

SENATE BILL REPORT

SHB 2666

As Reported By Senate Committee On:
Health & Long-Term Care, February 28, 2008

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

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

Sponsors: House Committee on Health Care & Wellness (originally sponsored by Representatives Morrell, Cody, McCoy, Green, Hunt, Wallace, Pedersen, Moeller, McIntire, Barlow, Conway, Simpson and Darneille).

Brief History: Passed House: 2/18/08, 94-0.

Committee Activity: Health & Long-Term Care: 2/27/08, 2/28/08 [DPA].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass as amended.

Signed by Senators Keiser, Chair; Franklin, Vice Chair; Pflug, Ranking Minority Member; Carrell, Fairley, Kastama, Kohl-Welles, Marr and Parlette.

Staff: Mich'l Needham (786-7442)

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, 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.

Summary of Bill (Recommended Amendments): The NAIC model long-term act is adopted for all long-term care insurance policies sold in Washington on or after January 1, 2009.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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, and allows life insurance contracts with long-term care insurance riders and long-term care partnership policies.

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 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.

EFFECT OF CHANGES MADE BY HEALTH & LONG-TERM CARE COMMITTEE (Recommended Amendments): The amendment inserts a new Section 14, correcting the dates and references to producer training requirements. Previously all producers were required to complete one-time training by July 1, 2009. The language clarifies that current producers should complete training by July 2009, and new producers may complete training at a later date.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2009.

Staff Summary of Public Testimony on Substitute Bill: PRO: This legislation is a companion with the Senate Bill 6364 and includes all the same consumer protections, with the addition of an appeals process for consumers and the ability to sell partnership policies. It

includes important consumer protections and is a positive move forward for long-term care insurance products. The associations worked with the National Association of Insurance Commissioners to produce the model language and we support this bill, as well as the proposed amendment to correct the language regarding producer training. The consumer protections included in the bill are a good step to adopt strong, national standards.

Persons Testifying: PRO: Representative Morrell, prime sponsor; Mel Sorensen, American Council of Life Insurers, America's Health Insurance Plans, Washington Association of Health Underwriters, National Association of Insurance and Financial Advisors; Jerry Reilly, Area Agencies on Aging and Eldercare.