a carrier's filing to be different than others, the rules should spell-out those circumstances.	RCW 48.31B.025(13)(a) lists instances when a holding company is exempt from filing the group capital calculation. The rule clarifies other instances when a holding company may be exempted under RCW 48.31B.025(13)(c). The Commissioner is unaware of any special admitted practices that would affect the group capital calculation at this time. The Commissioner considered this comment and made no changes to the rule.

The rules should confirm that the information in these filings will be confidential and not available to anyone outside the OIC	RCW 48.31B.038 states that all information provided to the Commissioner under RCW 48.31B.025 is considered confidential and privileged information and not subject to public disclosure or subpoena and is not subject to discovery or admissible evidence in any private civil action. The Commissioner considered this comment and made no changes to the rule.
The rules should clarify that the information in the filing will not be used for rate decisions.	There is no provision in the Insurance Code (Title 48 RCW) limiting the Commissioner's authority to consider filings made under Chapter 48.31B RCW when evaluating rate filings. The Commissioner considered this comment and made no changes to the rule.

Section 6: Implementation Plan

A. Implementation and enforcement of the rule.

After the permanent rule is adopted and filed with the Office of the Code Reviser:

- Policy staff will distribute copies of the final rule and the CES to all interested parties through the state's GovDelivery electronic mail system.
- Policy staff will post the CR-103 documents and adopted rule on the OIC's website.

B. How the Agency intends to inform and educate affected persons about the rule.

OIC staff will answer inquiries, hold meetings, and provide assistance to all affected insurance holding companies.

Questions about the new rule will be addressed to OIC staff as follows:

Type of Inquiry	Division
Consumer assistance	None (this rule does not apply to insurance consumers)
Company assistance	Company Supervision
Rule content	Company Supervision
Authority for rules	Policy
Enforcement of rule	Legal Affairs
Market Compliance	Company Supervision

C. How the Agency intends to promote and assist voluntary compliance for this rule.

- Policy staff will distribute copies of the final rule and the CES to all interested parties through the state's GovDelivery electronic mail system.
- The CR-103 documents and adopted rule will be posted on the OIC's website.

D. How the Agency intends to evaluate whether the rule achieves the purpose for which it was adopted.

This rule provides administrative guidance and clarification for the group capital calculation requirements within Chapter 48.31B RCW. The Commissioner will continue to monitor compliance with the law in light of this new guidance and clarification.

