

State Corporation Commission 2009 Fiscal Impact Statement

1. Bill Number: SB1274

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

2. Patron: Vogel

3. Committee: Commerce and Labor

4. Title: Health insurance; business practices.

5. Summary/Purpose: Extends to 90 days the grace period provisions in individual and group health insurance policies, in contracts issued by mutual assessment insurers, and in contracts issued by HMOs and health services plans. Provisions in the bill also prohibit insurers from collecting more than one month's premium upon policy reinstatement and from refusing to reinstate a policy because of the insured's claims experience or premium payment history.

6. Fiscal Impact Estimates: 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: The Bureau of Insurance advised the patron that proposed § 38.2-508.6 in Senate Bill 1274 defines "carrier" to include, among other things, insurers licensed under Chapter 39 of Title 38.2, (mutual assessment insurers). Likewise, the term "health policy" is defined to include, among other things, an accident and sickness insurance policy subject to Chapter 39. Because there is a statutory prohibition against the licensing of additional mutual assessment insurers in Virginia (see § 38.2-3906), and no mutual assessment insurers operating in Virginia, there is no need to include them among the types of insurers to which this bill will apply. The Bureau recommended the removal of references to Chapter 39 in the definition of "carrier" (Lines 17 and 18), and in the definition of "health policy" (Lines 25 and 26)

The Bureau of Insurance also pointed out that the 90-day grace period proposed by Senate Bill 1274 exceeds the 60-day period for which insurers may retroactively apply premium payments, as per clause 4 of § 38.2-3503, Provision 4, beginning on Line 90. For example, a full 90-day grace period is applied, and 60 days' premium is later collected to cover the period during which the policy was in the grace period. If that example were to become law, then essentially 30 days' coverage will have been provided by the insurer for which no premium was ever collected. The Bureau, therefore, recommended conforming the two requirements by changing 60 days to 90 days on Line 102.

11. Other comments: Many of the provisions being amended by Senate Bill 1274 were adopted by the National Association of Insurance Commissioners and have been enacted uniformly by most states. Virginia would be the first state of which the Bureau of Insurance is aware to: extend grace periods regardless of the frequency of premium payments; to prohibit insurers from collecting more than one month's premium upon reinstatement of a policy; and to prohibit an insurer from refusing to reinstate a policy because of the insured's claims experience or premium payment history.

Date: 01/28/09/V. Tompkins

cc: Secretary of Health and Human Resources