

# Health Care Coverage: Underwriting Practices

This Act prohibits the compensation of a person or entity employed by, or contracted with, a health care service plan or disability insurer from being based on, or related to, the number of health care service plan or health insurance contracts, policies, or certificates that the person has caused or recommended to be rescinded, canceled, or limited, or the resulting cost savings to the plan or insurer.

Submitted as:

California

Chapter 188 of 2008

Status: Enacted into law in 2008.

## Suggested State Legislation

(Title, enacting clause, etc.)

1           Section 1. [*Short Title.*] This Act shall be cited as “An Act to Prohibit Certain  
2 Underwriting Practices for Health Care Service Plans and Disability Insurers.”

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4           Section 2. [*Prohibitions for Compensating a Person or Entity Employed by, or  
5 Contracted With, a Health Care Service Plan or Disability Insurer.*]

6           (A) Compensation of a person or entity employed by, or contracted with, a health care  
7 service plan shall not be based on, or related in any way to, the number of contracts that the  
8 person or entity has caused or recommended to be rescinded, canceled, or limited, or the  
9 resulting cost savings to the health plan.

10           (B) A health care service plan shall not set performance goals or quotas, or provide  
11 compensation to any person or entity employed by, or contracted with, the health care service  
12 plan, based on the number of people whose coverage is rescinded or any financial savings to the  
13 health care service plan associated with rescission of coverage.

14           (C) Compensation of a person or entity employed by, or contracted with, a disability  
15 insurer shall not be based on, or related in any way to, the number of policies or certificates for  
16 health insurance that the person or entity has caused or recommended to be rescinded, canceled,  
17 or limited, or the resulting cost savings to the insurer.

18           (D) A disability insurer shall not set performance goals or quotas, or provide  
19 compensation to any person or entity employed by, or contracted with, the insurer, based on the  
20 number of people whose health insurance coverage is rescinded or any financial savings to the  
21 insurer associated with rescission of coverage.

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23           Section 3. [*Severability.*] [Insert severability clause.]

24  
25           Section 4. [*Repealer.*] [Insert repealer clause.]

26  
27           Section 5. [*Effective Date.*] [Insert effective date.]