

SENATE BILL REPORT

HB 1112

AS OF MARCH 24, 1993

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

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON HEALTH & HUMAN SERVICES

Staff: Shannon Murphy (786-7483)

Hearing Dates: March 26, 1993

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 individuals constituting a high risk who are charged high prices for continued coverage.

SUMMARY:

Individual disability policies issued or renewed on or after July 1, 1994, may be canceled or not renewed without the permission of the Insurance Commissioner, only when the individual has not paid the premium or through intentional misrepresentation by the insured on the insurance contract.

Individual health care service contracts issued or renewed on or after July 1, 1994, may be canceled or nonrenewed without the permission of the Insurance Commissioner only for: nonpayment of premiums; violation of published policies of the contractor, becoming eligible for Medicare and failing to subscribe to Medicare, failure to pay a deductible or copayment owed to the contractor, or for breach of contract.

Individual disability policies, individual health care service contracts and individual health maintenance agreements are required to guarantee continuity of coverage. These policies may be canceled because of a change in mental or physical condition of the insured only with the Insurance Commissioner's written approval. The commissioner can only grant approval when the insurance provider has obtained other comparable coverage for the formerly insured.

Under these policies it is an unfair practice for an insurance carrier to discontinue policies without providing the opportunity to purchase equivalent coverage without health screening. It is also an unfair practice to subject a policyholder to rate increases on discontinued policies unless policyholders are offered the opportunity to purchase equivalent coverage without health screening.

Under these policies the insurer may not limit the time period for obtaining equivalent coverage without health screening to under 30 days.

Appropriation:

Revenue:

Fiscal Note: none requested

Effective Date: