

HOUSE BILL REPORT

HB 1567

As Reported by House Committee On: Financial Institutions & Insurance

Title: An act relating to insurance.

Brief Description: Addressing insurance, generally.

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

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/29/09, 2/3/09 [DP].

Brief Summary of Bill

- Changes Medicare Supplement policy replacement standards.
- Requires the reporting of premiums for tax purposes to be consistent with the basis the insurer used to report in the insurer's annual statement.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 10 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, Roach, Santos and Simpson.

Staff: Jon Hedegard (786-7127)

Background:

The Insurance Commissioner (Commissioner) regulates insurance in this state.

Regulatory Assessments.

The Office of the Insurance Commissioner (OIC) is authorized to charge a sum against an insurer's premium volume to finance the OIC's operations. In 2007 the Legislature passed two different bills that impacted a statute providing for the fund mechanism that pays for the operation of the OIC. Those two bills did not reference each other. One bill (House Bill 1293) changed provisions related to health maintenance organizations. The other bill

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(Substitute Senate Bill 5919) changed the characterization of mechanism from "fee" to "surcharge," excluded the surcharge from the definition of "premium," provided a method of recouping the amount of surcharge and excluded the surcharge from the calculation of retaliatory taxes.

Washington assesses retaliatory taxes on a foreign (meaning out-of-state) insurer when the foreign insurer's state of domicile assesses higher aggregate taxes, fees, and assessments on insurance policies written by a Washington-domiciled insurer than Washington would otherwise assess on foreign insurers writing insurance in Washington. Generally, in determining whether a retaliatory tax should apply to a foreign insurer, states aggregate all taxes, fees, and assessments charged by the other state. However, states may exclude some fees and assessments from the retaliatory tax calculation. States may be more likely to exclude fees from their retaliatory tax calculations if the fees are assessments for special purposes or are fees that insurers are permitted to recoup from policyholders.

In 2008 the Legislature passed Engrossed Substitute House Bill 2765, the capital budget, allowing for the transfer of funds from the Commissioner's regulatory account to the State Heritage Center Account during the 2007-2009 fiscal biennium.

Securities.

In 2008 the Legislature passed a bill (House Bill 3011) that altered the regulatory framework for securities held by an insurer. One permitted method on holding securities is in the Treasury/Reserve Automated Debt Entry Securities System (TRADES).

Insurer Fiscal and Tax Reporting.

On or before March 1 of every year, domestic insurers must file an annual statement regarding the insurer's financial condition, transactions, and affairs with the OIC and the National Association of Insurance Commissioners (NAIC). Foreign (meaning out-of-state) and alien (meaning out-of-country) insurers must file an annual statement with the NAIC.

Insurers pay a premium tax to the OIC every year on or before March 1. The tax is in the amount of 2 percent of premiums. The OIC remits the money to the state treasurer. The money is then deposited into the General Fund.

In the annual statement, an insurer is to file a statement of premiums so collected or received according to a form prescribed by the OIC. In every statement, the reporting of premiums for tax purposes must be on a written basis or on a paid-for basis consistent with the basis required by the annual statement.

Medicare Supplement Insurance.

Medicare Supplement insurance is a type of health coverage intended to fill in the coverage gaps in the Medicare program. There are 12 standard policy options, called A through L, that provide coverage for a range of benefits. These Medicare Supplement policies are regulated by the Commissioner though standards are often set by the federal government.

Unless otherwise provided for in existing law, an issuer of a Medicare Supplement insurance policy or certificate providing coverage to a resident of this state issued on or after January 1, 1996 must issue coverage:

- under its standardized benefit plans B, C, D, E, F, G, K, and L without evidence of insurability to any eligible resident if the Medicare Supplement policy replaces another Medicare Supplement standardized benefit plan policy or certificate B, C, D, E, F, G, K, or L, or other more comprehensive coverage than the replacing policy; and
- under its standardized benefit plans A, H, I, and J without evidence of insurability to any eligible resident if the new Medicare Supplement policy is the same standardized plan as the replaced policy. After December 31, 2005, plans H, I, and J may be replaced only by the same plan if that plan has been modified to remove outpatient prescription drug coverage.

Summary of Bill:

Regulatory Assessments.

The language regarding permitted appropriations during the 2007-09 fiscal biennium is struck.

Securities.

An incorrect reference to "equity" is replaced with "entry" in the reference to Treasury/ Reserve Automated Debt Entry Securities System (TRADES).

Insurer Fiscal and Tax Reporting.

The reporting of premiums for tax purposes must be consistent with the basis the insurer used to report in the insurer's annual statement. The insurer may use a written or a paid-for basis.

Medicare Supplement Insurance.

The existing replacement provisions for policies written after January 1, 1996, apply to policies written until June 1, 2010.

Unless otherwise provided for in existing law, an issuer of a Medicare Supplement insurance policy or certificate providing coverage to a resident of this state issued on or after June 1, 2010, must issue coverage:

- under its standardized benefit plans B, C, D, E, F with high deductible, G, K, L, M, or N without evidence of insurability to any eligible resident if the Medicare Supplement policy or certificate replaces another Medicare Supplement policy or certificate or other more comprehensive coverage; and
- under its standardized benefit plans A without evidence of insurability to any resident of this state who is eligible for both Medicare hospital and physician services by reason of age or by reason of disability or end-stage renal disease, if the Medicare Supplement policy or certificate replaces another standardized plan A Medicare Supplement policy or certificate.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is the type of bill that we see each year that updates and corrects the insurance code. This bill fixes some incorrect language from recent laws and some issues concerning outdated language in the insurance code. It is a good little bill.

(Opposed) None.

Persons Testifying: Representative Kirby, prime sponsor; and Drew Bouton, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: None.