

HOUSE BILL REPORT

HB 1709

As Passed Legislature

Title: An act relating to group disability insurance.

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

Sponsors: Representatives Kirby and Bailey.

Brief History:

Committee Activity:

Business & Financial Services: 2/8/11, 2/10/11 [DP].

Floor Activity:

Passed House: 2/26/11, 97-0.

Passed Senate: 4/4/11, 47-0.

Passed Legislature.

Brief Summary of Bill

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

HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

Majority Report: Do pass. Signed by 13 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Buys, Assistant Ranking Minority Member; Blake, Condotta, Hudgins, Hurst, Parker, Pedersen, Rivers, Ryu and Stanford.

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.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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;
- trustee groups;
- insurance producer groups;
- the Washington State Patrol;
- financial institutions; and
- corporations with at least 500 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 phrases. 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 the 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.

Staff Summary of Public Testimony:

(In support) This is a simple bill. The bill allows the Commissioner to recognize a discretionary group. The bill is very similar to a bill passed last year regarding group life insurance. These types of groups are allowed for the purpose of buying insurance in 41 states. The law currently recognizes specific groups. Some groups do not qualify under an existing category but would like to offer their members the ability to buy group coverage. Under the bill, the Insurance Commissioner can recognize a group. Group coverage is generally more affordable than individual insurance coverage.

(Opposed) None.

Persons Testifying: Mel Sorensen, American Counsel of Life Insurers.

Persons Signed In To Testify But Not Testifying: None.