

By: Shapleigh

S.B. No. 207

A BILL TO BE ENTITLED

AN ACT

relating to prohibition of certain business practices related to
rescission of coverage under health benefit plans.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle C, Title 6, Insurance Code, is amended
by adding Chapter 848 to read as follows:

CHAPTER 848. PROHIBITED PRACTICES RELATED TO RESCISSION

Sec. 848.001. APPLICABILITY. (a) This chapter applies to
a health benefit plan that provides benefits in this state for
medical or surgical expenses incurred as a result of a health
condition, accident, or sickness, including an individual, group,
blanket, or franchise insurance policy or insurance agreement, a
group hospital service contract, or an individual or group evidence
of coverage or similar coverage document that is offered by:

(1) an insurance company;

(2) a group hospital service corporation operating
under Chapter 842;

(3) a fraternal benefit society operating under
Chapter 885;

(4) a stipulated premium company operating under
Chapter 884;

(5) a reciprocal exchange operating under Chapter 942;

(6) a health maintenance organization operating under
Chapter 843;

1 (7) a multiple employer welfare arrangement that holds
2 a certificate of authority under Chapter 846; or

3 (8) an approved nonprofit health corporation that
4 holds a certificate of authority under Chapter 844.

5 (b) This chapter does not apply to:

6 (1) a health benefit plan that provides coverage only:

7 (A) for a specified disease or diseases or under
8 an individual limited benefit policy;

9 (B) for accidental death or dismemberment;

10 (C) as a supplement to a liability insurance
11 policy; or

12 (D) for dental or vision care;

13 (2) disability income insurance coverage or a
14 combination of accident-only and disability income insurance
15 coverage;

16 (3) credit insurance coverage;

17 (4) a hospital confinement indemnity policy;

18 (5) a Medicare supplemental policy as defined by
19 Section 1882(g)(1), Social Security Act (42 U.S.C. Section 1395ss);

20 (6) a workers' compensation insurance policy;

21 (7) medical payment insurance coverage provided under
22 a motor vehicle insurance policy; or

23 (8) a long-term care insurance policy, including a
24 nursing home fixed indemnity policy, unless the commissioner
25 determines that the policy provides benefits so comprehensive that
26 the policy is a health benefit plan and should not be subject to the
27 exemption provided under this section.

1 Sec. 848.002. BAD FAITH RESCISSION. (a) It is an unfair
2 method of competition or an unfair or deceptive act or practice for
3 purposes of Chapter 541 for a health benefit plan issuer to:

4 (1) set rescission goals, quotas, or targets;

5 (2) pay compensation of any kind, including a bonus or
6 award, that varies according to the number of rescissions;

7 (3) set, as a condition of employment, a number or
8 volume of rescissions to be achieved; or

9 (4) set a performance standard, for employees or by
10 contract with another entity, based on the number or volume of
11 rescissions.

12 (b) For purposes of this chapter, "rescission" means the
13 termination of an insurance agreement, contract, evidence of
14 coverage, insurance policy, or other similar coverage document in
15 which the health benefit plan issuer refunds premium payments or,
16 if applicable, demands the restitution of any benefit paid under
17 the plan, on the ground the issuer is entitled to restoration of the
18 issuer's precontractual position.

19 SECTION 2. This Act takes effect September 1, 2009.