

**SENATE BILL REPORT**

**SB 6193**

**AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE,  
FEBRUARY 7, 1992**

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

**SPONSORS:** Senators von Reichbauer and Pelz

**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** That Substitute Senate Bill No. 6193 be substituted therefor, and the substitute bill do pass.

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

**Staff:** Benson Porter (786-7470)

**Hearing Dates:** January 30, 1992; February 7, 1992

**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. Stop loss coverage may not provide coverage for losses under \$100,000 for any one claim nor less than \$250,000 for aggregate losses under a plan.

**EFFECT OF PROPOSED SUBSTITUTE:**

The definition of stop loss insurance is changed, indicating no minimum coverage for individual stop loss policies and modifying the limits for group stop loss policies.

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

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. This later attaching point may be no less than 5 percent of expected claims or \$100,000, whichever is less.

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

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:**

This bill is needed to allow disability companies to continue to write stop loss coverage. These companies are experienced in writing this type of policy and handling these claims.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Basil Badley, HIAA, ACLI (pro)