

SENATE BILL REPORT

SHB 1075

As of March 14, 2019

Title: An act relating to consumer competitive group insurance.

Brief Description: Concerning consumer competitive group insurance.

Sponsors: House Committee on Consumer Protection & Business (originally sponsored by Representatives Kirby and Vick).

Brief History: Passed House: 3/09/19, 95-1.

Committee Activity: Financial Institutions, Economic Development & Trade: 3/14/19.

Brief Summary of Bill

- Establishes that the Insurance Code's prohibition on offering rebates or inducements does not prohibit an insurer from issuing payment to offset documented expenses incurred by a group policy holder in changing coverage from one insurer to another.
- Requires the payment to be included in the calculation of the premium tax.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Staff: Clint McCarthy (786-7319)

Background: Group term life insurance is a benefit frequently offered by employers for their employees. Many employers provide, at no cost, a base amount of group coverage as well as the ability to purchase supplemental coverage through payroll deductions. The plans may also offer employees the option to purchase coverage for their spouses and children.

Insurers are prohibited from offering inducements to insureds and potential insureds. The types of prohibited inducements include a rebate, discount, abatement, reduction of premium, a commission, earnings, profit, dividends or any other valuable consideration. Exceptions to this statutory requirement include:

- marine insurers in connection with a discount that is sanctioned as being additional to the insurer's commission;

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- advertising or promotional programs conducted by insurers or insurance producers in which prizes, goods, gift cards, or merchandise, not exceeding \$100 in value per person in the aggregate in any 12-month period, are given to all insureds or prospective insureds under similar qualifying circumstances;
- certain health wellness programs conducted by a health carrier or disability insurer; and
- commissions paid to an insurance producer or title insurance agent for insurance placed on their own property or risk.

Summary of Bill: Payments by an insurer to offset documented expenses associated with changing coverages from one insurer to another are exempt from being considered an inducement in statute. These payments must be part of the insurance premium calculation by which the insurance premium tax is calculated. This exemption is not applicable to small groups as defined in statute.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: It can be uncomfortable having a disagreement between industry and state regulators. Implementation credits are a normal practice all over America. The HCA had a competitive bidding process that would have eliminated any carrier that did not provide implementation credits. The Office of Insurance Commissioner decided that implementation credits are inducements under current statute. These are not considered inducements in any other state. Implementation credits are not inducements, and this was never the intent.

OTHER: The Office of Insurance Commissioner does not believe all other states provide for implementation credits. Two states have prohibited implementation credits. The Office of Insurance Commissioner believes that there is more to be done in this area, but the Legislature has not put together a framework for implementation credits to work.

Persons Testifying: PRO: Representative Steve Kirby, Prime Sponsor; Mel Sorensen, American Council of Life Insurers; Steve Buckner, MetLife.

OTHER: Lonnie Johns-Brown, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: No one.