

SENATE BILL REPORT

SB 6052

As Reported by Senate Committee On:
Financial Institutions, Economic Development & Trade, January 21, 2020

Title: An act relating to life insurance products or services that are intended to incent behavioral changes that improve the health and reduce the risk of death of the insured.

Brief Description: Concerning life insurance products or services that are intended to incent behavioral changes that improve the health and reduce the risk of death of the insured.

Sponsors: Senators Mullet, Wilson, L. and Kuderer.

Brief History:

Committee Activity: Financial Institutions, Economic Development & Trade: 1/14/20, 1/21/20 [DPS].

Brief Summary of First Substitute Bill

- Exempts life insurers offering products or services that are intended to incentivize behavioral changes from insurance rebating and inducement statutes.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Majority Report: That Substitute Senate Bill No. 6052 be substituted therefor, and the substitute bill do pass.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Wilson, L., Ranking Member; Braun, Das and Hobbs.

Staff: Clint McCarthy (786-7319)

Background: Rebating. No insurer or insurance producer may, as an inducement for the sale of insurance, offer or pay to the insured or the insured's employee, any rebate, reduction of premium, commission, or any other valuable consideration not expressly provided for in the policy. The prohibition does not apply to advertising or promotional programs conducted by insurers, producers, or agents giving prizes, goods, wares, or merchandise, not exceeding

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\$100 in value per person in any 12-month period, to all insureds or prospective insureds under similar qualifying circumstances.

Illegal Inducements. No insurer, insurance producer, title insurance agent, or other person, as an inducement for the sale of insurance, may provide in any policy for, offer, sell, buy, offer or promise to buy or give, promise, or allow to or on behalf of, the insured or prospective insured: (1) any shares of stock or other securities; (2) certain contracts or other agreements; or (3) any prizes, goods, wares, or merchandise exceeding \$100 in value.

Individual Life Insurance Noninsurance Benefits. Permissible noninsurance benefits, as part of an individual life insurance policy, may include:

- will preparation services;
- financial and estate planning;
- probate and estate settlement services; or
- other services the insurance commissioner may identify by rule.

Summary of Bill (First Substitute): Products or services related to life insurance policies intended to incent behavioral changes are exempt from inducement and rebating statutes. Life insurers are permitted to offer these products or services as noninsurance benefits as part of an individual life insurance policy with prior approval of the insurance commissioner. The OIC may adopt rules concerning minimum product or service standards to protect policyholder privacy rights, establish standards for ensuring that incentives result in improving risk, and implement consumer protections.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE COMMITTEE (First Substitute): The OIC may adopt rules concerning minimum product or service standards to protect policyholder privacy rights, establish standards for ensuring that incentives result in improving risk, and implement consumer protections.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on July 1, 2020.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The legislation is modeled on prior legislation that was used for health insurance carriers. Better health is associated with fewer services being utilized. John Hancock's Vitality program is an example of a life insurance program that provides incentives for healthy behavior. Participants can earn points which leads to status. The better the status, the more lucrative the benefits. Insurers are not in the business of giving out freebies, they provide products and services when they are earned. The Vitality program has been very lucrative for the company. Policyholders are using the products and the average policyholder using the program have 24 percent more steps than the average Americans. This program is used in all states.

OTHER: OIC is for the bill, but would like to have some rulemaking authority to regulate the program.

Persons Testifying: PRO: Senator Mark Mullet, Prime Sponsor; Mel Sorensen, John Hancock; American Council of Life Insurers; NAIFA; Ken Ross, John Hancock; Ann Delaney, John Hancock.

OTHER: Lonnie Johns-Brown, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: No one.