



July 27, 2009

INSURANCE COMPANY CEO CANNOT EXPLAIN HIS COMPANY'S OWN APPLICATION FORM

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the Committee examined more than 116,000 pages of documents showing that these companies retroactively terminated, or "rescinded," nearly 20,000 policies over the past five years based on omissions in applications that the companies identified only after the policyholders became ill.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The documents revealed numerous cases in which the companies rescinded policies for omissions that were based on health conditions completely unknown to the policyholders, unrelated to the illnesses being treated, unintentional,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. The insurance applications were often vague, confusing, and filled with medical jargon that most applicants do not understand.

In his testimony on June 16, the CEO of Assurant Health, Don Hamm, stated:

Assurant Health's enrollment questionnaires are written in simple, easy-to-understand, straight-forward language so that people can easily and accurately report their medical history.

When Chairman Bart Stupak asked Mr. Hamm to define some of the terms on his company's application, however, Mr. Hamm could not.

Chairman Stupak: [Y]ou said Assurant Health's enrollment questionnaires are simple, easy to understand, straightforward language, so people can easily and accurately report their medical history. So your question says, within the last 10 years, has any proposed insured had any diagnosis, received treatment for, or consulted with a physician concerning phlebitis, TIA, cystitis, lymphadenopathy, glandular disorder. So tell me, what is TIA?

Donn Hamm (CEO, Assurant Health): I am not aware...

Chairman Stupak: If you don't know what it is, how would anyone filling out your application know what it is? So there is grounds to deny them right there. You

don't even know what it is and neither do I. How about phlebitis or lymphadenopathy? How about lymphadenopathy? What is that?

Mr. Hamm: I don't know the answer to those questions.

Chairman Stupak: Do you sincerely believe that an average applicant would know what these words mean if you don't know and I don't know?

Mr. Hamm: Sir, I believe that is an application that is not currently used at this time. ...

Chairman Stupak: It is last year's application. ... Have you changed the application in the last year? ...

Mr. Hamm: I am not aware if we have changed that application.

Chairman Stupak: So far as you know, that is your current application?

Mr. Hamm: But I believe that our current application asks questions back to 5 years, so the 10-year might be different than what we issue today. ...

Chairman Stupak: Well, it is the same questions, TIA, right, that you don't know what it is. ...

Mr. Hamm: I do not know what that is.

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