

# HOUSE BILL REPORT

## SSB 6193

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

**Title:** An act relating to stop loss insurance.

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

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

**Brief History:**

Reported by House Committee on:  
Financial Institutions & Insurance, February 25, 1992,  
DP.

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**HOUSE COMMITTEE ON  
FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** *Do pass.* Signed by 9 members:  
Representatives Dellwo, Chair; Broback, Ranking Minority  
Member; Mielke, Assistant Ranking Minority Member; Anderson;  
Inslee; R. Johnson; Paris; Schmidt; and Winsley.

**Staff:** John Conniff (786-7119).

**Background:** Health insurance companies frequently provide excess of loss or "stop loss" insurance to private employers who self-fund their employees' health and welfare benefit plans. The coverage is designed to insulate the employer from large losses either on a per claim or aggregate claims basis. The coverage works as a deductible might under a personal auto policy. The employer is responsible for funding a certain amount of every loss while the insurer covers anything over the agreed amount.

Technically, stop loss insurance can be viewed as a casualty or liability coverage, since the health insurance company is not directly providing health insurance but rather, is protecting the employer from exposure to large dollar losses. However, such coverage can be viewed as health insurance coverage, since the liability assumed by the health insurance company relates only to losses sustained under a health insurance plan. The ambiguity may prevent health insurance companies from continuing to provide stop loss insurance to employer self-funded health plans because

disability insurers are not authorized to sell property or casualty coverage.

**Summary of Bill:** Disability insurance is defined to include stop loss insurance sold to cover self-funded employee health benefit plans. Stop loss coverage is excluded from laws governing mandated health benefits, from the state high risk health pool, and from the life and health insurance guaranty association. Stop loss coverage must provide coverage and payments only to the employer, trustee, or other sponsor of the self-funded employee benefit plan. Such coverage may not extend to losses under 120 percent of the expected claims in the aggregate and may not extend to losses under 5 percent of the expected claims or \$100,000 for individual claims whichever is less.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** None.

**Testimony Against:** None.

**Witnesses:** None.