

Chapter 48.37 RCW
MARKET CONDUCT OVERSIGHT

Sections

48.37.005	Short title.
48.37.010	Purpose—Intent.
48.37.020	Application.
48.37.030	Definitions.
48.37.040	Market analysis procedures—Commissioner's duties—Rules.
48.37.050	Protocols for market conduct actions—Rules.
48.37.060	Market conduct examinations—Procedures—Final orders—Fees.
48.37.070	Access to records and information—Commissioner's authority—Depositions, subpoena, and oaths.
48.37.080	Confidentiality.
48.37.090	Market conduct oversight personnel.
48.37.100	Immunity for the commissioner, market conduct oversight personnel, authorized representatives, and examiners.
48.37.110	Fines and penalties.
48.37.120	Dispute resolution—Rules.
48.37.130	Coordination with other state insurance regulators through the NAIC.
48.37.140	Additional duties of the commissioner.

RCW 48.37.005 Short title. This chapter may be known and cited as the market conduct oversight law. [2007 c 82 s 2.]

RCW 48.37.010 Purpose—Intent. (1) The purpose of this chapter is to establish a framework for the commissioner's market conduct actions, including:

(a) Processes and systems for identifying, assessing, and prioritizing market conduct problems that have a substantial adverse impact on consumers, policyholders, and claimants;

(b) Market conduct actions by the commissioner to substantiate such market conduct problems and a means to remedy significant market conduct problems; and

(c) Procedures to communicate and coordinate market conduct actions among state insurance regulators to foster the most efficient and effective use of resources.

(2) It is the intent of the legislature that the market analysis or market conduct process utilize available technology in the least intrusive and most cost-efficient manner to develop a baseline understanding of the marketplace and to identify insurers or practices that deviate significantly from the norm or that pose a potential risk to the insurance consumer. It is also the intent of the legislature that this process include discretion for the commissioner to use market conduct examinations when the continuum of available market conduct actions have not sufficiently addressed issues concerning insurer activities in Washington, or when the continuum of available market conduct actions are not reasonably expected to address issues concerning insurer activities in Washington.

(3) It is further the intent of the legislature that the commissioner work with the national association of insurance

commissioners toward development of an accreditation process for market conduct oversight and an effective process for domestic deference that creates protections for Washington consumers and efficient and effective regulation of the industry. [2007 c 82 s 3.]

RCW 48.37.020 Application. This chapter applies to all entities regulated by this title, and to all persons or entities acting as or holding themselves out as insurers in this state, unless otherwise exempted from the provisions of this title. [2007 c 82 s 4.]

RCW 48.37.030 Definitions. The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Best practices organization" means insurance marketplace standards association or a similar generally recognized organization whose purpose and central mission is the promotion of high ethical standards in the insurance marketplace.

(2) "Commissioner" means the insurance commissioner of this state.

(3) "Complaint" means a written or documented oral communication primarily expressing a grievance, meaning an expression of dissatisfaction.

(4) "Insurer" means every person engaged in the business of making contracts of insurance and includes every such entity regardless of name which is regulated by this title. For purposes of this chapter, health care service contractors defined in chapter 48.44 RCW, health maintenance organizations defined in chapter 48.46 RCW, fraternal benefit societies defined in chapter 48.36A RCW, and self-funded multiple employer welfare arrangements defined in chapter 48.125 RCW are defined as insurers.

(5) "Market analysis" means a process whereby market conduct oversight personnel collect and analyze information from filed schedules, surveys, required reports, and other sources in order to develop a baseline understanding of the marketplace and to identify patterns or practices of insurers that deviate significantly from the norm or that may pose a potential risk to the insurance consumer.

(6) "Market conduct action" means any of the full range of activities that the commissioner may initiate to assess and address the market conduct practices of insurers admitted to do business in this state, and entities operating illegally in this state, beginning with market analysis and extending to examinations. The commissioner's activities to resolve an individual consumer complaint or other report of a specific instance of misconduct are not market conduct actions for purposes of this chapter.

(7) "Market conduct oversight personnel" means those individuals employed or contracted by the commissioner to collect, analyze, review, or act on information on the insurance marketplace that identifies patterns or practices of insurers.

(8) "National association of insurance commissioners" (NAIC) has the same meaning as in RCW 48.02.140.

(9) "NAIC market regulation handbook" means the outline of the elements and objectives of market analysis developed and adopted by the NAIC, and the process by which states can establish and implement market analysis programs, and the set of guidelines developed and adopted by the NAIC that document established practices to be used by

market conduct oversight personnel in developing and executing an examination, or a successor product.

(10) "NAIC market conduct uniform examination procedures" means the set of guidelines developed and adopted by the NAIC designed to be used by market conduct oversight personnel in conducting an examination, or a successor product.

(11) "NAIC standard data request" means the set of field names and descriptions developed and adopted by the NAIC for use by market conduct oversight personnel in market analysis, market conduct examination, or other market conduct actions, or a successor product.

(12) "Qualified contract examiner" means a person under contract to the commissioner, who is qualified by education, experience, and, where applicable, professional designations, to perform market conduct actions.

(13)(a) "Market conduct examination" means the examination of the insurance operations of an insurer licensed to do business in this state and entities operating illegally in this state, in order to evaluate compliance with the applicable laws and regulations of this state. A market conduct examination may be either a comprehensive examination or a targeted examination. A market conduct examination is separate and distinct from a financial examination of any insurer performed pursuant to chapter 48.03, 48.44, or 48.46 RCW, but may be conducted at the same time.

(b) "Comprehensive market conduct examination" means a review of one or more lines of business of an insurer. The term includes a review of rating, tier classification, underwriting, policyholder service, claims, marketing and sales, producer licensing, complaint handling practices, or compliance procedures and policies.

(c) "Targeted examination" means a focused examination conducted for cause, based on the results of market analysis indicating the need to review either a specific line or lines of business, or specific business practices, including but not limited to: (i) Underwriting and rating; (ii) marketing and sales; (iii) complaint handling; (iv) operations and management; (v) advertising; (vi) licensing; (vii) policyholder services; (viii) nonforfeitures; (ix) claims handling; and (x) policy forms and filings. A targeted examination may be conducted by desk examination or by an on-site examination.

(d) "Desk examination" means an examination that is conducted by an examiner at a location other than the insurer's premises. A desk examination is usually performed at the commissioner's offices with the insurer providing requested documents by hard copy, microfiche, discs, or other electronic media, for review.

(e) "On-site examination" means an examination conducted at the insurer's home office or the location where the records under review are stored.

(14) "Third-party model or product" means a model or product provided by an entity separate from and not under direct or indirect corporate control of the insurer using the model or product.

(15) "Insurance compliance self-evaluative audit" means a voluntary, internal evaluation, review, assessment, audit, or investigation for the purpose of identifying or preventing noncompliance with, or promoting compliance with laws, regulations, orders, or industry or professional standards, which is conducted by or on behalf of a company licensed or regulated under the insurance laws of this state, or which involves an activity regulated under this title.

(16) "Insurance compliance self-evaluative audit document" means documents prepared as a result of or in connection with an insurance compliance self-evaluative audit. An insurance compliance self-evaluative audit document may include:

(a) A written response to the findings of an insurance compliance self-evaluative audit;

(b) Any supporting information that is collected or developed for the primary purpose and in the course of an insurance compliance self-evaluative audit, including but not limited to field notes and records of observations, findings, opinions, suggestions, conclusions, drafts, memoranda, drawings, photographs, exhibits, computer-generated or electronically recorded information, phone records, maps, charts, graphs, and surveys;

(c) Any of the following:

(i) An insurance compliance self-evaluative audit report prepared by an auditor, who may be an employee of the company or an independent contractor, which may include the scope of the audit, the information gained in the audit, conclusions, and recommendations, with exhibits and appendices;

(ii) Memoranda and documents analyzing portions or all of the insurance compliance self-evaluative audit report and discussing potential implementation issues;

(iii) An implementation plan that addresses correcting past noncompliance, improving current compliance, and preventing future noncompliance; or

(iv) Analytic data generated in the course of conducting the insurance compliance self-evaluative audit. [2007 c 82 s 5.]

RCW 48.37.040 Market analysis procedures—Commissioner's duties—

Rules. (1) (a) The commissioner shall collect and report market data information to the NAIC's market information systems, including the complaint database system, the examination tracking system, the regulatory retrieval system, other successor systems, or to additional systems as the commissioner determines is necessary for market analysis.

(b) Market data and information that is collected and maintained by the commissioner shall be compiled and submitted in a manner that meets the requirements of the NAIC and its systems.

(2) (a) Each entity subject to the provisions of this chapter shall file a market conduct annual statement or successor product, in the general form and context, in the time frame required by, and according to instructions provided by the NAIC, for each line of business written in the state of Washington. If a particular line of business does not have an approved market conduct annual statement form, the company is not required to file a report for that line of business until such time as [the] NAIC adopts an annual statement form for that line of business.

(b) The commissioner may, for good cause, grant an extension of time for filing a market conduct annual statement, if written application for extension is received at least five business days before the filing due date. Any insurer that fails to file its market conduct annual statement when due or by the end of any extension of time for filing, which the commissioner in his or her sole discretion may have granted, is subject to the penalty and enforcement provisions applicable to the insurer as found in the Washington insurance code.

(3)(a) The commissioner shall gather information from data currently available to the commissioner, surveys, required reports, information collected by the NAIC, other sources in both the public or private sectors, and information from within and outside the insurance industry. The commissioner may request insurers to submit data and information that is necessary to conduct market analysis and shall adopt rules that provide for access to records and compliance with the request, that do not cause undue burden or cost to the consumer or insurer.

(b) The information shall be analyzed in order to develop a baseline understanding of the marketplace and to identify for further review insurers or practices that deviate significantly from the norm or that may pose a potential risk to the insurance consumer. The commissioner shall use the NAIC market regulation handbook as one resource in performing this analysis.

(c) The commissioner shall adopt by rule a process for verification by an insurer of Washington state-specific complaint information concerning that insurer before using the complaint information for market conduct surveillance purposes or transmitting it to NAIC databases after July 1, 2007.

(4)(a) If the commissioner determines, as a result of market analysis, that further inquiry into a particular insurer or practice is needed, the following continuum of market actions may be considered before conducting a market conduct examination. The commissioner shall not be required to follow the exact sequence of market conduct actions in the continuum or to use all actions in the continuum. As part of the chosen continuum action, the commissioner must discuss with the insurer the data used to choose the option and provide the insurer with an opportunity for data verification at that time. These actions may include, but are not limited to:

(i) Correspondence with the insurer;

(ii) Insurer interviews;

(iii) Information gathering;

(iv) Policy and procedure reviews;

(v) Interrogatories;

(vi) Review of insurer self-evaluation and compliance programs.

This may include consideration of the insurer's membership in a best practices organization, if the commissioner is satisfied that the organization's qualification process is likely to provide reasonable assurance of compliance with pertinent insurance laws;

(vii) Desk examinations; and

(viii) Investigations.

(b) Except in extraordinary circumstances, the commissioner shall select the least intrusive and most cost-effective market conduct action that the commissioner determines will provide the necessary protections for consumers.

(5) The commissioner shall take those steps reasonably necessary to eliminate duplicative inquiries. The commissioner shall not request insurers to submit data or information provided as part of an insurer's annual financial statement, the annual market conduct statement of the NAIC, or other required schedules, surveys, or reports that are regularly submitted to the commissioner, or with data requests made by other states if that information is available to the commissioner, unless the information is state specific. The commissioner shall coordinate market conduct actions and findings with other state insurance regulators.

(6) For purposes of conducting an examination or other market conduct action on an insurer, the commissioner may examine or conduct a market conduct action on any managing general agent or other person, insofar as that examination or market conduct action is, in the sole discretion of the commissioner, necessary or material to the examination or market conduct action of the insurer. [2007 c 82 s 6.]

RCW 48.37.050 Protocols for market conduct actions—Rules. (1)

Market conduct actions shall be taken as a result of market analysis and shall focus on the general business practices and compliance activities of insurers, rather than identifying obviously infrequent or unintentional random errors that do not cause significant consumer harm.

(2) (a) The commissioner is authorized to determine the frequency and timing of such market conduct actions. The timing shall depend upon the specific market conduct action to be initiated, unless extraordinary circumstances indicating a risk to consumers require immediate action.

(b) If the commissioner has information that more than one insurer is engaged in common practices that may violate statutes or rules, the commissioner may schedule and coordinate multiple examinations simultaneously.

(3) The insurer shall be given reasonable opportunity to resolve matters that arise as a result of a market analysis to the satisfaction of the commissioner before any additional market conduct actions are taken against the insurer.

(4) The commissioner shall adopt by rule, under chapter 34.05 RCW, procedures and documents that are substantially similar to the NAIC work products defined or referenced in this chapter. Market analysis, market conduct actions, and market conduct examinations shall be performed in accordance with the rule. [2025 c 243 s 5; 2007 c 82 s 7.]

RCW 48.37.060 Market conduct examinations—Procedures—Final orders—Fees. (1) When the commissioner determines that other market

conduct actions identified in RCW 48.37.040(4)(a) have not sufficiently addressed issues raised concerning company activities in Washington state, the commissioner has the discretion to conduct market conduct examinations in accordance with the NAIC market conduct uniform examination procedures and the NAIC market regulation handbook.

(2) (a) In lieu of an examination of an insurer licensed in this state, the commissioner shall accept an examination report of another state, unless the commissioner determines that the other state does not have laws substantially similar to those of this state, or does not have a market oversight system that is comparable to the market conduct oversight system set forth in this law.

(b) The commissioner's determination under (a) of this subsection is discretionary with the commissioner and is not subject to appeal.

(c) If the insurer to be examined is part of an insurance holding company system, the commissioner may also seek to simultaneously examine any affiliates of the insurer under common control and management which are licensed to write the same lines of business in this state.

(3) Before commencement of a market conduct examination, market conduct oversight personnel shall prepare a work plan consisting of the following:

- (a) The name and address of the insurer being examined;
- (b) The name and contact information of the examiner-in-charge;
- (c) The name of all market conduct oversight personnel initially assigned to the market conduct examination;
- (d) The justification for the examination;
- (e) The scope of the examination;
- (f) The date the examination is scheduled to begin;
- (g) Notice of any noninsurance department personnel who will assist in the examination;
- (h) A time estimate for the examination;
- (i) A budget for the examination if the cost of the examination is billed to the insurer; and
- (j) An identification of factors that will be included in the billing if the cost of the examination is billed to the insurer.

(4) (a) Within ten days of the receipt of the information contained in subsection (3) of this section, insurers may request the commissioner's discretionary review of any alleged conflict of interest, pursuant to RCW 48.37.090(2), of market conduct oversight personnel and noninsurance department personnel assigned to a market conduct examination. The request for review shall specifically describe the alleged conflict of interest in the proposed assignment of any person to the examination.

(b) Within five business days of receiving a request for discretionary review of any alleged conflict of interest in the proposed assignment of any person to a market conduct examination, the commissioner or designee shall notify the insurer of any action regarding the assignment of personnel to a market conduct examination based on the insurer's allegation of conflict of interest.

(5) Market conduct examinations shall, to the extent feasible, use desk examinations and data requests before an on-site examination.

(6) Market conduct examinations shall be conducted in accordance with the provisions set forth in the NAIC market regulation handbook and the NAIC market conduct uniform examinations procedures, subject to the precedence of the provisions of chapter 82, Laws of 2007.

(7) The commissioner shall use the NAIC standard data request.

(8) Announcement of the examination shall be sent to the insurer and posted on the NAIC's examination tracking system as soon as possible but in no case later than sixty days before the estimated commencement of the examination, except where the examination is conducted in response to extraordinary circumstances as described in RCW 48.37.050(2)(a). The announcement sent to the insurer shall contain the examination work plan and a request for the insurer to name its examination coordinator.

(9) If an examination is expanded significantly beyond the original reasons provided to the insurer in the notice of the examination required by subsection (3) of this section, the commissioner shall provide written notice to the insurer, explaining the expansion and reasons for the expansion. The commissioner shall provide a revised work plan if the expansion results in significant changes to the items presented in the original work plan required by subsection (3) of this section.

(10) The commissioner shall conduct a preexamination conference with the insurer examination coordinator and key personnel to clarify expectations at least thirty days before commencement of the

examination, unless otherwise agreed by the insurer and the commissioner.

(11) Before the conclusion of the field work for market conduct examination, the examiner-in-charge shall review examination findings to date with insurer personnel and schedule an exit conference with the insurer, in accordance with procedures in the NAIC market regulation handbook.

(12)(a) No later than sixty days after completion of each market conduct examination, the commissioner shall make a full written report of each market conduct examination containing only facts ascertained from the accounts, records, and documents examined and from the sworn testimony of individuals, and such conclusions and recommendations as may reasonably be warranted from such facts.

(b) The report shall be certified by the commissioner or by the examiner-in-charge of the examination, and shall be filed in the commissioner's office subject to (c) of this subsection.

(c) The commissioner shall furnish a copy of the market conduct examination report to the person examined not less than ten days and, unless the time is extended by the commissioner, not more than thirty days prior to the filing of the report for public inspection in the commissioner's office. If the person so requests in writing within such period, the commissioner shall hold a hearing to consider objections of such person to the report as proposed, and shall not so file the report until after such hearing and until after any modifications in the report deemed necessary by the commissioner have been made.

(d) Within thirty days of the end of the period described in (c) of this subsection, unless extended by order of the commissioner, the commissioner shall consider the report, together with any written submissions or rebuttals and any relevant portions of the examiner's work papers and enter an order:

(i) Adopting the market conduct examination report as filed or with modification or corrections. If the market conduct examination report reveals that the company is operating in violation of any law, rule, or order of the commissioner, the commissioner may order the company to take any action the commissioner considers necessary and appropriate to cure that violation;

(ii) Rejecting the market conduct examination report with directions to the examiners to reopen the examination for purposes of obtaining additional data, documentation, or information, and refileing under this subsection; or

(iii) Calling for an investigatory hearing with no less than twenty days' notice to the company for purposes of obtaining additional documentation, data, information, and testimony.

(e) All orders entered under (d) of this subsection must be accompanied by findings and conclusions resulting from the commissioner's consideration and review of the market conduct examination report, relevant examiner work papers, and any written submissions or rebuttals. The order is considered a final administrative decision and may be appealed under the administrative procedure act, chapter 34.05 RCW, and must be served upon the company by certified mail or certifiable electronic means, together with a copy of the adopted examination report. A copy of the adopted examination report must be sent by certified mail or certifiable electronic means to each director at the director's residential address or to a personal email account.

(f)(i) Upon the adoption of the market conduct examination report under (d) of this subsection, the commissioner shall 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 person examined. Thereafter, the commissioner may open the report for public inspection so long as no court of competent jurisdiction has stayed its publication.

(ii) If the commissioner determines that regulatory action is appropriate as a result of any market conduct examination, he or she may initiate any proceedings or actions as provided by law.

(iii) Nothing contained in this subsection requires the commissioner to disclose any information or records that would indicate or show the existence or content of any investigation or activity of a criminal justice agency.

(g) The insurer's response shall be included in the commissioner's order adopting the final report as an exhibit to the order. The insurer is not obligated to submit a response.

(13) The commissioner may withhold from public inspection any examination or investigation report for so long as he or she deems it advisable.

(14)(a) Market conduct examinations within this state of any insurer domiciled or having its home offices in this state, other than a title insurer, made by the commissioner or the commissioner's examiners and employees shall, except as to fees, mileage, and expense incurred as to witnesses, be at the expense of the state.

(b) Every other examination, whatsoever, or any part of the market conduct examination of any person domiciled or having its home offices in this state requiring travel and services outside this state, shall be made by the commissioner or by examiners designated by the commissioner and shall be at the expense of the person examined; but a domestic insurer shall not be liable for the compensation of examiners employed by the commissioner for such services outside this state.

(c) When making a market conduct examination under this chapter, the commissioner may contract, in accordance with applicable state contracting procedures, for qualified attorneys, appraisers, independent certified public accountants, contract actuaries, and other similar individuals who are independently practicing their professions, even though those persons may from time to time be similarly employed or retained by persons subject to examination under this chapter, as examiners as the commissioner deems necessary for the efficient conduct of a particular examination. The compensation and per diem allowances paid to such contract persons shall be reasonable in the market and time incurred, shall not exceed one hundred twenty-five percent of the compensation and per diem allowances for examiners set forth in the guidelines adopted by the national association of insurance commissioners, unless the commissioner demonstrates that one hundred twenty-five percent is inadequate under the circumstances of the examination, and subject to the provisions of (a) of this subsection.

(d)(i) The person examined and liable shall reimburse the state upon presentation of an itemized statement thereof, for the actual travel expenses of the commissioner's examiners, their reasonable living expenses allowance, and their per diem compensation, including salary and the employer's cost of employee benefits, at a reasonable rate approved by the commissioner, incurred on account of the examination. Per diem, salary, and expenses for employees examining

insurers domiciled outside the state of Washington shall be established by the commissioner on the basis of the national association of insurance commissioner's recommended salary and expense schedule for zone examiners, or the salary schedule and the expense schedule established by the office of financial management, whichever is higher. A domestic title insurer shall pay the examination expense and costs to the commissioner as itemized and billed by the commissioner.

(ii) The commissioner or the commissioner's examiners shall not receive or accept any additional emolument on account of any examination.

(iii) Market conduct examination fees subject to being reimbursed by an insurer shall be itemized and bills shall be provided to the insurer on a monthly basis for review prior to submission for payment, or as otherwise provided by state law.

(e) Nothing contained in this chapter limits the commissioner's authority to terminate or suspend any examination in order to pursue other legal or regulatory action under the insurance laws of this state. Findings of fact and conclusions made pursuant to any examination are prima facie evidence in any legal or regulatory action.

(f) The commissioner shall maintain active management and oversight of market conduct examination costs, including costs associated with the commissioner's own examiners, and with retaining qualified contract examiners necessary to perform an examination. Any agreement with a contract examiner shall:

(i) Clearly identify the types of functions to be subject to outsourcing;

(ii) Provide specific timelines for completion of the outsourced review;

(iii) Require disclosure to the insurer of contract examiners' recommendations;

(iv) Establish and use a dispute resolution or arbitration mechanism to resolve conflicts with insurers regarding examination fees; and

(v) Require disclosure of the terms of the contracts with the outside consultants that will be used, specifically the fees and/or hourly rates that can be charged.

(g) The commissioner, or the commissioner's designee, shall review and affirmatively endorse detailed billings from the qualified contract examiner before the detailed billings are sent to the insurer. [2015 3rd sp.s. c 1 s 323; 2011 1st sp.s. c 43 s 460; 2008 c 100 s 2; 2007 c 82 s 8.]

Effective date—Purpose—2011 1st sp.s. c 43: See notes following RCW 43.19.003.

RCW 48.37.070 Access to records and information—Commissioner's authority—Depositions, subpoena, and oaths. (1) Except as otherwise provided by law, market conduct oversight personnel shall have free, convenient, and full access to all books, records, employees, officers, and directors, as practicable, of the insurer during regular business hours.

(2) An insurer using a third-party model or product for any of the activities under examination shall cause, upon the request of

market conduct oversight personnel, the details of such models or products to be made available to such personnel.

(3) Each officer, director, employee, and agent of an insurer shall facilitate and aid in a market conduct action or examination.

(4) No waiver of any applicable privilege or claim of confidentiality in the documents, materials, or information shall occur as a result of disclosure to the commissioner, any employee of the office of the insurance commissioner, or any agent retained by the office of the insurance commissioner to assist in the market conduct examination under this chapter.

(5) (a) The commissioner may take depositions, subpoena witnesses or documentary evidence, administer oaths, and examine under oath any individual relative to the affairs of any person being examined, or relative to the subject of any hearing or investigation: PROVIDED, That the provisions of RCW 34.05.446 shall apply in lieu of the provisions of this section as to subpoenas relative to hearings in rule-making and adjudicative proceedings.

(b) The subpoena shall be effective if served within the state of Washington and shall be served in the same manner as if issued from a court of record.

(c) Witness fees and mileage, if claimed, shall be allowed the same as for testimony in a court of record. Witness fees, mileage, and the actual expenses necessarily incurred in securing attendance of witnesses and their testimony shall be itemized, and shall be paid by the person as to whom the examination is being made, or by the person if other than the commissioner, at whose request the hearing is held.

(d) Enforcement of subpoenas shall be in accordance with RCW 34.05.588.

(6) In order to assist in the performance of the commissioner's duties, the commissioner may:

(a) Share documents, materials, market conduct examination reports, preliminary market conduct examination reports, and other matters related to such reports, or other information, including the confidential and privileged documents, materials, or information subject to subsection (1) of this section, with other state, federal, and international regulatory agencies and law enforcement authorities, and the NAIC and its affiliates and subsidiaries, provided that the recipient agrees to and asserts that it has the legal authority to maintain the confidentiality and privileged status of the document, material, communication, or other information;

(b) Receive documents, materials, communications, or information, including otherwise confidential and privileged documents, materials, or information, from the NAIC and its affiliates or subsidiaries, and from regulatory and law enforcement officials of other foreign or domestic jurisdictions, and shall maintain as confidential or privileged any document, material, or information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material, or information; and

(c) Enter into agreements governing the sharing and use of information consistent with this subsection. [2007 c 82 s 9.]

RCW 48.37.080 Confidentiality. (1) All data and documents, including but not limited to working papers, third-party models or products, complaint logs, and copies thereof, created, produced, or obtained by or disclosed to the commissioner, the commissioner's

authorized representative, or an examiner appointed by the commissioner in the course of any market conduct actions or examinations made under this chapter, or in the course of market analysis by the commissioner of the market conditions of an insurer, or obtained by the NAIC as a result of any of the provisions of this chapter, to the extent the documents are in the possession of the commissioner or the NAIC, shall be confidential by law and privileged, shall not be subject to the provisions of chapter 42.56 RCW, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action.

(2) If the commissioner elects to issue a report of an examination, a preliminary or draft market conduct examination report is confidential and not subject to disclosure by the commissioner nor is it subject to subpoena or discovery. This subsection does not limit the commissioner's authority to use a preliminary or draft market conduct examination report and related information in furtherance of any legal or regulatory action, or to release it in accordance with the provisions of RCW 48.02.065.

(3) An insurance compliance self-evaluative audit document in the possession of the commissioner is confidential by law and privileged, and shall not be:

- (a) Made public by the commissioner;
- (b) Subject to the provisions of chapter 42.56 RCW;
- (c) Subject to subpoena; and
- (d) Subject to discovery and admissible in evidence in any private civil action.

(4) Neither the disclosure of any self-evaluative audit document to the commissioner or to the commissioner's designee nor the citation to this document in connection with an agency action shall constitute a waiver of any privilege that may otherwise apply. [2007 c 82 s 10.]

RCW 48.37.090 Market conduct oversight personnel. (1) Market conduct oversight personnel shall be qualified by education, experience, and, where applicable, professional designations. The commissioner may supplement the in-house market conduct oversight staff with qualified outside professional assistance if the commissioner determines that the assistance is necessary.

(2) Market conduct oversight personnel have a conflict of interest, either directly or indirectly, if they are affiliated with the management of, and have, within five years of any market conduct action, been employed by, or own a pecuniary interest in the insurer, subject to any examination under this chapter. This section shall not be construed to automatically preclude an individual from being:

- (a) A policyholder or claimant under an insurance policy;
- (b) A grantor of a mortgage or similar instrument on the individual's residence from a regulated entity, if done under customary terms and in the ordinary course of business;
- (c) An investment owner in shares of regulated diversified investment companies; or
- (d) A settlor or beneficiary of a "blind trust" into which any otherwise impermissible holdings have been placed. [2007 c 82 s 11.]

RCW 48.37.100 Immunity for the commissioner, market conduct oversight personnel, authorized representatives, and examiners. (1) No cause of action shall arise, nor shall any liability be imposed

against the commissioner, the commissioner's authorized representatives, market conduct oversight personnel, or an examiner appointed by the commissioner for any statements made, or conduct performed in good faith while carrying out the provisions of this chapter.

(2) No cause of action shall arise, nor shall any liability be imposed against any person for the act of communicating or delivering information or data to the commissioner or the commissioner's authorized representative, market conduct oversight personnel, or examiner, under an examination made under this chapter, if the act of communication or delivery was performed in good faith and without fraudulent intent or the intent to deceive.

(3) A person identified in subsection (1) of this section is entitled to an award of attorneys' fees and costs if he or she is the prevailing party in a civil cause of action for libel, slander, or any other relevant tort arising out of activities in carrying out the provisions of this chapter, and the party bringing the action was not substantially justified in doing so. For purposes of this section, a proceeding is "substantially justified" if it had a reasonable basis in law or fact at the time that it was initiated.

(4) If a claim is made or threatened as described in subsection (1) of this section, the commissioner shall provide or pay for the defense of himself or herself, the examiner or representative, and shall pay a judgment or settlement, until it is determined that the person did not act in good faith or did act with fraudulent intent or the intent to deceive.

(5) The immunity, indemnification, and other protections under this section are in addition to those now or hereafter existing under other law.

(6) This section does not abrogate or modify in any way any common law or statutory privilege or immunity, now or hereafter existing under this section or other law, enjoyed by any person identified in subsection (1) of this section. [2007 c 82 s 12.]

RCW 48.37.110 Fines and penalties. (1) Fines and penalties, applicable to the insurer as found in the Washington insurance code, levied as a result of a market conduct action or examination shall be consistent, reasonable, and justified.

(2) The commissioner shall take into consideration actions taken by insurers to maintain membership in, and comply with the standards of, best practices organizations, and the extent to which insurers maintain regulatory compliance programs to self-assess, self-report, and remediate problems detected, and may include those considerations in determining the appropriate fines or penalties levied in accordance with subsection (1) of this section.

(3) Commissioner enforcement actions shall not be based solely on violations identified in the insurer self-evaluative audit document, unless the commissioner confirms both that the violations occurred and that the insurer has not taken reasonable action based on the self-evaluative audit document to resolve and remediate the identified violations. [2007 c 82 s 13.]

RCW 48.37.120 Dispute resolution—Rules. (1) At any point in the market analysis, the insurer may request a review and resolution

of issues by identifying the issues either orally or in writing to the market conduct oversight manager, or deputy insurance commissioner responsible for market conduct oversight. At each level, a response to the insurer shall be provided within five business days.

(2) At any point in the market conduct examination, the insurer may request a review and resolution of issues either orally or in writing to the market conduct oversight manager, or deputy insurance commissioner responsible for market conduct oversight. At each level, a response to the insurer shall be provided within five business days. This authorization for dispute resolution shall be secondary to the specific procedures set forth in RCW 48.37.060.

(3) After the deputy insurance commissioner responsible for market conduct oversight has responded to an insurer's issues, the insurer may request mediation of the issues. The insurance commissioner shall adopt by rule a process to govern mediation of insurer market conduct oversight issues. That rule shall:

(a) Provide for the selection by the commissioner of a panel of preapproved mediators;

(b) Require that insurers, upon notice of the start of a market analysis process or the start of a market conduct examination, identify from the preapproved list a mediator and an alternative mediator;

(c) Require the party requesting mediation to pay the costs of the mediator; and

(d) Provide for other rule provisions as are reasonably necessary for the efficient operation of a mediation process.

(4) At any point in the dispute resolution process contained in this section, the insurer may commence an adjudicative proceeding under chapters 48.04 and 34.05 RCW. [2007 c 82 s 14.]

RCW 48.37.130 Coordination with other state insurance regulators through the NAIC. (1) The commissioner shall share information and coordinate the commissioner's market analysis, market conduct actions, and examination efforts with other state insurance regulators. Such matters will be coordinated in accordance with guidelines adopted by the NAIC.

(2)(a) If a market conduct examination or action performed by another state insurance regulator results in a finding that an insurer should modify a specific practice or procedure, the commissioner shall, in lieu of conducting a market conduct action or examination, accept verification that the insurer made a similar modification in this state, unless the commissioner determines that the other state does not have laws substantially similar to those of this state, or does not have a market conduct oversight system that is comparable to the market conduct oversight system set forth in this chapter.

(b) The commissioner's determination under (a) of this subsection is discretionary with the commissioner and is not subject to appeal. [2007 c 82 s 15.]

RCW 48.37.140 Additional duties of the commissioner. (1) The commissioner shall designate a specific person or persons within the commissioner's office whose responsibilities shall include the receipt of information from employees of insurers and licensed entities concerning violations of laws or rules by their employers, as defined in this chapter. These persons shall be provided with proper training

on the handling of such information. The information shall be confidential and not open to public inspection.

(2) At least once per year, or more frequently if deemed necessary, the commissioner shall make available in an appropriate manner to insurers and other entities subject to the scope of this title, information on new laws and regulations, enforcement actions, and other information the commissioner deems pertinent to ensure compliance with market conduct requirements. [2007 c 82 s 16.]