EXHIBIT 1
DATE 3.14.05
SB 209

MONTANA STATE AUDITOR
JOHN MORRISON

COMMISSIONER OF INSURANCE
COMMISSIONER OF SECURITIES

# Memorandum of Support for SB 209

**To:** Members of the House Business and Labor Committee
**From:** Montana State Auditor John Morrison
**Date:** March 14, 2005
**Re:** Support of SB 209 – Postclaim Underwriting

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The Montana State Auditor's office is supporting SB 209, carried by Senator Wheat.

Numerous Montana residents have changed health insurance only to find after a claim was filed that the new insurer rescinded their policy. Health insurance policies are contestable for 2 years from the effective date of the policy. So if you have a claim during the first 2 years the company obtains your health history from your medical care providers, reviews the history for any possible omission or misrepresentation of a health condition. Then they either require the person to sign a rider excluding coverage or they rescind the policy from its effective date, leaving the person without coverage for their claim and usually uninsurable with another company.

This problem affects young and old alike. We had a file for a gentleman in his 60's who was forced to seek new health insurance when his insurer decided to quit offering coverage nationwide. He was healthy at the time of application, but within 2 years of his effective date he was diagnosed with internal cancer. The company rescinded his coverage based on a skin cancer treatment that had been omitted from the application. People sometimes do not think about conditions treated in the past. This is especially true if the treatment was successful and the condition no longer exists.

We also helped a 21-year-old man who changed insurance to avoid a premium increase he could not afford. He disclosed childhood treatment of asthma, yet the company did not check with the doctor listed on his application until after he had an accidental injury to his wrist that required surgery, again within 2 years of the effective date of the policy.

We are not trying to stop health insurers from reviewing a person's health history. This legislation simply is asking that they do their review prior to the issue of the policy rather than after the claim when the person is not in a position to protect themselves by buying other coverage.

We urge your support for SB 209.