

## **DMHC Actions to Curb Rescission Activities**

### ***ENFORCEMENT ACTIONS***

- Since DMHC settlement agreements, rescissions have dropped from 1,553 in 2005 to less than 10 in the last two years
- Assessed and collected \$13.6 million dollars in penalties – highest by any agency in nation for illegal rescissions
- Required health plans to offer guaranteed coverage to more than 3,400 enrollees
- Returned over \$870,000 in expenses to consumers in a matter of months
- Confirmed the ban against illegal rescissions through arguments presented to appellate court in the *Hailey* case

### ***REFORM ACTIONS***

- Required plans to follow new, strict underwriting processes
- Reformed enrollment materials to include:
  - ✓ Separate health care questionnaire process for each applicant
  - ✓ Application forms with questions that are clear and straight-forward
  - ✓ Disclosure of applicant underwriting rights and obligations
  - ✓ Verification of health histories or other available information through third party resources
  - ✓ Language or other assistance to accurately fill-out application forms
  - ✓ Additional Broker requirements assisting in filling out health questionnaires
- Reformed health plan rescission investigations to:
  - ✓ Initiate and conclude investigations in a timely manner
  - ✓ Provide timely notice to enrollees of the investigation, reasons for the investigation and opportunity for applicant response
  - ✓ Create an impartial process to address rescission appeals

### ***ONGOING VERIFICATION ACTIONS***

- ✓ Health plan audits to ensure consistent and compliant underwriting
- ✓ Training programs to ensure proper health plan underwriting
- ✓ DMHC review of application materials and processes
- ✓ DMHC follow-up audits in 2010 to verify reforms
- ✓ Additional health plan penalties for noncompliance

### ***LEGISLATIVE ACTIONS***

- Governor Schwarzenegger has signed three bills to:
  - 1) Prohibit health plans from offering employee bonuses to rescind or cancel policies; 2) Require plans to offer coverage to families if principal subscriber has been rescinded or cancelled;
  - 3) Prohibit a plan from rescinding or cancelling a contract after 24 months of coverage; and 4) Increased the responsibility of the agent and brokers in assisting applicants for health insurance by requiring the broker to make sure that the applicant understands the risks involved with providing inaccurate information, and to explain the necessity of answering all health questions accurately and completely.
- DMHC actions were presented and used by federal Congressional Committees to help inform national policy making on rescissions.

### ***MILESTONES***

- Achieved market reform to reduce illegal rescissions for the entire insured California public
- Balanced consumer protection with continued access to individual market
- Provided flexible reforms to end illegal rescissions and better protect consumers
- Coordinated with the Department of Insurance for effective outcomes