
SUBSTITUTE HOUSE BILL 1112

State of Washington

53rd Legislature

1993 Regular Session

By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Van Luven, Scott, Fuhrman, Dellwo, Reams, Mielke, Schmidt, Zellinsky, Franklin, Foreman, Wood, Brough and Miller)

Read first time 02/15/93.

1 AN ACT Relating to cancellation and nonrenewal of individual health
2 insurance policies; adding a new section to chapter 48.20 RCW; adding
3 a new section to chapter 48.44 RCW; and adding a new section to chapter
4 48.46 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 48.20 RCW
7 to read as follows:

8 With respect to individual disability policies issued or renewed on
9 or after July 1, 1994, that provide coverage against loss arising from
10 medical, surgical, hospital, or emergency care services:

11 (1) Policies shall guarantee continuity of coverage. Such
12 provision, which shall be included in every policy shall provide that:

13 (a) The policy may be canceled or nonrenewed without the prior
14 written approval of the commissioner only for nonpayment of premium or
15 as permitted under RCW 48.18.090; and

16 (b) The policy may be canceled or nonrenewed because of a change in
17 the physical or mental condition or health of a covered person only
18 with the prior written approval of the commissioner. Such approval
19 shall be granted only when the insurer has discharged its obligation to

1 continue coverage for such person by obtaining coverage with another
2 insurer, health care service contractor, or health maintenance
3 organization, which coverage is comparable in terms of premiums and
4 benefits as defined by rule of the commissioner.

5 (2) It is an unfair practice for a disability insurer to modify the
6 coverage provided or rates applying to an in-force disability insurance
7 policy and to fail to make such modification in all such issued and
8 outstanding policies.

9 (3) Subject to rules adopted by the commissioner, it is an unfair
10 practice for a disability insurer to:

11 (a) Cease the sale of a policy form unless it has received prior
12 written authorization from the commissioner and has offered all
13 policyholders covered under such discontinued policy the opportunity to
14 purchase equivalent coverage without health screening; or

15 (b) Engage in a practice which subjects policyholders to rate
16 increases on discontinued policy forms unless such policyholders are
17 offered the opportunity to purchase equivalent coverage without health
18 screening.

19 The insurer may limit an offer of equivalent coverage without
20 health screening to a period not less than thirty days from the date
21 the offer is first made.

22 NEW SECTION. **Sec. 2.** A new section is added to chapter 48.44 RCW
23 to read as follows:

24 With respect to all individual health care service contracts issued
25 or renewed on or after July 1, 1994, except limited health care service
26 contracts as defined in RCW 48.44.035:

27 (1) Contracts shall guarantee continuity of coverage. Such
28 provision, which shall be included in every contract shall provide
29 that:

30 (a) The contract may be canceled or nonrenewed without the prior
31 written approval of the commissioner only for nonpayment of premiums,
32 for violation of published policies of the contractor which have been
33 approved by the commissioner, for persons who are entitled to become
34 eligible for medicare benefits and fail to subscribe to a medicare
35 supplement plan offered by the contractor, for failure of such
36 subscriber to pay any deductible or copayment amount owed to the
37 contractor and not the provider of health care services, or for a
38 material breach of the contract; and

1 (b) The contract may be canceled or nonrenewed because of a change
2 in the physical or mental condition or health of a covered person only
3 with the prior written approval of the commissioner. Such approval
4 shall be granted only when the contractor has discharged its obligation
5 to continue coverage for such person by obtaining coverage with another
6 insurer, health care service contractor, or health maintenance
7 organization, which coverage is comparable in terms of premiums and
8 benefits as defined by rule of the commissioner.

9 (2) It is an unfair practice for a contractor to modify the
10 coverage provided or rates applying to an in-force contract and to fail
11 to make such modification in all such issued and outstanding contracts.

12 (3) Subject to rules adopted by the commissioner, it is an unfair
13 practice for a health care service contractor to:

14 (a) Cease the sale of a contract form unless it has received prior
15 written authorization from the commissioner and has offered all
16 subscribers covered under such discontinued contract the opportunity to
17 purchase equivalent coverage without health screening; or

18 (b) Engage in a practice which subjects subscribers to rate
19 increases on discontinued contract forms unless such subscribers are
20 offered the opportunity to purchase equivalent coverage without health
21 screening.

22 The health care service contractor may limit an offer of equivalent
23 coverage without health screening to a period not less than thirty days
24 from the date the offer is first made.

25 NEW SECTION. **Sec. 3.** A new section is added to chapter 48.46 RCW
26 to read as follows:

27 With respect to all individual health maintenance agreements issued
28 or renewed on or after July 1, 1994, and in addition to the
29 restrictions and limitations contained in RCW 48.46.060(4):

30 (1) Agreements shall guarantee continuity of coverage. Such
31 provision, which shall be included in every agreement shall provide
32 that the agreement may be canceled or nonrenewed because of a change in
33 the physical or mental condition or health of a covered person only
34 with the prior written approval of the commissioner. Such approval
35 shall be granted only when the organization has discharged its
36 obligation to continue coverage for such person by obtaining coverage
37 with another insurer, health care service contractor, or health

1 maintenance organization, which coverage is comparable in terms of
2 premiums and benefits as defined by rule of the commissioner.

3 (2) It is an unfair practice for an organization to modify the
4 coverage provided or rates applying to an in-force agreement and to
5 fail to make such modification in all such issued and outstanding
6 agreements.

7 (3) Subject to rules adopted by the commissioner, it is an unfair
8 practice for a health maintenance organization to:

9 (a) Cease the sale of an agreement form unless it has received
10 prior written authorization from the commissioner and has offered all
11 enrollees covered under such discontinued agreement the opportunity to
12 purchase equivalent coverage without health screening; or

13 (b) Engage in a practice which subjects enrollees to rate increases
14 on discontinued agreement forms unless such enrollees are offered the
15 opportunity to purchase equivalent coverage without health screening.

16 The health maintenance organization may limit an offer of
17 equivalent coverage without health screening to a period not less than
18 thirty days from the date the offer is first made.

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