
HOUSE BILL 1716

State of Washington

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By Representatives Cody, Campbell, Schual-Berke, Moeller, Edwards and Morrell

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1 AN ACT Relating to insurance loss ratios; and amending RCW
2 48.20.025, 48.44.017, and 48.46.062.

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

4 **Sec. 1.** RCW 48.20.025 and 2001 c 196 s 1 are each amended to read
5 as follows:

6 (1) The definitions in this subsection apply throughout this
7 section unless the context clearly requires otherwise.

8 (a) "Claims" means the cost to the insurer of health care services,
9 as defined in RCW 48.43.005, provided to a policyholder or paid to or
10 on behalf of the policyholder in accordance with the terms of a health
11 benefit plan, as defined in RCW 48.43.005. This includes capitation
12 payments or other similar payments made to providers for the purpose of
13 paying for health care services for a policyholder.

14 (b) "Claims reserves" means: (i) The liability for claims which
15 have been reported but not paid; (ii) the liability for claims which
16 have not been reported but which may reasonably be expected; (iii)
17 active life reserves; and (iv) additional claims reserves whether for
18 a specific liability purpose or not.

1 (c) "Earned premiums" means premiums, as defined in RCW 48.43.005,
2 plus any rate credits or recoupments less any refunds, for the
3 applicable period, whether received before, during, or after the
4 applicable period.

5 (d) "Incurred claims expense" means claims paid during the
6 applicable period plus any increase, or less any decrease, in the
7 claims reserves.

8 (e) "Loss ratio" means incurred claims expense as a percentage of
9 earned premiums.

10 (f) "Reserves" means: (i) Active life reserves; and (ii)
11 additional reserves whether for a specific liability purpose or not.

12 (2) An insurer shall file(~~(, for informational purposes only,)~~) a
13 notice of its schedule of rates for its individual health benefit plans
14 with the commissioner prior to use.

15 (3) An insurer shall file with the notice required under subsection
16 (2) of this section supporting documentation of its method of
17 determining the rates charged. The commissioner may request only the
18 following supporting documentation:

19 (a) A description of the insurer's rate-making methodology;

20 (b) An actuarially determined estimate of incurred claims which
21 includes the experience data, assumptions, and justifications of the
22 insurer's projection;

23 (c) The percentage of premium attributable in aggregate for
24 nonclaims expenses used to determine the adjusted community rates
25 charged; and

26 (d) A certification by a member of the American academy of
27 actuaries, or other person approved by the commissioner, that the
28 adjusted community rate charged can be reasonably expected to result in
29 a loss ratio that meets or exceeds the loss ratio standard established
30 in subsection (7) of this section.

31 (4) The commissioner may (~~not~~) disapprove or otherwise (~~impede~~)
32 review the implementation of the filed rates if the commissioner finds
33 that the rates are not adequately justified or that the rates fail to
34 meet the requirements of RCW 48.20.028.

35 (5) By the last day of May each year any insurer issuing or
36 renewing individual health benefit plans in this state during the
37 preceding calendar year shall file for review by the commissioner
38 supporting documentation of its actual loss ratio for its individual

1 health benefit plans offered or renewed in the state in aggregate for
2 the preceding calendar year. The filing shall include aggregate earned
3 premiums, aggregate incurred claims, and a certification by a member of
4 the American academy of actuaries, or other person approved by the
5 commissioner, that the actual loss ratio has been calculated in
6 accordance with accepted actuarial principles.

7 (a) At the expiration of a thirty-day period beginning with the
8 date the filing is received by the commissioner, the filing shall be
9 deemed approved unless prior thereto the commissioner contests the
10 calculation of the actual loss ratio.

11 (b) If the commissioner contests the calculation of the actual loss
12 ratio, the commissioner shall state in writing the grounds for
13 contesting the calculation to the insurer.

14 (c) Any dispute regarding the calculation of the actual loss ratio
15 shall, upon written demand of either the commissioner or the insurer,
16 be submitted to hearing under chapters 48.04 and 34.05 RCW.

17 (6) If the actual loss ratio for the preceding calendar year is
18 less than the loss ratio established in subsection (7) of this section,
19 a remittance is due and the following shall apply:

20 (a) The insurer shall calculate a percentage of premium to be
21 remitted to the Washington state health insurance pool by subtracting
22 the actual loss ratio for the preceding year from the loss ratio
23 established in subsection (7) of this section.

24 (b) The remittance to the Washington state health insurance pool is
25 the percentage calculated in (a) of this subsection, multiplied by the
26 premium earned from each enrollee in the previous calendar year.
27 Interest shall be added to the remittance due at a five percent annual
28 rate calculated from the end of the calendar year for which the
29 remittance is due to the date the remittance is made.

30 (c) All remittances shall be aggregated and such amounts shall be
31 remitted to the Washington state high risk pool to be used as directed
32 by the pool board of directors.

33 (d) Any remittance required to be issued under this section shall
34 be issued within thirty days after the actual loss ratio is deemed
35 approved under subsection (5)(a) of this section or the determination
36 by an administrative law judge under subsection (5)(c) of this section.

37 (7) The loss ratio applicable to this section shall be (~~seventy-~~

1 ~~four~~) seventy-seven percent minus the premium tax rate applicable to
2 the insurer's individual health benefit plans under RCW 48.14.0201.

3 **Sec. 2.** RCW 48.44.017 and 2001 c 196 s 11 are each amended to read
4 as follows:

5 (1) The definitions in this subsection apply throughout this
6 section unless the context clearly requires otherwise.

7 (a) "Claims" means the cost to the health care service contractor
8 of health care services, as defined in RCW 48.43.005, provided to a
9 contract holder or paid to or on behalf of a contract holder in
10 accordance with the terms of a health benefit plan, as defined in RCW
11 48.43.005. This includes capitation payments or other similar payments
12 made to providers for the purpose of paying for health care services
13 for an enrollee.

14 (b) "Claims reserves" means: (i) The liability for claims which
15 have been reported but not paid; (ii) the liability for claims which
16 have not been reported but which may reasonably be expected; (iii)
17 active life reserves; and (iv) additional claims reserves whether for
18 a specific liability purpose or not.

19 (c) "Earned premiums" means premiums, as defined in RCW 48.43.005,
20 plus any rate credits or recoupments less any refunds, for the
21 applicable period, whether received before, during, or after the
22 applicable period.

23 (d) "Incurred claims expense" means claims paid during the
24 applicable period plus any increase, or less any decrease, in the
25 claims reserves.

26 (e) "Loss ratio" means incurred claims expense as a percentage of
27 earned premiums.

28 (f) "Reserves" means: (i) Active life reserves; and (ii)
29 additional reserves whether for a specific liability purpose or not.

30 (2) A health care service contractor shall file(~~(, for~~
31 ~~informational purposes only,~~) a notice of its schedule of rates for
32 its individual contracts with the commissioner prior to use.

33 (3) A health care service contractor shall file with the notice
34 required under subsection (2) of this section supporting documentation
35 of its method of determining the rates charged. The commissioner may
36 request only the following supporting documentation:

1 (a) A description of the health care service contractor's rate-
2 making methodology;

3 (b) An actuarially determined estimate of incurred claims which
4 includes the experience data, assumptions, and justifications of the
5 health care service contractor's projection;

6 (c) The percentage of premium attributable in aggregate for
7 nonclaims expenses used to determine the adjusted community rates
8 charged; and

9 (d) A certification by a member of the American academy of
10 actuaries, or other person approved by the commissioner, that the
11 adjusted community rate charged can be reasonably expected to result in
12 a loss ratio that meets or exceeds the loss ratio standard established
13 in subsection (7) of this section.

14 (4) The commissioner may (~~not~~) disapprove or otherwise (~~impede~~)
15 review the implementation of the filed rates if the commissioner finds
16 that the rates are not adequately justified or that the rates fail to
17 meet the requirements of RCW 48.44.022.

18 (5) By the last day of May each year any health care service
19 contractor issuing or renewing individual health benefit plans in this
20 state during the preceding calendar year shall file for review by the
21 commissioner supporting documentation of its actual loss ratio for its
22 individual health benefit plans offered or renewed in this state in
23 aggregate for the preceding calendar year. The filing shall include
24 aggregate earned premiums, aggregate incurred claims, and a
25 certification by a member of the American academy of actuaries, or
26 other person approved by the commissioner, that the actual loss ratio
27 has been calculated in accordance with accepted actuarial principles.

28 (a) At the expiration of a thirty-day period beginning with the
29 date the filing is received by the commissioner, the filing shall be
30 deemed approved unless prior thereto the commissioner contests the
31 calculation of the actual loss ratio.

32 (b) If the commissioner contests the calculation of the actual loss
33 ratio, the commissioner shall state in writing the grounds for
34 contesting the calculation to the health care service contractor.

35 (c) Any dispute regarding the calculation of the actual loss ratio
36 shall upon written demand of either the commissioner or the health care
37 service contractor be submitted to hearing under chapters 48.04 and
38 34.05 RCW.

1 (6) If the actual loss ratio for the preceding calendar year is
2 less than the loss ratio standard established in subsection (7) of this
3 section, a remittance is due and the following shall apply:

4 (a) The health care service contractor shall calculate a percentage
5 of premium to be remitted to the Washington state health insurance pool
6 by subtracting the actual loss ratio for the preceding year from the
7 loss ratio established in subsection (7) of this section.

8 (b) The remittance to the Washington state health insurance pool is
9 the percentage calculated in (a) of this subsection, multiplied by the
10 premium earned from each enrollee in the previous calendar year.
11 Interest shall be added to the remittance due at a five percent annual
12 rate calculated from the end of the calendar year for which the
13 remittance is due to the date the remittance is made.

14 (c) All remittances shall be aggregated and such amounts shall be
15 remitted to the Washington state high risk pool to be used as directed
16 by the pool board of directors.

17 (d) Any remittance required to be issued under this section shall
18 be issued within thirty days after the actual loss ratio is deemed
19 approved under subsection (5)(a) of this section or the determination
20 by an administrative law judge under subsection (5)(c) of this section.

21 (7) The loss ratio applicable to this section shall be (~~seventy-~~
22 ~~four~~) seventy-seven percent minus the premium tax rate applicable to
23 the health care service contractor's individual health benefit plans
24 under RCW 48.14.0201.

25 **Sec. 3.** RCW 48.46.062 and 2001 c 196 s 12 are each amended to read
26 as follows:

27 (1) The definitions in this subsection apply throughout this
28 section unless the context clearly requires otherwise.

29 (a) "Claims" means the cost to the health maintenance organization
30 of health care services, as defined in RCW 48.43.005, provided to an
31 enrollee or paid to or on behalf of the enrollee in accordance with the
32 terms of a health benefit plan, as defined in RCW 48.43.005. This
33 includes capitation payments or other similar payments made to
34 providers for the purpose of paying for health care services for an
35 enrollee.

36 (b) "Claims reserves" means: (i) The liability for claims which
37 have been reported but not paid; (ii) the liability for claims which

1 have not been reported but which may reasonably be expected; (iii)
2 active life reserves; and (iv) additional claims reserves whether for
3 a specific liability purpose or not.

4 (c) "Earned premiums" means premiums, as defined in RCW 48.43.005,
5 plus any rate credits or recoupments less any refunds, for the
6 applicable period, whether received before, during, or after the
7 applicable period.

8 (d) "Incurred claims expense" means claims paid during the
9 applicable period plus any increase, or less any decrease, in the
10 claims reserves.

11 (e) "Loss ratio" means incurred claims expense as a percentage of
12 earned premiums.

13 (f) "Reserves" means: (i) Active life reserves; and (ii)
14 additional reserves whether for a specific liability purpose or not.

15 (2) A health maintenance organization shall file(~~(, for~~
16 ~~informational purposes only,)~~) a notice of its schedule of rates for
17 its individual agreements with the commissioner prior to use.

18 (3) A health maintenance organization shall file with the notice
19 required under subsection (2) of this section supporting documentation
20 of its method of determining the rates charged. The commissioner may
21 request only the following supporting documentation:

22 (a) A description of the health maintenance organization's rate-
23 making methodology;

24 (b) An actuarially determined estimate of incurred claims which
25 includes the experience data, assumptions, and justifications of the
26 health maintenance organization's projection;

27 (c) The percentage of premium attributable in aggregate for
28 nonclaims expenses used to determine the adjusted community rates
29 charged; and

30 (d) A certification by a member of the American academy of
31 actuaries, or other person approved by the commissioner, that the
32 adjusted community rate charged can be reasonably expected to result in
33 a loss ratio that meets or exceeds the loss ratio standard established
34 in subsection (7) of this section.

35 (4) The commissioner may (~~not~~) disapprove or otherwise (~~impede~~)
36 review the implementation of the filed rates if the commissioner finds
37 that the rates are not adequately justified or that the rates fail to
38 meet the requirements of RCW 48.46.064.

1 (5) By the last day of May each year any health maintenance
2 organization issuing or renewing individual health benefit plans in
3 this state during the preceding calendar year shall file for review by
4 the commissioner supporting documentation of its actual loss ratio for
5 its individual health benefit plans offered or renewed in the state in
6 aggregate for the preceding calendar year. The filing shall include
7 aggregate earned premiums, aggregate incurred claims, and a
8 certification by a member of the American academy of actuaries, or
9 other person approved by the commissioner, that the actual loss ratio
10 has been calculated in accordance with accepted actuarial principles.

11 (a) At the expiration of a thirty-day period beginning with the
12 date the filing is received by the commissioner, the filing shall be
13 deemed approved unless prior thereto the commissioner contests the
14 calculation of the actual loss ratio.

15 (b) If the commissioner contests the calculation of the actual loss
16 ratio, the commissioner shall state in writing the grounds for
17 contesting the calculation to the health maintenance organization.

18 (c) Any dispute regarding the calculation of the actual loss ratio
19 shall, upon written demand of either the commissioner or the health
20 maintenance organization, be submitted to hearing under chapters 48.04
21 and 34.05 RCW.

22 (6) If the actual loss ratio for the preceding calendar year is
23 less than the loss ratio standard established in subsection (7) of this
24 section, a remittance is due and the following shall apply:

25 (a) The health maintenance organization shall calculate a
26 percentage of premium to be remitted to the Washington state health
27 insurance pool by subtracting the actual loss ratio for the preceding
28 year from the loss ratio established in subsection (7) of this section.

29 (b) The remittance to the Washington state health insurance pool is
30 the percentage calculated in (a) of this subsection, multiplied by the
31 premium earned from each enrollee in the previous calendar year.
32 Interest shall be added to the remittance due at a five percent annual
33 rate calculated from the end of the calendar year for which the
34 remittance is due to the date the remittance is made.

35 (c) All remittances shall be aggregated and such amounts shall be
36 remitted to the Washington state high risk pool to be used as directed
37 by the pool board of directors.

1 (d) Any remittance required to be issued under this section shall
2 be issued within thirty days after the actual loss ratio is deemed
3 approved under subsection (5)(a) of this section or the determination
4 by an administrative law judge under subsection (5)(c) of this section.

5 (7) The loss ratio applicable to this section shall be (~~seventy-~~
6 ~~four~~) seventy-seven percent minus the premium tax rate applicable to
7 the health maintenance organization's individual health benefit plans
8 under RCW 48.14.0201.

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