

SENATE BILL REPORT

SB 5065

As Reported by Senate Committee On:
Financial Institutions, Economic Development & Trade, February 7, 2019

Title: An act relating to consumer competitive group insurance.

Brief Description: Concerning consumer competitive group insurance.

Sponsors: Senators Hobbs and Wilson, L..

Brief History:

Committee Activity: Financial Institutions, Economic Development & Trade: 1/17/19, 2/07/19 [DPS-WM].

Brief Summary of First Substitute Bill

- Excludes payments by an insurer to offset documented expenses during a change in coverage for large groups from one insurer to another from being considered an inducement by an insurer, insurance producer, or title insurance agent.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Majority Report: That Substitute Senate Bill No. 5065 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Wilson, L., Ranking Member; Braun, Das, Ericksen and Hobbs.

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,

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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;
- 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 (First Substitute): Payments that offset documented expenses by a group policyholder when changing coverage from one insurer to another are excluded from the definition of an inducement concerning rebates and illegal inducements.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE COMMITTEE (First Substitute): The bill's applicability to Medicare supplemental insurance and insurance policies is removed. Implementation credits can only be used by large groups when changing from one insurer to another, and cannot be used when changing from one plan to another. Implementation credits are subject to the premium tax.

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: *The committee recommended a different version of the bill than what was heard.* PRO: An insurance company was trying to be responsive to a request for proposal (RFP) for a group insurance carrier. This change will allow for a level playing field. If you do not allow implementation credits, the incumbent will always be at an advantage in a competitive bidding process. Forty-eight other states allow implementation credits. Implementation credits make it so that the owner of a policy can seek to replace their incumbent, and to smooth the transition from the prior to the new coverage. Reprogramming computers and changing forms are examples of costs that need to be covered.

CON: No one from the Health Care Authority or Met Life Insurance spoke with the Office of the Insurance Commissioner (OIC) in advance of designing the RFP. The OIC is working with many state agencies. Met Life was fined \$7,000. The OIC wants to include all the costs of service within the premium tax, which goes into the general fund. The bill includes the ability to offer inducements between new plans, rather than the carrier. While 99.999 percent

of businesses are trustworthy, there is no mechanism to audit the use of these implementation credits and it is a potential opening for abuse.

Persons Testifying: PRO: Senator Steve Hobbs, Prime Sponsor; David Rose, MetLife; Steve Buckner, MetLife; Mel Sorensen, American Council of Life Insurers.

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

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