

# HOUSE BILL REPORT

## HB 2666

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**As Reported by House Committee On:**  
Health Care & Wellness

**Title:** An act relating to long-term care insurance.

**Brief Description:** Establishing standards for long-term care insurance.

**Sponsors:** Representatives Morrell, Cody, McCoy, Green, Hunt, Wallace, Pedersen, Moeller, McIntire, Barlow, Conway, Simpson and Darneille.

**Brief History:**

**Committee Activity:**

Health Care & Wellness: 1/23/08, 1/30/08 [DPS].

**Brief Summary of Substitute Bill**

- Adopts model legislation developed by the National Association of Insurance Commissioners related to long-term care insurance.

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### HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Cody, Chair; Morrell, Vice Chair; Hinkle, Ranking Minority Member; Alexander, Assistant Ranking Minority Member; Barlow, Condotta, Green, Moeller, Pedersen, Schual-Berke and Seaquist.

**Staff:** Dave Knutson (786-7146).

**Background:**

The National Association of Insurance Commissioners (NAIC) has developed national uniform standards to facilitate interstate cooperation and commercial transactions that cross state boundaries. The NAIC has worked closely with the National Conference of State Legislatures, the National Conference of Insurance Legislators, and the National Association of Attorneys General in the development and refinement of model legislation for a number of insurance areas that may be filed through an interstate compact. Insurance carriers may file products in one venue through the interstate compact and sell their products for life insurance,

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annuities, disability income, and long-term care insurance products in all participating compact states. The 2005 Washington Legislature directed the state to participate in the interstate insurance product regulation compact.

Long-term care insurance is a relatively new insurance product compared to other insurance products, such as life insurance. Washington first passed the Long-Term Care Insurance Act in 1986. Since that time, policy standards have evolved and long-term care delivery approaches have changed dramatically. The NAIC model long-term act includes a number of modifications dealing with rate stabilization and other consumer protections.

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### **Summary of Substitute Bill:**

The NAIC model long-term act is adopted for all long-term care insurance policies sold in Washington on or after January 1, 2009. Standards governing policies sold prior to January 2009 remain in place. The new policy definitions allow long-term care policies to meet Internal Revenue Code requirements as tax qualified plans, including life insurance contracts with long-term care insurance riders.

A stricter definition of pre-existing conditions is provided which limits the conditions to those identified within the six months preceding the effective date of coverage. A policy may not exclude coverage for a loss or confinement that is a result of a pre-existing condition, unless the loss or confinement begins within the first six months of coverage. A policy may not exclude, limit, or reduce coverage or benefits for specifically named or described pre-existing diseases or conditions beyond the waiting period.

An individual purchasing a long-term care policy may return the policy for any reason within 30 days and receive a full premium refund. An outline of coverage must be available for a prospective applicant at the time of initial solicitation. The Office of the Insurance Commissioner (OIC) must prescribe a standardized outline of coverage that must be provided to each applicant.

Monthly reports must be generated for those using a long-term care benefit funded through a life insurance policy, by acceleration of the death benefit, which details the amount of benefit paid out and remaining.

The OIC must develop minimum standards for inflation protection features. All policies offered must include an offer of a non-forfeiture benefit, which allows the purchaser to retain some benefits in the event they discontinue premium payments. The OIC must adopt rules specifying the type or types of non-forfeiture benefits to be offered, protect patient privacy rights, and set standards for an issuer's timely review of claim denials.

Insurance producers, brokers, and agents must complete one-time training to sell long-term care policies offered under this new chapter. Each carrier or issuer of policies must develop and use suitability standards to determine whether the purchase of long-term care coverage is appropriate for the applicant.

**Substitute Bill Compared to Original Bill:**

The Washington State Insurance Commissioner must promulgate rules providing for additional consumer protections.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill takes effect January 1, 2009.

**Staff Summary of Public Testimony:**

(In support) This is good legislation that will protect consumers and help companies selling long-term care policies by adopting a uniform national standard.

(Opposed) None.

**Persons Testifying:** Representative Morrell, prime sponsor; Beth Berendt, Office of the Insurance Commissioner; and Mel Sorensen, American Council of Life Insurers, America's Health Insurance Plans, Washington Association of Health Underwriters, and the National Association of Insurance and Financial Advisors.

**Persons Signed In To Testify But Not Testifying:** None.