

State Corporation Commission 2010 Fiscal Impact Statement

1. Bill Number: HB440

House of Origin	<u>X</u>	Introduced	___	Substitute	___	Engrossed
Second House	___	In Committee	___	Substitute	___	Enrolled

2. Patron: Toscano

3. Committee: Commerce and Labor

4. Title: Accident and sickness insurance policies; coverage of children.

5. Summary: Adds to the definition of “eligible family member” the following in § 38.2-3500”: (iv) a qualified child, as defined in subsection B of § 38.2-3525, who may be added to an existing policy, at the option of the policyholder, by rider or endorsement upon payment of any additional required premium.” The age of children in (iii) is increased from 19 to 26 in § 38.2-3500. The changes in § 38.2-3525 increase the age in subsection A 1 (ii) from 25 to 26 for a dependent full-time student. Subsection B is amended to read: A group accident and sickness insurance policy that provides coverage for dependent children shall make available such coverage, at the option of the insured group member, for one or more qualified children. As used in this subsection, “qualified child” means, with respect to an insured group member, an individual who, but for age, would be treated as a dependent child of the insured group member and who is (i) under 27 years of age and (ii) not enrolled as a participant, beneficiary, or group member, other than under this subsection, § 704 of the federal Employee Retirement Income Security Act of 1974, or § 2704 or § 2746 of the Public Health Act, under any health insurance coverage or group health plan. If an insured group member opts to provide coverage for his qualified child under this subsection, any additional premium resulting from the extension of coverage to such person shall be paid by the insured group member.

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: The Bureau of Insurance discussed with the patron of House Bill 440 his objective with the bill, which was to raise the age for the extension of coverage for children of the policy owner or insured group member to 27, provided such children would otherwise qualify as a dependent of the policy owner or insured group member were it not for age. In consideration of that objective, the Bureau offered the following technical amendments:

- Strike the proposed language on Lines 39 through 41 of the bill which reads: *and (iv) a qualified child, as defined in subsection B of § 38.2-3525, who may be added to an existing policy, at the option of the policyholder, by rider or endorsement upon payment of any additional required premium.* The requirement for adding a child by amendment is already addressed in § 38.2-3500 A 3, where the Bureau of Insurance suggested adding wording concerning payment of any required premium for adding a child. Bureau staff advised the patron that the additional premium for adding a child is often not due, as companies often establish a “family” rate that does not change with the addition or removal of children. The language concerning premium is flexible enough to address those circumstances when premium may be due as well as those circumstances when premium is not due. The Bureau also recommended changing the upper age limit to 27 in the definition of “eligible family member” (Line 39), thereby eliminating the need to refer to the definition of “qualified child” in the Code of Virginia. Finally, in the proposed revisions to § 38.2-3500 C, the Bureau of Insurance recommended striking language concerning the maximum age for clarity and consistency with the corresponding language in § 38.2-3525 A 1.
- Bureau staff suggested changing the upper age limit to 27 rather than 26, for consistency with the remainder of the bill (see Line 47)
- The caption on Lines 42 and 43 refers to coverage for parents, which is currently not included in § 38.2-3525, although it has been proposed in a different bill currently under consideration by the General Assembly.

The suggested amendments follow:

§ 38.2-3500. Form of policy.

A. No individual accident and sickness insurance policy shall be delivered or issued for delivery to any person in this Commonwealth unless:

1. The entire consideration for the policy is expressed in the policy;
2. The time at which the insurance takes effect and terminates is expressed in the policy;
3. The policy insures only one person, except that it may insure eligible family members, originally or by subsequent amendment, upon the application of an adult member of a family who shall be deemed the policyowner, **and the payment of any additional required premium;**
4. The exceptions and reductions are set forth in the policy and, except those that are set forth in §§ 38.2-3503 through 38.2-3508, are printed with the benefit provisions to which they apply, or under an appropriate caption, but if an exception or reduction specifically applies only to a particular benefit of the policy, a statement of the exception or reduction shall be included with that benefit provision;
5. Each form, including riders and endorsements, is identified by a form number in the lower left-hand corner of the first page of the form;
6. It contains no provision making any portion of the charter, rules, constitution, or bylaws of the insurer a part of the policy unless that portion is set forth in the policy, except in the case of the incorporation of, or reference to, a statement of rates or classification of risks, or short-rate table filed with the Commission; and

7. It contains a statement about the provisions of subsections A and B of § ~~32.1-325.2~~ regarding the status of the Department of Medical Assistance Services as the payor of last resort.

B. If any policy is issued by an insurer domiciled in this Commonwealth for delivery to a person residing in another state, and if the insurance supervisory official of the other state advises the Commission that any such policy is not subject to approval or disapproval by such official, the Commission may by ruling require that such policy meet the standards set forth in this chapter.

C. "Eligible family member" means the (i) spouse, (ii) dependent children, without regard to whether such children reside in the same household as the policyowner, (iii) children under ~~a specified age not greater than nineteen~~ 26 27 years of age, and (iv) ~~a qualified child, as defined in subsection B of § 38.2-3525, who may be added to an existing policy, at the option of the policyholder, by rider or endorsement upon payment of any additional required premium, and~~ (v) any person dependent on the policyowner.

§ ~~38.2-3525~~. Group accident and sickness insurance coverages of spouses, parents, dependent children, or other persons.

A. Coverage under a group accident and sickness insurance policy, except a policy issued pursuant to subsection B of § ~~38.2-3521.1~~, may be extended to insure:

1. The spouse and any child who is (i) under the age of 19 years, (ii) who is a dependent and under the age of 25 ~~26-27~~-years, or (iii) who is a dependent and a full-time student under 25 ~~26 27~~ years of age, without regard to whether such child resides in the same household as the insured group member, or (iii) who, but for age, would be treated as a dependent child of the insured group member and who is (i) under 27 years of age and (ii) not enrolled as a participant, beneficiary, or group member, other than under this subsection, § 704 of the federal Employee Retirement Income Security Act of 1974, or § 2704 or § 2746 of the Public Health Act, under any health insurance coverage or group health plan, or any class of spouse and dependent children, of each insured group member who so elects; and

2. Any other class of persons as may mutually be agreed upon by the insurer and the group policyholder.

~~B. A group accident and sickness insurance policy that provides coverage for dependent children shall make available such coverage, at the option of the insured group member, for one or more qualified children. As used in this subsection, "qualified child" means, with respect to an insured group member, an individual who, but for age, would be treated as a dependent child of the insured group member and who is (i) under 27 years of age and (ii) not enrolled as a participant, beneficiary, or group member, other than under this subsection, § 704 of the federal Employee Retirement Income Security Act of 1974, or § 2704 or § 2746 of the Public Health Act, under any health insurance coverage or group health plan. If an insured group member opts to provide coverage for his qualified child under this subsection, any additional premium resulting from the extension of coverage to such person shall be paid by the insured group member.~~

€ B. The amount of accident and sickness insurance for the spouse, dependent child, or other person shall not exceed the amount of accident and sickness insurance for the insured group member.

€D. C. At the insurer's option and subject to the policyholder's election, the coverage for children of the insured group member may be extended beyond the ages established in

subsection A. Any such extension of coverage shall be as mutually agreed upon by the insurer and the group policyholder.

~~DE.~~ **D.** Notwithstanding the provisions of § ~~38.2-3538~~, one certificate may be issued for each insured group member if a statement concerning any spouse's, dependent child's, or other person's coverage is included in the certificate.

~~EF.~~ **E.** When a policy provides coverage for a dependent child who is enrolled based upon the child's status as a full-time student and such child is unable due to a medical condition to continue as a full-time student, coverage under the policy for such child nevertheless shall continue in force provided the child's treating physician certifies to the insurer at the time the child withdraws as a full-time student that the child's absence is medically necessary. Coverage for such child shall continue in force until the earlier of (i) the date that is 12 months from the date the child ceases to be a full-time student or (ii) the date the child no longer qualifies as a dependent child under the terms of the group policy. A child's status as a full-time student shall be determined in accordance with the criteria specified by the institution in which the child is enrolled.

This bill has been assigned to subcommittee #2.

Date: 02/03/10 V. Tompkins

cc: Secretary of Commerce and Trade
Secretary of Health and Human Resources