
Health Care & Wellness Committee

HB 1052

Brief Description: Concerning group insurance contract performance standards.

Sponsors: Representatives Bateman, Cody, Kloba and Macri.

Brief Summary of Bill

- Requires performance standards included in group insurance contracts to be explained in the contract and filed with the Insurance Commissioner.
- Exempts payments to group policyholders required by contractual performance standards from the definition of a premium.

Hearing Date: 1/13/21

Staff: Kim Weidenaar (786-7120).

Background:

Office of the Insurance Commissioner Filings.

Insurers are required to file various financial filings, contracts, rates, and forms with the Office of the Insurance Commissioner (OIC). The exact filings required depend on the type of insurer. For example, all rates and forms of group health benefit plans offered, other than small group plans, must be filed before the contract form is offered for sale to the public and before the rate schedule is used.

Insurers, insurance producers, and title insurance agents are limited in the noncontractual benefits they may offer insureds or prospective insureds. Except to the extent provided for in a filing with the OIC, no insurer, insurance producer, or title insurance agent may, directly or indirectly, offer or pay to any insured, potential insured, or an employee of an insured, any rebate, discount, or reduction of premium, or any other valuable consideration or inducement

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whatsoever, not expressly provided for in the insurance policy.

Insurance Premiums Tax.

The net premiums collected or received by authorized insurers, except title insurers and fraternal benefit societies, are subject to an insurance premium tax. This includes private insurers, health maintenance organizations, health care service contractors; and self-funded multiple employer welfare arrangements, if not preempted by the Employee Retirement Income Act of 1974.

Summary of Bill:

"Performance standard" is defined as a contractual provision in a group insurance contract that establishes a specific standard for the insurer's performance of an obligation in the contract, and under which the insurer is required to remit a penalty payment, based on a percentage of the premium or a set dollar amount, to the group policyholder for the next policy term if the insurer fails to comply with the standard.

The amount of the penalty may be based on a percentage of the overall premium owed to the insurer by the policyholder. If a group insurance contract includes performance standards, the standards must be described in the group insurance contract and filed with the Insurance Commissioner.

Remittance of payment to the group policyholder as required by a performance standard does not constitute a premium. Remittance of a premium or credit pursuant to a contractual performance standard is not considered a return of a premium for purposes of insurance premium taxes and health insurance premium taxes.

The Insurance Commissioner may adopt rules to implement these provisions on performance standards.

Appropriation: None.

Fiscal Note: Available.

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