

SENATE BILL REPORT

SHB 2694

AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE,
FEBRUARY 28, 1992

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

SPONSORS: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Van Luven, Anderson, Mielke, Broback, Schmidt, Ferguson, Dorn, Zellinsky, Winsley, May, Wynne and Mitchell)

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended.

Signed by Senators von Reichbauer, Chairman; Erwin, Vice Chairman; McCaslin, Moore, Pelz, Rasmussen, Sellar, Vognild, and West.

Staff: Traci Anderson (786-7452)

Hearing Dates: February 27, 1992; February 28, 1992

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:

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.

Appropriation: none

Revenue: none

Fiscal Note: none requested

SUMMARY OF PROPOSED SENATE AMENDMENT:

A provision is added which allows insurers to decline to renew an insurance policy when the insurer is discontinuing all such policies in the state.

TESTIMONY FOR:

This bill will prevent those individuals with serious illnesses from losing their health insurance coverage.

TESTIMONY AGAINST: None

TESTIFIED: Representative Van Luven, prime sponsor; Diane Raynor, citizen; Jean Leonard, State Farm Insurance Company (amended bill); Charles McNurlin, AARP; Bruce Bishop, Kaiser Permanente