

# SENATE BILL REPORT

## HB 1709

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As of March 9, 2011

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

**Committee Activity:** Financial Institutions, Housing & Insurance: 3/08/11.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Staff:** Edward Redmond (786-7471)

**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 Washington 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 include, but are not limited to, employee groups, credit union groups, and financial institutions.

**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 subject to specific conditions. The Insurance Commissioner (Commissioner) must find 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

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to this type of group in the state unless certain conditions are met: (1) the other state must have insurance issuance requirements substantially similar to the Commissioner's requirements; and (2) the Commissioner, or the insurance commissioner of the other state, must determine that the requirements for issuance of the group policy have been met.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: Currently, only certain groups are authorized for the purpose of group insurance. Traditionally, whenever an appropriate group was formed, the Legislature would just add them to the list of authorized groups within the statute. This bill gives the Commissioner the authority to authorize new groups so long as the groups are not contrary to the best interest of the state. This bill is an identical counterpart to Senate bill 5617, which passed this committee. This bill provides discretion to the OIC to recognize nontraditional groups for the purpose of certain lines of group coverage, specifically disability-income insurance, accident only coverage, dental only coverage, and vision only coverage. This bill was negotiated directly with the OIC; OIC has no objection to the bill and the industry believes this will provide new group insurance options for nontraditional groups. Current law allows group insurance coverage for labor unions, employer associations, etc. This bill would make it available for church congregates, tribes, and other types of nontraditional groups. The bill is very similar to legislation that was passed last year for group life insurance coverage, which allowed discretionary approval of such group coverage for nontraditional groups.

**Persons Testifying:** PRO: Representative Kirby, prime sponsor; Mel Sorenson, American Council of Life Insurers.