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BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

HEARINGS UNIT
OFFICE OF
INSURANCE COMMISSIONER

In the Matter of

**WASHINGTON TECHNOLOGY
INDUSTRY ASSOCIATION,**

Applicant.

Docket No. 15-0290

DECLARATION OF GAYLE
PASERO

I, GAYLE PASERO, declare as follows:

1. I am over the age of 18 and make this declaration based on my personal knowledge. If called, I can competently testify to the contents of this declaration.
2. I am the Company Licensing Manager in the Company Supervision Division for the Washington State Office of the Insurance Commissioner ("OIC"). I have been in this position since April 2008. I received a Bachelor of Arts degree from Washington State University and also earned my Chartered Property Casualty Underwriter ("CPCU") designation. I have worked in the insurance industry for over 30 years in progressive leadership positions.
3. My primary duties as Company Licensing Manager include the evaluation of applications from insurance companies for admission, redomestication, and merger. As such, I evaluate with my staff any application for a certificate of authority as a self-funded multiple employer welfare arrangement ("MEWA") in the rare event that one is submitted.
4. When Washington Technology Industry Association ("WTIA") initially submitted an application for a certificate of authority as a self-funded MEWA under Chapter 48.125 RCW, the application did not provide the necessary information and documentation required by statute. I informed WTIA's representatives of this deficiency, and requested additional information and documents.

1 5. Ultimately, this deficiency is not the primary problem with WTIA's application. WTIA
2 is not eligible for a certificate of authority as a self-funded MEWA because it has no history of
3 self-funded operation, as stated in our final denial letter of November 18, 2015. One of the
4 requirements for a Chapter 48.125 RCW certificate of authority is that a MEWA must be an
5 "arrangement." RCW 48.125.010(7) defines "arrangement" as a MEWA "that does not provide
6 for payment of benefits under the arrangement solely through a policy or policies of insurance
7 issued by one or more insurance companies licensed under this title." In other words, to be an
8 "arrangement," a MEWA must be self-funded. Since RCW 48.125.030(8) requires an
9 "arrangement" to be either 1) actively in existence since December 31, 2000, or 2) operating
10 continuously for at least ten years as of December 31, 2003, in order to be eligible for a
11 certificate of authority, this means that a MEWA must have a history of self-funded operation
12 for the specified period of time in order to be eligible for a certificate of authority. WTIA is
13 operating as a fully-insured MEWA and has no history of self-funded operation. Therefore,
14 WTIA cannot meet this requirement.

15 6. However, in case the chief presiding officer disagrees, I will also discuss how WTIA's
16 application did not meet the requirements of Chapter 48.125 RCW.

17 7. The OIC does not require a specific MEWA application form as there was no need to
18 design an application form after Chapter 48.125 RCW was implemented. The reason is that
19 MEWAs do not qualify for a certificate of authority if they do not meet the requirements set out
20 in Chapter 48.125 RCW, which includes the seasoning requirement discussed above. Any
21 "arrangements" in existence prior to December 31, 2003, were required to file a substantially
22 complete application by April 1, 2005. This is the first MEWA application that has been
23 submitted since I joined the OIC in April 2008. Other entities have inquired, but none met the
24 statutory requirements.

25 8. WTIA disputed our request for additional information and documentation and requested
26 that a decision be made by September 23, 2015. Eventually, WTIA re-submitted its original

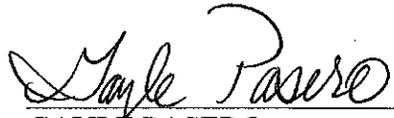
1 application on or about October 29, 2015, with only some corrections made. WTIA did not
2 provide all the information requested. Several deficiencies remained with the second
3 application. One of the primary issues was that WTIA promised to meet certain statutory
4 requirements *after* it was granted a certificate of authority. However, as I informed WTIA, all
5 requirements of RCW 48.125.030 through RCW 48.125.070 must be met *before* the OIC may
6 grant a certificate of authority to operate as a self-funded MEWA.

7 9. For instance, WTIA has not demonstrated that it will meet the minimum surplus
8 requirement of RCW 48.125.060. Thus, in order to be eligible for a certificate of authority as
9 a self-funded MEWA, an arrangement must continuously maintain “a surplus equal to at least
10 ten percent of the next twelve months projected incurred claims or two million dollars,
11 whichever is greater.” As noted above, this amount must be maintained *before* any certificate
12 of authority is granted. According to the Milliman report dated January 29, 2015, which was
13 provided by WTIA in support of its application, WTIA needs \$5.4 million in surplus as of
14 September 1, 2015, increasing to \$5.8 million as of September 1, 2016. It appears that WTIA’s
15 trust has reported reserves of \$2.3 million in the 2013 audited financial statement, a shortfall of
16 at least \$3 million. Thus, the documents and information provided by WTIA do not show that
17 WTIA has maintained the required surplus, and in fact, demonstrate that WTIA *has not* met the
18 requirements of RCW 48.125.060.

19 10. In light of the above, the substance of WTIA’s application was deficient and, therefore,
20 WTIA was properly denied a certificate of authority.

21 I declare under penalty of perjury under the laws of the State of Washington that the
22 foregoing is true and correct.

23 Dated this 21st day of January, 2016, at Tumwater, Washington.

24
25 
26 GAYLE PASERO
OIC Company Licensing Manager
Company Supervision Division