SENATE BILL REPORT
HB 1230

As of March 13, 2025

Title: An act relating to requiring that experience-rated group disability income insurers include all applicable rating factors and credibility formulas in rate manual filings with the insurance commissioner.

Brief Description: Requiring that experience-rated group disability income insurers include all applicable rating factors and credibility formulas in rate manual filings with the insurance commissioner.

Sponsors: Representative Hackney.

Brief History: Passed House: 3/6/25, 97-0.
Committee Activity: Business, Financial Services & Trade: 3/19/25.

Brief Summary of Bill

- Specifies rate filing requirements for experience-rated group disability income insurers.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: John Kim (786-7453)

Background: Disability Income Insurance. Disability income (DI) insurance provides income to individuals who cannot work because of an illness or injury. Group DI insurance, including short- and long-term coverage, is tied to employment and is offered as a benefit by some employers.

Group Disability Income Insurance Rate Filings. Before using rates charged for DI insurance premiums, insurers must make rate filings with the Office of the Insurance Commissioner (OIC), which reviews filed rates to ensure they are not excessive, inadequate, or unfairly discriminatory. A rate filing for a particular insurance product

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includes a manual of classification, manual of rules and rates, and any modifications.

A group DI insurer may make a rate filing covering rates for multiple groups through a rate manual filing. In a rate manual filing, rates are developed through a standard rating methodology without using a group's partial or entire disability claim experience. The rate manual must account for all rules and formulas the company uses to calculate the premium charged. If a group's rate is developed from the rate manual, OIC must be able, when given the demographics of the group, to replicate the group's rate from the rate manual.

In a March 2023 technical assistance advisory, OIC reiterated that if a group's rate cannot be replicated exactly using the rate manual, it cannot be filed through a rate manual filing. If a DI insurer develops premium rates for a single group based on the group's disability claim experience, it may not file one rate that applies to all experience-rated groups, as the insurer is relying on each group's unique claim experience to develop its rates.

OIC advised that an experience-rated insurer must instead submit an additional filing unique to each particular group called a single case or an employer group filing. OIC stated its expectation that single case filings should focus on the justifications for the experience rating; would be not more than a few pages each; should incorporate the approved rate manual and other filing aspects by reference only; and must include an actuarial certification.

Credibility. In ratemaking, credibility measures how much predictive weight should be given to the group's own claims experience versus the weight given to other data in determining future claims. A fully credible group is one where the data sample size is large enough that based on a selected confidence interval, its subject experience is assigned full predictive value. A partially credible group requires blending its subject experience with information from one or more sets of related experience in order to improve the estimate of expected values.

Summary of Bill: Experience-rated group DI insurers must include in their rate filings their experience rating formulas including all applicable rating factors and credibility formulas as part of the rate manual. Such filings must be detailed enough to confirm that a group is fully or partially credible and to allow OIC to replicate the premium rates for the experience-rated group if given the experience and demographics of the group.

Appropriation: None.

Fiscal Note: Available.

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

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