

State Corporation Commission

2014 Fiscal Impact Statement

1. Bill Number: HB719

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: McClellan

3. Committee: Commerce and Labor

4. Title: Long-term care insurance; notice of lapse and reinstatement.

5. Summary: Adds a requirement for notification of lapse or termination for an individual long-term care (LTC) policy or certificate. An individual LTC policy or certificate cannot be issued unless the applicant designates, in writing, an additional person to receive a notice of policy lapse/termination for nonpayment of premium, unless the applicant provides a written waiver for this designation. The applicant can designate at least one person to receive the notice in addition to the insured. The designation does not constitute the acceptance of liability by the third party. The written designation form must clearly provide space for a name and the full name and home address must be included. A waiver not to designate a person for notification must contain certain language specified in the bill. The insured must be notified at least every two years that they can change the designation. When the policyholder/certificateholder pays by a payroll/pension deduction program, the requirement above can be met 60 days after the policyholder/certificateholder is not in the deduction plan. The application or enrollment form must indicate if payments are made by payroll/premium deduction. No individual LTC policy/certificate can lapse or terminate for nonpayment unless notice is given to the insured and the designated person(s) at the address provided. The notice must be given by certified mail or commercial delivery service and cannot be given until 30 days after the premium is due. The policy/certificate cannot lapse or terminate until 60 days after the notice is mailed. The legislation requires a LTC policy/certificate to include a provision for reinstatement during the grace period after the notice is mailed if proof is provided that the policy/certificateholder is cognitively impaired or has a loss of functional capacity. The reinstatement must be available if the request is made within five months after termination and must allow for collection of overdue premiums. The standard for proof of impairment or loss of functional capacity cannot be more stringent than the benefit eligibility criteria in the policy/certificate. The bill applies to any LTC policy/certificate issued, reissued, or renewed on or after July 1, 2014.

6. Budget amendment necessary: No

7. Fiscal Impact Estimates: No Fiscal Impact on the State Corporation Commission

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: House Bill 719 is assigned to Commerce and Labor Subcommittee #1.

Date: 01/21/14/V. Tompkins

cc: Secretary of Commerce and Trade

Secretary of Health and Human Resources