

SENATE BILL REPORT

ESHB 2548

As of February 21, 1996

Title: An act relating to establishing minimum loss ratios for health care service contractors and disability insurers.

Brief Description: Establishing minimum loss ratios for health care service contractors and disability insurers.

Sponsors: House Committee on Health Care (originally sponsored by Representatives Dyer, Morris and L. Thomas).

Brief History:

Committee Activity: Financial Institutions & Housing: 2/22/96.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Staff: Catherine Mele (786-7470)

Background: Health carriers are statutorily defined as disability insurers, health maintenance organizations, and health care service contractors. All are regulated by the office of the Insurance Commissioner. Health carriers provide or pay for health services in return for premiums.

Loss ratios compare the relationship between losses (benefits paid for or provided) and premiums. Premiums must be reasonably related to benefits provided.

The Insurance Commissioner has adopted rules regarding loss ratio requirements for individual disability insurance contracts and group disability insurance contracts. A similar rule for health care service contracts recently was repealed.

Summary of Bill: The Insurance Commissioner's existing rules regarding loss ratio requirements for individual disability insurance contracts and group disability insurance contracts and the former rule regarding health care service contracts are modified and codified in statute.

For individual disability insurance policies, the overall loss ratio is deemed reasonable if it is at least 65 percent over a period of time chosen by the insurer and satisfactory to the Insurance Commissioner. For group disability insurance policies, the loss ratio must be at least 75 percent for specified disease group insurance and between 60 percent and 80 percent for group policies, depending on size. Standards are provided for determining the applicable time period. The Insurance Commissioner may approve a series of smaller rate increases in lieu of one large increase. Disability insurers must review their experience periodically and file appropriate rate increase requests in a timely manner to avoid filing exceptionally large rate increases.

For health care service contractors, the anticipated loss ratio is deemed reasonable if it is at least 65 percent for individual subscriber contracts, 70 percent for franchise plan contracts, and 80 percent for group contracts. The commissioner may allow contracts, rider, and endorsement forms to be combined for purposes of determining the anticipated loss ratio, if they provide substantially similar coverage.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.