

1-1 By: Shapleigh S.B. No. 207  
1-2 (In the Senate - Filed November 10, 2008; February 11, 2009,  
1-3 read first time and referred to Committee on State Affairs;  
1-4 May 1, 2009, reported adversely, with favorable Committee  
1-5 Substitute by the following vote: Yeas 8, Nays 0; May 1, 2009, sent  
1-6 to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 207 By: Deuell

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to prohibition of certain business practices related to  
1-11 rescission of coverage under health benefit plans.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Subtitle C, Title 6, Insurance Code, is amended  
1-14 by adding Chapter 848 to read as follows:

1-15 CHAPTER 848. PROHIBITED PRACTICES RELATED TO RESCISSION

1-16 Sec. 848.001. APPLICABILITY. (a) This chapter applies to  
1-17 a health benefit plan that provides benefits in this state for  
1-18 medical or surgical expenses incurred as a result of a health  
1-19 condition, accident, or sickness, including an individual, group,  
1-20 blanket, or franchise insurance policy or insurance agreement, a  
1-21 group hospital service contract, or an individual or group evidence  
1-22 of coverage or similar coverage document that is offered by:

1-23 (1) an insurance company;

1-24 (2) a group hospital service corporation operating  
1-25 under Chapter 842;

1-26 (3) a fraternal benefit society operating under  
1-27 Chapter 885;

1-28 (4) a stipulated premium company operating under  
1-29 Chapter 884;

1-30 (5) a reciprocal exchange operating under Chapter 942;

1-31 (6) a health maintenance organization operating under  
1-32 Chapter 843;

1-33 (7) a multiple employer welfare arrangement that holds  
1-34 a certificate of authority under Chapter 846; or

1-35 (8) an approved nonprofit health corporation that  
1-36 holds a certificate of authority under Chapter 844.

1-37 (b) This chapter does not apply to:

1-38 (1) a health benefit plan that provides coverage only:  
1-39 (A) for a specified disease or diseases or under  
1-40 an individual limited benefit policy;

1-41 (B) for accidental death or dismemberment;

1-42 (C) as a supplement to a liability insurance  
1-43 policy; or

1-44 (D) for dental or vision care;

1-45 (2) disability income insurance coverage or a  
1-46 combination of accident-only and disability income insurance  
1-47 coverage;

1-48 (3) credit insurance coverage;

1-49 (4) a hospital confinement indemnity policy;

1-50 (5) a Medicare supplemental policy as defined by  
1-51 Section 1882(g)(1), Social Security Act (42 U.S.C. Section 1395ss);

1-52 (6) a workers' compensation insurance policy;

1-53 (7) medical payment insurance coverage provided under  
1-54 a motor vehicle insurance policy; or

1-55 (8) a long-term care insurance policy, including a  
1-56 nursing home fixed indemnity policy, unless the commissioner  
1-57 determines that the policy provides benefits so comprehensive that  
1-58 the policy is a health benefit plan and should not be subject to the  
1-59 exemption provided under this section.

1-60 Sec. 848.002. BAD FAITH RESCISSION. (a) It is an unfair  
1-61 method of competition or an unfair or deceptive act or practice for  
1-62 purposes of Chapter 541 for a health benefit plan issuer to:

1-63 (1) set rescission goals, quotas, or targets;

2-1 (2) pay compensation of any kind, including a bonus or  
2-2 award, that varies according to the number of rescissions;

2-3 (3) set, as a condition of employment, a number or  
2-4 volume of rescissions to be achieved; or

2-5 (4) set a performance standard, for employees or by  
2-6 contract with another entity, based on the number or volume of  
2-7 rescissions.

2-8 (b) For purposes of this chapter, "rescission" means the  
2-9 termination of an insurance agreement, contract, evidence of  
2-10 coverage, insurance policy, or other similar coverage document in  
2-11 which the health benefit plan issuer refunds premium payments or,  
2-12 if applicable, demands the restitution of any benefit paid under  
2-13 the plan, on the ground the issuer is entitled to restoration of the  
2-14 issuer's precontractual position.

2-15 SECTION 2. This Act takes effect September 1, 2009.

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