

HOUSE BILL REPORT

HB 1112

As Reported By House Committee On:
Financial Institutions & Insurance

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.

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 Substitute Bill: Every health insurance policy, contract, or agreement issued or renewed on or after July 1, 1994, must contain a provision guaranteeing renewability. Except for nonpayment of premiums and breach of contract, a company cannot cancel coverage until the company obtains the Insurance Commissioner's approval. Approval can be granted only after the company finds equivalent coverage with another company.

The Insurance Commissioner must adopt rules prohibiting companies from introducing and using new contract forms or rates which have the effect of isolating high risk persons under a prior or alternate contract form subject to substantial rate increases.

Substitute Bill Compared to Original Bill: Technical corrections are made and procedures for cancellation and nonrenewal are clarified.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect July 1, 1994.

Testimony For: None.

Testimony Against: None.

Witnesses: None.