

HOUSE BILL REPORT

SB 5141

As Passed House:

March 31, 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: Senators Cortes, Dhingra, Hasegawa, Liias, Nobles and Salomon.

Brief History:

Committee Activity:

Consumer Protection & Business: 3/14/25, 3/18/25 [DP].

Floor Activity:

Passed House: 3/31/25, 97-0.

Brief Summary of Bill

- Requires experience-rated group disability income insurers to include detailed experience rating formulas in their insurance filings with the Office of the Insurance Commissioner.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: Do pass. Signed by 14 members: Representatives Walen, Chair; McClintock, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Abbarno, Berry, Corry, Donaghy, Fosse, Kloba, Morgan, Reeves, Ryu, Santos and Steele.

Staff: Megan Mulvihill (786-7304).

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.

Background:

Disability income insurance provides partial wage replacement in the event the policyholder has a serious illness or injury that prevents them from working. Employers may provide disability income insurance as a benefit to their employees by taking out a group disability income insurance policy for all eligible employees. Experience rating is a method that insurance companies use to calculate premiums for an employer group based on that group's experience, including their claim history, payroll information, and demographics.

Insurers are required to submit rate filings to the Office of the Insurance Commissioner (Commissioner) for approval before use. Insurers providing disability insurance are required to file their manual of classification, manual of rules and rates, and any modifications. The rate manual must account for all rules and formulas the company uses to calculate the premium charged, and the Commissioner must be able to replicate a group's rate based on the rate manual if given the demographics of the group.

On March 8, 2023, the Commissioner issued a technical assistance advisory to disability insurers explaining that any disability product rated on the basis of experience of a specific group must file a single case rate filing for each experience-rated group.

Summary of Bill:

Experience-rated group disability income insurers must include in their insurance filings their experience rating formulas, including all rating factors and credibility formulas as part of the rate manual. The filings must be detailed enough to confirm that a group is fully or partially credible and to allow the Commissioner to replicate the premium rates for the experience-rated group if given the group's experience and demographics.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The bottom line is that this change would streamline the rate approval process by removing single rate filings. It will help reduce administrative expenses, which in turn helps control premium costs. The Commissioner is still involved in the initial filings so consumer protections are maintained.

(Opposed) None.

Persons Testifying: Senator Adrian Cortes, prime sponsor; and Kris Tefft, American Council of Life Insurers.

Persons Signed In To Testify But Not Testifying: None.