
Business & Financial Services Committee

HB 1709

Brief Description: Making certain lines of group disability insurance more available.

Sponsors: Representatives Kirby and Bailey.

Brief Summary of Bill

- Creates a new type of group that may be offered certain insurance coverages under a group policy.

Hearing Date: 2/8/11

Staff: Jon Hedegard (786-7127).

Background:

The Office of the Insurance Commissioner (OIC) regulates insurance transactions in Washington. This includes group disability insurance policies that are issued or delivered in Washington. The OIC ensures that the rates and forms comply with the requirement of the Insurance Code. There are certain standard provisions for group disability policies.

Under state law, a group disability policy may only insure members of specified types of groups and the dependents of the members. The group is the policyholder and is required to pay the premiums on the policies. An insured person may be able to contribute funds to the premiums. A person must be a member to be insured under the group policy. These groups are:

- employee groups;
- credit union groups;
- debtor groups;
- associations which have: (1) been in active existence for at least one year; (2) a constitution and bylaws; and (3) been organized and maintained in good faith for purposes other than that of obtaining insurance;
- labor union groups;
- public employee associations;

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- trustee groups;
- insurance producer groups;
- the Washington State Patrol;
- financial institutions; and
- corporations with at least five hundred subscribers that exist for the primary purpose of assisting subscribers in securing medical, hospital, dental, and other health care services.

While used in the Insurance Code, "disability income insurance," "accident only coverage," "dental only coverage," and "vision only coverage" are not defined terms. Disability income insurance is generally considered to be insurance that provides payment when the insured is unable to work due to illness or injury. Benefits are usually provided on a monthly basis so that individuals can maintain their standard of living and continue to pay their regular expenses. Accident only insurance is generally considered to be insurance that pays an insured a stated benefit in the event of injury or death due to accidental means. It does not provide benefits related to sickness or natural causes. Dental-only coverage and vision-only coverage solely provide benefits related to dental and vision conditions, respectively.

Summary of Bill:

Disability income insurance, accident only coverage, dental only coverage and vision only coverage may be offered under a group policy to a group other than a group currently in statute if the Insurance Commissioner (Commissioner) finds that:

- the issuance of the group policy is not contrary to the best interest of the public;
- the issuance of the group policy would result in economies of acquisition or administration; and
- the benefits are reasonable in relation to the premiums charged.

Group coverage for disability income insurance, accident only coverage, dental only coverage and vision only coverage under a policy issued in another state may not be offered by this type of group in this state unless:

- the other state has requirements substantially similar to those in the bill; and
- the Commissioner or the insurance commissioner of the other state has determined that those requirements have been met.

Appropriation: None.

Fiscal Note: Available.

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