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HEALTH INSURANCE CEOs REFUSE TO STOP CANCELING INNOCENT POLICYHOLDERS

Committee on Energy and Commerce

On June 16, 2009, the Oversight and Investigations Subcommittee of the House Committee on Energy and Commerce held a hearing to receive testimony from CEOs of three of the largest insurance companies that offer individual health insurance plans, Assurant Health, WellPoint, Inc., and Golden Rule Insurance Company.

As part of a year-long investigation, the Committee examined more than 116,000 pages of documents showing that these companies retroactively terminated, or "rescinded," nearly 20,000 policies over the past five years based on omissions in applications that the companies identified only after the policyholders became ill. These rescissions resulted in savings to the companies of more than \$300 million.

The documents revealed numerous cases in which the companies rescinded policies for omissions that were based on health conditions completely unknown to the policyholders, unrelated to the illnesses being treated, unintentional, or caused by others, including the insurance companies' own agents.

When confronted with these examples, all three CEOs testified under oath that they would not stop rescinding innocent policyholders. Testimony also revealed that policyholders rescinded by one insurance company cannot obtain insurance from other insurance companies.

Insurance company CEOs refused to stop canceling health insurance coverage for innocent policyholders.

At the hearing on June 16, Rep. Bart Stupak (D-MI), Chairman of the Subcommittee, asked the CEOs to stop rescinding coverage for innocent policyholders, but all three refused:

Chairman Stupak: Would you commit today that your company will never rescind another policy unless there was intentional fraudulent misrepresentation in the application?

Don Hamm (CEO, Assurant Health): I would not commit to that. ...

Richard Collins (CEO, Golden Rule): No, sir. We follow the State laws and regulations and we would not stipulate to that. ...

John Sassi (CEO, Consumer Business, WellPoint): No, I can't commit to that.

Policyholders rescinded by one insurance company cannot obtain insurance from other companies.

Representative Greg Walden (R-OR), Ranking Republican Member of the Subcommittee, asked whether the CEOs deny coverage to innocent applicants who have been rescinded by other insurance companies without conducting any further inquiry or investigation to determine whether the original rescission was legitimate:

Rep. Walden: "Is it your company's policy to deny coverage to any applicant that discloses that he or she has had previous policies rescinded?" ...

Don Hamm (CEO, Assurant Health): "Yes, we would not provide coverage in that situation."

Rep. Walden: "So do you ever look to see ... the circumstances around another company's rescinding of a policy?"

Don Hamm: "Our underwriting guidelines are that we would not issue that policy."

The testimony from the CEOs elicited condemnation from both Democrats and Republicans on the Committee.

Rep. Henry A. Waxman (D-CA), Chairman of the full Committee on Energy and Commerce, stated that "the market for individual health insurance in the United States is fundamentally flawed."

And Rep. Joe Barton (R-TX), the Ranking Republican on the Committee, stated:

"I think I speak for every member of the Committee on both sides of the aisle ... that if in fact there is a practice of going in after the fact and canceling policies on technicalities, we have got to do whatever is possible to prevent that. ... [I]f a citizen acts in good faith, we should expect the insurance companies who take their money to act in good faith also."

For information on the Committee's investigation and video of the CEO testimony, see http://energycommerce.house.gov/Press_111/20090616/rescission_supplemental.pdf.