

---

SENATE BILL 5189

---

State of Washington

53rd Legislature

1993 Regular Session

By Senator Moore

Read first time 01/15/93. Referred to Committee on Labor & Commerce.

1 AN ACT Relating to insurance holding company systems; amending RCW  
2 48.31A.020 and 48.31A.050; and repealing RCW 48.31A.055.

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

4 **Sec. 1.** RCW 48.31A.020 and 1985 c 55 s 1 are each amended to read  
5 as follows:

6 No person other than the issuer or an affiliate of the issuer shall  
7 exchange securities for or otherwise acquire, any voting security or  
8 any security convertible into a voting security of a domestic insurer  
9 or of any other person controlling a domestic insurer if, as a result  
10 of the consummation thereof, that person would directly or indirectly,  
11 acquire actual control of the insurer unless:

12 (1) Such person has filed with the commissioner a statement  
13 containing such of the following information, and such additional  
14 information as the commissioner may by rule or regulation prescribe as  
15 necessary or appropriate in the public interest or for the protection  
16 of policyholders:

17 (a) The background and identity of all persons by whom or on whose  
18 behalf the purchases or the exchange, merger, or other acquisition of  
19 control are to be effected;

1 (b) The source and amount of the funds or other consideration used  
2 or to be used in making the purchases or in effecting the exchange,  
3 merger or other acquisition of control, and, if any part of such funds  
4 or other consideration has been or is to be borrowed or otherwise  
5 obtained for the purpose of making the purchases or effecting the  
6 exchange, merger, or other acquisition of control, a description of the  
7 transaction and the names of the parties thereto;

8 (c) Any plans or proposals which such persons may have to liquidate  
9 such insurer, to sell its assets or merge it with any person, or to  
10 make any other major change in its business or corporate structure or  
11 management;

12 (d) The amount of each class of voting securities, or securities  
13 which may be converted into voting securities, of such insurer or such  
14 controlling person, which are beneficially owned, and the amount of  
15 each class of voting securities or securities which may be converted  
16 into voting securities of such insurer or such controlling person  
17 concerning which there is a right to acquire beneficial ownership, by  
18 each such person and by each such affiliate;

19 (e) Information as to any contracts, arrangements or understandings  
20 with any person with respect to any securities of such insurer,  
21 including but not limited to transfer of any of the securities, joint  
22 ventures, loan or option arrangements, puts or calls, guarantees of  
23 loans, guarantees against loss or guarantees of profits, division of  
24 losses or profits, or the giving or withholding of proxies, naming the  
25 persons with whom such contracts, arrangements or understandings have  
26 been entered into, and giving the details thereof; and

27 (f) A copy of any such agreement, and any amendments thereto, to  
28 exchange or otherwise acquire securities or to merge with or otherwise  
29 to acquire control of such insurer;

30 (2) ~~The ((exchange or acquisition has been approved by the~~  
31 ~~commissioner in the manner prescribed by RCW 43.31A.050 [48.31A.050])~~  
32 time for disapproval, as provided in RCW 48.31A.050, including any  
33 agreed extensions, has elapsed or approval has been given by the  
34 commissioner.

35 **Sec. 2.** RCW 48.31A.050 and 1985 c 55 s 2 are each amended to read  
36 as follows:

37 (1) The commissioner shall approve ((any)) an exchange or other  
38 acquisition of control referred to in RCW 48.31A.020 within ((sixty))

1 twenty days of the ((receipt)) filing of the statement ((filed pursuant  
2 to)) required by RCW 48.31A.020 ((after holding a public hearing, only  
3 upon finding that)). An exchange or other acquisition of control may  
4 proceed if the commissioner fails to disapprove the transaction within  
5 twenty days of filing the statement. The commissioner may disapprove  
6 a transaction within twenty days of filing the statement if the  
7 commissioner finds that:

8 (a) After the change of control the domestic insurer would satisfy  
9 the requirements for the issuance of a certificate of authority  
10 according to requirements in force at the time of the issuance of its  
11 last certificate of authority to do the insurance business which it  
12 intends to transact in this state;

13 (b) The effect of the purchases, exchanges, mergers, or other  
14 acquisitions of control ((would not)) may be substantially to lessen  
15 competition in insurance in this state or tend to create a monopoly  
16 therein ((and would not)) or may violate the laws of this state  
17 relating to monopolies or restraint of trade;

18 (c) The financial condition of an acquiring person is such as would  
19 ((not)) jeopardize the financial stability of the insurer, or prejudice  
20 the interest of its policyholders;

21 (d) The plans or proposals which the acquiring person has to  
22 liquidate the insurer, to sell its assets, or to merge it with any  
23 person, or to make any other major change in its business or corporate  
24 structure or management, are ((not)) unfair or prejudicial to  
25 policyholders;

26 (e) The competence, experience and integrity of those persons who  
27 would control the operation of the insurer indicate that it would not  
28 be in the interest of policyholders and the public to permit them to do  
29 so; ((and)) or

30 (f) There has not been full compliance with this chapter or other  
31 applicable provisions of Title 48 RCW by the acquiring person.

32 (2) The provisions of RCW 48.31A.020 through 48.31A.050 apply to  
33 any change of control except to the extent that the commissioner, by  
34 rule or regulation or by order, shall exempt the same from the  
35 provisions of such sections as not comprehended within the purpose of  
36 those sections.

1        NEW SECTION.    **Sec. 3.**    RCW 48.31A.055 and 1985 c 55 s 3 are each  
2 repealed.

--- END ---