
HOUSE BILL 2548

State of Washington 54th Legislature 1996 Regular Session

By Representatives Dyer, Morris and L. Thomas

Read first time 01/12/96. Referred to Committee on Health Care.

1 AN ACT Relating to establishing minimum loss ratios for health care
2 service contractors and disability insurers; adding a new section to
3 chapter 48.44 RCW; adding a new section to chapter 48.21 RCW; and
4 adding a new section to chapter 48.20 RCW.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 48.44 RCW
7 to read as follows:

8 (1) Benefits shall be deemed reasonable in relation to amount
9 charged provided the anticipated loss ratio is at least:

- 10 (a) Sixty-five percent for individual subscriber contract forms;
11 (b) Seventy percent for franchise plan contract forms; and
12 (c) Eighty percent for group contract forms.

13 (2) With the approval of the commissioner, contract, rider, and
14 endorsement forms that provide substantially similar coverage may be
15 combined for the purpose of determining the anticipated loss ratio.

16 NEW SECTION. **Sec. 2.** A new section is added to chapter 48.21 RCW
17 to read as follows:

1 The following standards and requirements apply to group and blanket
2 disability insurance policy forms and manual rates:

3 (1) Specified disease group insurance shall generate at least a
4 seventy-five percent loss ratio regardless of the size of the group.

5 (2) Group disability insurance, other than specified disease
6 insurance, as to which the insureds pay all or substantially all of the
7 premium shall generate loss ratios no lower than those set forth in the
8 following table.

9 Number of Certificate Holders	Minimum Overall
10 at Issue, Renewal, or Rerating	Loss Ratio
11 9 or less	60%
12 10 to 24	65%
13 25 to 49	70%
14 50 to 99	75%
15 100 or more	80%

16 (3) Group disability policy forms, other than for specified disease
17 insurance, for issue to single employers insuring less than one hundred
18 lives shall generate loss ratios no lower than those set forth in
19 subsection (2) of this section for groups of the same size.

20 (4) The calculating period may vary with the benefit and premium
21 provisions. The company may be required to demonstrate the
22 reasonableness of the calculating period chosen by the actuary
23 responsible for the premium calculations.

24 (5) A request for a rate increase submitted at the end of the
25 calculating period shall include a comparison of the actual to the
26 expected loss ratios and shall employ any accumulation of reserves in
27 the determination of rates for the selected calculating period and
28 account for the maintenance of such reserves for future needs. The
29 request for the rate increase shall be further documented by the
30 expected loss ratio for the new calculating period.

31 (6) A request for a rate increase submitted during the calculating
32 period shall include a comparison of the actual to the expected loss
33 ratios, a demonstration of any contributions to or support from the
34 reserves, and shall account for the maintenance of such reserves for
35 future needs. If the experience justifies a premium increase it shall
36 be deemed that the calculating period has prematurely been brought to
37 an end. The rate increase shall further be documented by the expected
38 loss ratio for the next calculating period.

1 (7) The commissioner may approve a series of two or three smaller
2 rate increases in lieu of one larger increase. These should be
3 calculated to reduce the lapses and antiselection that often result
4 from large rate increases. A demonstration of such calculations,
5 whether for a single rate increase or a series of smaller rate
6 increases, satisfactory to the commissioner, shall be attached to the
7 filing.

8 (8) Companies shall review their experience periodically and file
9 appropriate rate revisions in a timely manner to reduce the necessity
10 of later filing of exceptionally large rate increases.

11 NEW SECTION. **Sec. 3.** A new section is added to chapter 48.20 RCW
12 to read as follows:

13 The following standards and requirements apply to individual
14 disability insurance forms:

15 (1) Benefits shall be deemed reasonable in relation to the premiums
16 if the overall loss ratio is at least sixty percent over a calculating
17 period chosen by the insurer and satisfactory to the commissioner.

18 (2) The calculating period may vary with the benefit and renewal
19 provisions. The company may be required to demonstrate the
20 reasonableness of the calculating period chosen by the actuary
21 responsible for the premium calculations. A brief explanation of the
22 selected calculating period shall accompany the filing.

23 (3) Policy forms, the benefits of which are particularly exposed to
24 the effects of inflation and whose premium income may be particularly
25 vulnerable to an eroding persistency and other similar forces, shall
26 use a relatively short calculating period reflecting the uncertainties
27 of estimating the risks involved. Policy forms based on more
28 dependable statistics may employ a longer calculating period. The
29 calculating period may be the lifetime of the contract for guaranteed
30 renewable and noncancellable policy forms if such forms provide
31 benefits that are supported by reliable statistics and that are
32 protected from inflationary or eroding forces by such factors as fixed
33 dollar coverages, inside benefit limits, or the inherent nature of the
34 benefits. The calculating period may be as short as one year for
35 coverages that are based on statistics of minimal reliability or that
36 are highly exposed to inflation.

37 (4) A request for a rate increase to be effective at the end of the
38 calculating period shall include a comparison of the actual to the

1 expected loss ratios, shall employ any accumulation of reserves in the
2 determination of rates for the new calculating period, and shall
3 account for the maintenance of such reserves for future needs. The
4 request for the rate increase shall be further documented by the
5 expected loss ratio for the new calculating period.

6 (5) A request for a rate increase submitted during the calculating
7 period shall include a comparison of the actual to the expected loss
8 ratios, a demonstration of any contributions to and support from the
9 reserves, and shall account for the maintenance of such reserves for
10 future needs. If the experience justifies a premium increase it shall
11 be deemed that the calculating period has prematurely been brought to
12 an end. The rate increase shall further be documented by the expected
13 loss ratio for the next calculating period.

14 (6) The commissioner may approve a series of two or three smaller
15 rate increases in lieu of one large increase. These should be
16 calculated to reduce lapses and anti-selection that often result from
17 large rate increases. A demonstration of such calculations, whether
18 for a single rate increase or for a series of smaller rate increases,
19 satisfactory to the commissioner, shall be attached to the filing.

20 (7) Companies shall review their experience periodically and file
21 appropriate rate revisions in a timely manner to reduce the necessity
22 of later filing of exceptionally large rate increases.

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