

**FINAL BILL REPORT**

**SSB 6193**

**C 226 L 92**

**SYNOPSIS AS ENACTED**

**Brief Description:** Providing for stop loss insurance.

**SPONSORS:** Senate Committee on Financial Institutions & Insurance (originally sponsored by Senators von Reichbauer and Pelz)

**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**BACKGROUND:**

Excess loss or "stop loss" insurance provides coverage for excess losses incurred by an employer that self-funds its employee health benefit plan. Thus, under this type of policy, the employer is responsible for funding a certain amount of every loss before the insurer covers losses over an agreed amount.

Until recently, both health and casualty insurance companies were able to offer stop loss insurance. However, pursuant to a recent bulletin, the Insurance Commissioner announced that stop loss policies could only be issued by casualty insurers, not health insurers. The commissioner reasoned that stop loss policies do not satisfy the statutory definition of disability insurance but do fall within the definition of casualty insurance.

While stop loss coverage protects the employer against large dollar losses, the coverage also relates to losses sustained under health insurance plans. As such, interest has been expressed in allowing health insurance companies to continue to provide stop loss coverage.

**SUMMARY:**

The definition of disability insurance is modified to include stop loss insurance sold to cover self-funded employee health benefit plans.

The definition of stop loss insurance distinguishes between individual and group stop loss insurance. No minimum coverage is specified for individual stop loss policies.

To satisfy the definition of group stop loss insurance, four provisions must be met. The stop loss policy must be issued to the sponsor of the plan and paid for by the plan's sponsor. The policy must specify a point at which coverage is provided for aggregate plan losses, and this point must be at least 120

percent of expected claims. The policy may provide a similar attaching point for individual claims. However, the attaching point for these individual claims may not be less than 5 percent of expected claims or \$100,000, whichever is less.

Group stop loss insurance is exempt from the provisions related to the state health insurance pool and Washington's Life and Disability Insurance Guaranty Association.

The provisions of this act apply to policies issued or renewed on or after July 1, 1992.

**VOTES ON FINAL PASSAGE:**

Senate	49	0
House	88	0

**EFFECTIVE:** June 11, 1992