SENATE BILL REPORT
SB 6144

As of January 17, 2020

Title: An act relating to implementation credits and performance standards.

Brief Description: Concerning implementation credits and performance standards.

Sponsors: Senators Hasegawa and Das; by request of Insurance Commissioner.

Brief History:
Committee Activity: Financial Institutions, Economic Development & Trade: 1/21/20.

Brief Summary of Bill

- Creates regulatory structure for implementation credits.
- Limits the amount of implementation credits an insurer can provide to a group policyholder based on the number of lives covered.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Staff: Clint McCarthy (786-7319)

Background: 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 Office of the Insurance Commissioner (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 whatsoever, not expressly provided for in the insurance policy. Insurers, insurance producers, and title insurance agents are prohibited from providing or offering, as inducements to insureds or prospective insureds, any shares of stock or other securities or any kind of contract or agreement providing for or promising profits or special returns or dividends.

There are various exceptions to the above prohibitions, including the following:

- advertising or promotional programs conducted by insurers or insurance producers—but not title insurers or title insurance agents—in which prizes, goods, gift cards, or

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merchandise, not exceeding $100 in value per person in the aggregate in any 12-month period, are given to all insureds or prospective insureds under similar qualifying circumstances;
- certain health wellness programs conducted by a health carrier or disability insurer;
- commissions paid to an insurance producer or title insurance agent for insurance placed on their own property or risk;
- the allowance by a marine insurer, or marine insurance producer, to any insured, in connection with marine insurance, of such discount as is sanctioned by custom among marine insurers as being additional to the insurance producer's commission; and
- certain sales or purchases of securities.

During the 2019 session, prohibition against inducements or rebates to purchase insurance statutes were amended to allow an insurer issue payment to offset documented expenses incurred by a group policy holder in changing coverage from one insurer to another. Insurers are required to describe such payments in the group insurance policy. Medicare supplemental insurance is not allowed to offer payments to offset expenses. The payment by the insurer must be included in the calculation of the premium tax.

Summary of Bill: Insurers are directed to describe implementation credits provided to a policy holder and file the policy with the commissioner. Implementation credits are limited as follows based on the number of lives covered:
- for 1000 or more lives covered—$1 million;
- for 51-1000 lives covered—$500,000; or
- for less than 50 lives covered—$50,000.

The premium rate filing must include a certification that the implementation credit is considered in the premium development, and the benefits provided are reasonable in relation to the premium charged for the contract by a member of the American Academy of Actuaries or other person approved by the insurance commissioner. An insurer offering implementation credits must offer them to all similarly situated policyholders, with regard to risk, exposure factors, and expense elements.

The insurance commissioner is provided rulemaking authority for oversight of implementation credits.

Appropriation: None.

Fiscal Note: Requested on July 14, 2020.

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

Effective Date: July 1, 2020