

HOUSE BILL REPORT

HB 2694

*As Reported By House Committee on:
Financial Institutions & Insurance*

Title: An act relating to cancellation and nonrenewal of individual health insurance policies.

Brief Description: Restricting the cancellation of certain health insurance policies.

Sponsor(s): Representatives Van Luven, Anderson, Mielke, Broback, Schmidt, Ferguson, Dorn, Zellinsky, Winsley, May, Wynne and Mitchell.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 4, 1992,
DPS.

**HOUSE COMMITTEE ON
FINANCIAL INSTITUTIONS & INSURANCE**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 12 members: Representatives Dellwo, Chair; Zellinsky, Vice Chair; Broback, Ranking Minority Member; Anderson; Dorn; Inslee; R. Johnson; R. Meyers; Paris; Schmidt; Scott; and Winsley.

Staff: John Conniff (786-7119).

Background: Insurance companies, health care service contractors, and health maintenance organizations issue individual policies, contracts, or agreements covering health care and are subject to differing rules with respect to the cancellation and nonrenewal of coverage. Generally, except for health care service contractors, no statutory provision prohibits a company from refusing to renew coverage when a covered person's health deteriorates or when the person files numerous claims. Health care service contractors are specifically prohibited from terminating a person's coverage when the person's health deteriorates.

Some companies, including health care service contractors, avoid rules restricting nonrenewal of policies by discontinuing the sale of a particular contract form. A company cannot renew a contract that it no longer sells.

After introducing a new contract form, individuals in poor health must either undergo health screening to obtain the new contract or may be offered only the contract that other individuals in poor health are offered thereby, isolating those constituting a high risk within a group that will be charged very high prices for continued coverage.

Summary of Substitute Bill: Every health insurance policy, contract, or agreement issued or renewed after December 31, 1992 must guarantee renewability. An insurer can cancel coverage for nonpayment of premiums or copayments owed to the company, for fraud or if the company obtains the insurance commissioner's approval to find equivalent coverage with another company.

The insurance commissioner must adopt rules prohibiting companies from introducing and using new contract forms which have the effect of isolating high risk persons under a prior or alternate contract form and subjecting them to substantial rate increases.

Substitute Bill Compared to Original Bill: Technical changes are made and insurer rights to cancel coverage are clarified.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The act applies to contracts issued, amended, or renewed after December 31, 1992.

Testimony For: Health care service contracts already follow these rules as do most other kinds of health care payors. Restricting nonrenewal will protect consumers.

Testimony Against: None.

Witnesses: (Pro): Mel Sorenson, Washington Physicians Service Blue Cross; Charles McNurlin, AARP; and J. Scott Jarvis, Insurance Commissioner's Office.