Georgia State University Law Review

Volume 7
Issue 1 *Fall 1990*

Article 39

4-4-2012

INSURANCE Insurance Regulations: Requires Pooling of Small Groups For Premium Rating and Higher Deductibles for Individual Health Policies

Georgia State University Law Review

Follow this and additional works at: http://digitalarchive.gsu.edu/gsulr

Part of the Law Commons

Recommended Citation
Georgia State University Law Review (1990) "INSURANCE Insurance Regulations: Requires Pooling of Small Groups For Premium Rating and Higher Deductibles for Individual Health Policies," *Georgia State University Law Review*: Vol. 7: Iss. 1, Article 39.
Available at: http://digitalarchive.gsu.edu/gsulr/vol7/iss1/39

This Peach Sheet is brought to you for free and open access by the College of Law Publications at Digital Archive @ GSU. It has been accepted for inclusion in Georgia State University Law Review by an authorized administrator of Digital Archive @ GSU. For more information, please contact digitalarchive@gsu.edu.

INSURANCE

Insurance Regulations: Requires Pooling of Small Groups For Premium Rating and Higher Deductibles For Individual Health Policies

CODE SECTIONS:	O.C.G.A. §§ 33-27-1(8) (amended), 33-29-2 (amended), 33-30-1(6) (amended), 33-27-8 to -9 (new), 33-30-28 to -29 (new).
BILL NUMBER:	SB 434
ACT NUMBER:	1338
SUMMARY:	The Act requires state-wide pooling of all of an insurer's small groups for group premium rating purposes. Certain deviations from the pool rating are allowed. Individual major medical policies must offer deductibles of at least five thousand dollars.
EFFECTIVE DATE:	October 1, 1990

History

The rising costs of health insurance have left many people without health insurance coverage.[1] Currently, insurers may increase a group's premium rates based on the claims experience of that group.[2] Consequently small groups shoulder a particularly difficult burden when a member of that group has a serious illness and extensive medical expenses.[3]

---

1. Mantius, *Assembly's Premium Issues: Auto, Health Insurance*, Atlanta Const., Dec. 24, 1989, at Bl, col. 1. This article reported that more than 950,000 Georgians are without health insurance and cited a case of a person whose premium increased 1300%, to $23,000 per year, after his son developed leukemia. *Id.*

2. Mantius, *Harris Gets Bill Protecting Small-Group Policyholders*, Atlanta Const., Mar. 9, 1990, at B3, col. 5 [hereinafter *Harris Gets Bill*]. *See also Evans*'s [sic] *Insurance Proposals a Mixed Bag*, Atlanta Const., Jan. 8, 1990, at A10, col. 1 [hereinafter *Evans*'s *Proposals*].

A group's premium rating is based in large part on the dollar amount of claims paid for the members of that group. If a member of a group with few insured persons has extensive medical expenses, then that group's premium will be increased. *Id. See also*, Wilson Interview, *infra* note 4.

3. *Harris Gets Bill*, *supra* note 2; *Evans*'s *Proposals*, *supra* note 2.

Produced by The Berkeley Electronic Press, 1990
HeinOnline -- 7 Ga. St. U. L. Rev. 320 1990-1991

SB 434

SB 434 was introduced in an effort to ease the burden of increased premium rates on small groups that have high claims experience.[4] The effect of high claims will be spread over a larger group by requiring each insurer to pool all of its small groups in Georgia for premium rating purposes.[5] This pooling will lessen the effect of large claims on a small group's premium rating.[6] The Act also requires individual major medical policies to offer the option of at least a five thousand dollar deductible.[7]

The Act adds new sections, and amends the current Code provisions that regulate group life and health policies.[8] Insurance companies that issue group life or group health policies are required to pool all of their small groups in Georgia for premium rating purposes.[9] A small group is defined as "a group or subgroup of 50 or fewer employees, members, or enrollees."[10] Each insurer's small group pool consists of the claims experience of all small groups of that insurer in Georgia.[11] The Act applies to group policies, trusts, multiple employer trusts or association groups.[12]

The small group pooling requirement is limited, however. Insurers may use the claims experience of any individual small group for premium rating when that group's claims experience affects the experience of the whole small group pool.[13] The premium for any small group may not, however, deviate from the pool rate by more than plus or minus twenty-five percent.[14]

Substandard underwriting rating may be used to rate an individual member of a group when that individual enters the group or when the

---

4. Telephone interview with Marty Wilson, Deputy Insurance Commissioner, State of Georgia, Insurance Dept. (Mar. 30, 1990) [hereinafter Wilson Interview]. Insurance Commissioner Warren Evans requested that SB 434 be introduced after a public hearing on the pooling of small groups for premium rating. *Id.*

5. *Lawmakers 1990* (Georgia Public Television broadcast, Mar. 5, 1990) (televised speech from House floor by Representative Wesley Dunn).

6. Wilson Interview, *supra* note 4. The larger the group that is considered for premium rating, the higher the credibility of that group's claims experience. The size of small groups overstates the effect of large claims, resulting in higher premium ratings and inequitable results. *Id.* Consequently, the claims experience of small groups has lower credibility. *Id.*

7. O.C.G.A. § 33-29-2(b) (Supp. 1990).

8. O.C.G.A. §§ 33-27-8 to -9, 33-30-28 to -29 (new sections), 33-27-1(8), 33-30-1(6) (amended) (Supp. 1990).

9. O.C.G.A. §§ 33-27-8, 33-30-28 (Supp. 1990).

10. O.C.G.A. §§ 33-27-8(a), 33-30-28(a) (Supp. 1990).

11. O.C.G.A. §§ 33-27-8(c), 33-30-28(c) (Supp. 1990).

12. *Id.*

13. O.C.G.A. §§ 33-27-8(b), 33-30-28(b) (Supp. 1990).

14. O.C.G.A. §§ 33-27-8(d), 33-30-28(d) (Supp. 1990); *see also* Wilson Interview, *supra* note 4.

HeinOnline -- 7 Ga. St. U. L. Rev. 321 1990-1991

group is initially underwritten.[15] Such factors as age, sex, geographic area, industry, occupational and avocational information may also be used in the initial and in the renewal rating of individual small groups.[16] These allowed underwriting ratings are not considered deviations from the pool.[17]

A group life policy may be declined if standard or substandard underwriting rating does not allow coverage of an individual, provided the balance of the group is insured.[18] Group health policies may be issued with a waiver, or if a waiver cannot be issued, then coverage may be declined for that individual, provided that the rest of the group is insured.[19]

The bill, as introduced, did not provide for any deviations from the pool rating or underwriting rating, and applied only to group health policies.[20] The Senate Committee on Insurance offered a substitute which was similar to the final version of the bill.[21] The substitute, which passed the Senate, allowed individual group rating when a small group's claims experience affected the whole pool, but only allowed a deviation from the pool rate of plus or minus fifteen percent.[22]

The House Committee on Insurance offered a substitute which was adopted by the House.[23] The House substitute provided for a twenty-five percent deviation from the pool rate.[24] The Senate agreed to the House substitute, as modified by a Senate amendment providing for a twenty percent deviation.[25] The House did not agree to the Senate amendment and a Conference Committee was appointed.[26] The Senate receded from its position and agreed to the House substitute without the Senate amendment, and the bill passed allowing a twenty-five percent deviation from the pool rate.[27]

The Act does not apply to policies issued in another state that cover employees in Georgia, true association groups, or policies negotiated in a collective bargaining agreement.[28] These exemptions were added to the bill by the Senate Committee on Insurance substitute.[29] Also

---

15. *Id.*
16. *Id.*
17. *Id.*
18. O.C.G.A. § 33-27-8(e) (Supp. 1990).
19. O.C.G.A. § 33-30-28(e) (Supp. 1990).
20. SB 434, as introduced, 1990 Ga. Gen. Assem.
21. SB 434 (SCS), 1990 Ga. Gen. Assem.
22. *Id.*; *see also* Final Composite Status Sheet, Mar. 9, 1990.
23. SB 434 (HCS), 1990 Ga. Gen. Assem.; *see also* Final Composite Status Sheet, Mar. 9, 1990.
24. SB 434 (HCS), 1990 Ga. Gen. Assem.
25. SB 434 (SA to HCS), 1990 Ga. Gen. Assem.
26. Final Composite Status Sheet, Mar. 9, 1990.
27. *Id.*
28. O.C.G.A. §§ 33-27-8(f), 33-30-28(f)(1)—(3) (Supp. 1990).
29. SB 434 (SCS), 1990 Ga. Gen. Assem.

HeinOnline -- 7 Ga. St. U. L. Rev. 322 1990-1991

exempted from the Act are group health policies that are limited accident and sickness policies, such as hospital indemnity, specified disease, and limited accident policies.[30]

The Act amends the provisions of the Code that required pooling of multiple employer welfare arrangements for premium rating purposes, by striking those provisions.[31] Multiple employer trusts are now covered under the Code sections which require pooling of group life and group health policies.[32]

The sections of the Code that deal with required provisions for individual health insurance policies are also amended.[33] Former subsections have been redesignated and a new subsection added to the Code.[34] The new subsection requires insurers, who issue individual major medical policies, to offer at least a five thousand dollar cash deductible.[35]

The new law will ease the financial burden on smaller groups with few employees when a group member has an expensive illness or injury. The effect of those claims on premium increases will be spread over a much larger group.[36] Also, persons with individual health policies will have the option of reducing their health insurance premiums by choosing to assume a higher deductible.[37]

R. Dimon

---

30. O.C.G.A. § 33-30-28(f)(4) (Supp. 1990); *see also*, Wilson Interview, *supra* note 4. These kinds of policies require methods of premium rating different from the premium rating methods of group life and health policies. Wilson Interview, *supra* note 4. These exemptions were added to the bill by the House committee substitute. SB 434 (HCS), 1990 Ga. Gen. Assem.

31. 1989 Ga. Laws 883 (formerly found at O.C.G.A. §§ 33-27-1(8)(b), 33-30-(1)(6)(B) (Supp. 1989) (these subsections were stricken).

32. O.C.G.A. §§ 33-27-8(c), 33-30-28(c) (Supp. 1990).

33. O.C.G.A. § 33-29-2(b)—(d) (Supp. 1990).

34. O.C.G.A. § 33-29-2(b)—(d) (Supp. 1990) (Former Code subsections 33-29-2(b)—(c) (Supp. 1989) are redesignated, respectively, as Code subsections 33-29-2(c)—(d) (Supp. 1990); a new subsection (b) is added as O.C.G.A. § 33-29-2(b) (Supp. 1990).).

35. O.C.G.A. § 33-29-2(b) (Supp. 1990).

36. O.C.G.A. §§ 33-27-8, 33-30-28 (Supp. 1990).

37. SB 434, as passed, 1990 Ga. Gen. Assem.

HeinOnline -- 7 Ga. St. U. L. Rev. 323 1990-1991