

HOUSE BILL REPORT

HB 1112

As Passed House
March 1, 1993

Title: An act relating to cancellation and nonrenewal of individual health insurance policies.

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

Sponsors: Representatives Van Luven, Scott, Fuhrman, Dellwo, Reams, Mielke, Schmidt, Zellinsky, Franklin, Foreman, Wood, Brough and Miller.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 11, 1993,
DPS;
Passed House, March 1, 1993, 91-0.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Zellinsky, Chair; Scott, Vice Chair; Dyer, Assistant Ranking Minority Member; Anderson; Dellwo; Grant; R. Johnson; Kessler; Kremen; Lemmon; R. Meyers; Reams; Schmidt; and Tate.

Staff: John Conniff (786-7119).

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. The insurance code prohibits a company from refusing to renew coverage when a covered person's health deteriorates.

Some companies avoid problems with rules restricting nonrenewals by discontinuing the sale of a particular contract form. A company cannot renew a contract 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 isolated with those constituting a high risk who are charged high prices

for continued coverage. These practices are known as "blocking."

Summary of Bill: Every health insurance policy, contract, or agreement issued or renewed after December 31, 1993 must contain a provision guaranteeing renewability, except for nonpayment of premiums or breach of contract. An insurer can cancel coverage only after 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 subject to substantial rate increases.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill applies to contracts issued, amended, or renewed after December 31, 1993.

Testimony For: None.

Testimony Against: None.

Witnesses: None.