

FINAL BILL REPORT

SHB 1052

C 13 L 22
Synopsis as Enacted

Brief Description: Concerning group insurance contract performance standards.

Sponsors: House Committee on Health Care & Wellness (originally sponsored by Representatives Bateman, Cody, Kloba and Macri).

House Committee on Health Care & Wellness
Senate Committee on Health & Long Term Care

Background:

Rebating.

Insurers are limited in the noncontractual benefits they may offer insureds or prospective insureds. No insurer 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.

Illegal Inducements.

An insurer, insurance producer, title insurance agent, or other person, as an inducement for the sale of insurance, may not 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.

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 if not preempted by the Employee Retirement Income Security Act of 1974, self-funded multiple employer welfare arrangements.

Summary:

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

A "performance standard" is a contractual provision in a group insurance contract that establishes a specific standard for the insurer's or health carrier's performance of an obligation in the contract under which the insurer or health carrier 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 or health carrier fails to comply with the standard.

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

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

The prohibitions on an insurer offering, promising, giving, or paying the insured any rebate, discount, or reduction of premium and the prohibition on an insurer selling, buying, or offering the insured any stocks or other securities, any contract promising any profits or special returns or dividends, or any prizes, goods, or gift certificates over \$100 do not apply to performance standards that comply with these requirements.

The provisions relating to the use of performance standards do not apply to small group health plans.

The Insurance Commissioner is authorized to adopt rules to implement these requirements.

Votes on Final Passage:

House	95	0
House	96	0
Senate	47	0

Effective: June 9, 2022