
Financial Institutions & Insurance Committee

HB 1567

Brief Description: Addressing insurance, generally.

Sponsors: Representatives Bailey, Kirby and Roach; by request of Insurance Commissioner.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Changes Medicare Supplement policy replacement standards.• Requires the reporting of premiums for tax purposes to be consistent with the basis the insurer used to report in the insurer's annual statement.

Hearing Date: 1/29/09

Staff: Jon Hedegard (786-7127)

Background:

The Insurance Commissioner (Commissioner) regulates insurance in this state.

Regulatory Assessments

The Office of the Insurance Commissioner (OIC) is authorized to charge a sum against an insurer's premium volume to finance the OIC's operations. In 2007, the Legislature passed two different bills that impacted a statute providing for the fund mechanism that pays for the operation of the OIC. Those two bills did not reference each other. One bill (HB 1293) changed provisions related to health maintenance organizations. The other bill (SSB 5919) changed the characterization of mechanism from "fee" to "surcharge," excluded the surcharge from the definition of "premium," provided a method of recouping the amount of surcharge and excluded the surcharge from the calculation of retaliatory taxes.

Washington assesses retaliatory taxes on foreign (meaning out-of-state) insurers when the foreign insurer's state of domicile assesses higher aggregate taxes, fees, and assessments on

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insurance policies written by a Washington-domiciled insurers than the state would otherwise assess on foreign insurers writing insurance in Washington. Generally, in determining whether a retaliatory tax should apply to a foreign insurer, states aggregate all taxes, fees, and assessments charged by the other state. However, states may exclude some fees and assessments from the retaliatory tax calculation. States may be more likely to exclude fees from their retaliatory tax calculations if the fees are assessments for special purposes or are fees that insurers are permitted to recoup from policyholders.

In 2008, the Legislature passed ESHB 2765, the capital budget, allowing for the transfer of funds from the Commissioner's regulatory account to the state heritage center account during the 2007-2009 fiscal biennium.

Securities

In 2008, the Legislature passed a bill (HB 3011) that altered the regulatory framework for securities held by an insurer. One permitted method one holding securities is in the Treasury/ Reserve Automated Debt Entry Securities System (TRADES).

Insurer Fiscal and Tax Reporting

On or before March 1 of every year, domestic insurers must file an annual statement regarding the insurer's financial condition, transactions, and affairs with the OIC and the National Association of Insurance Commissioners (NAIC). Foreign (meaning out of-state) and alien (meaning out of-country) insurers must file an annual statement with the NAIC.

Insurers pay a premium tax to the OIC every year on or before March 1. The tax is in the amount of two percent of premiums. The OIC remits the money to the State Treasurer. The money is then deposited into the General Fund.

In the annual statement, an insurer is to file a statement of premiums so collected or received according to a form prescribed by the OIC. In every statement, the reporting of premiums for tax purposes must be on a written basis or on a paid-for basis consistent with the basis required by the annual statement.

Medicare Supplement Insurance

Medicare Supplement insurance is a type of health coverage intended to fill in the coverage gaps in the Medicare program. There are 12 standard policy options, called A through L, that provide coverage for a range of benefits. These Medicare Supplement policies are regulated by the Commissioner though standards are often set by the federal government.

Unless otherwise provided for in existing law, an issuer of a Medicare Supplement insurance policy or certificate providing coverage to a resident of this state issued on or after January 1, 1996 must issue coverage:

- under its standardized benefit plans B, C, D, E, F, G, K, and L without evidence of insurability to any eligible resident if the Medicare Supplement policy replaces another Medicare Supplement standardized benefit plan policy or certificate B, C, D, E, F, G, K, or L, or other more comprehensive coverage than the replacing policy; and
- under its standardized benefit plans A, H, I, and J without evidence of insurability to any eligible resident if the new Medicare Supplement policy is the same standardized plan as the replaced policy. After December 31, 2005, plans H, I, and J may be replaced only by

the same plan if that plan has been modified to remove outpatient prescription drug coverage.

Summary of Bill:

Regulatory Assessments

The language regarding permitted appropriations during the 2007-09 fiscal biennium is struck.

Securities

An incorrect reference to "equity" is replaced with "entry" in the reference to Treasury/Reserve Automated Debt Entry Securities System (TRADES).

Insurer Fiscal and Tax Reporting

The reporting of premiums for tax purposes must be consistent with the basis the insurer used to report in the insurer's annual statement. The insurer may use a written or a paid-for basis.

Medicare Supplement Insurance

The existing replacement provisions for policies written after January 1, 1996 apply to policies written until June 1, 2010.

Unless otherwise provided for in existing law, an issuer of a Medicare Supplement insurance policy or certificate providing coverage to a resident of this state issued on or after June 1, 2010, must issue coverage:

- under its standardized benefit plans B, C, D, E, F with high deductible, G, K, L, M, or N without evidence of insurability to any eligible resident if the Medicare Supplement policy or certificate replaces another Medicare Supplement policy or certificate or other more comprehensive coverage; and
- under its standardized benefit plans A without evidence of insurability to any resident of this state who is eligible for both Medicare hospital and physician services by reason of age or by reason of disability or end-stage renal disease, if the Medicare Supplement policy or certificate replaces another standardized plan A Medicare Supplement policy or certificate.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.