

BILL ANALYSIS

S.B. 1153
By: Hancock
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

It has been noted that the Texas Life and Health Insurance Guaranty Association covers insurance claims and annuity contracts of certain insolvent insurance companies. S.B. 1153 seeks to update and modernize certain provisions of the Texas Life and Health Insurance Guaranty Association Act.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 1153 amends the Insurance Code to include a health maintenance organization (HMO) as a type of insurer required to participate as a member of the Texas Life and Health Insurance Guaranty Association and to revise the Texas Life and Health Insurance Guaranty Association Act to reflect that inclusion and make certain other updates regarding the act's applicability. The bill specifies that the persons covered under the act include certain health care providers who render services covered under a health insurance policy or certificate. The bill excludes the following from coverage under the act:

- a person who acquires rights to receive payments through a structured settlement factoring transaction as defined by the Internal Revenue Code of 1986;
- structured settlement annuity benefits to which a payee or beneficiary has transferred the payee's or beneficiary's rights in such a transaction; and
- a policy or contract providing a health care benefit under federal law or regulations relating to Medicaid or the children's health insurance program.

The bill establishes that certain existing exclusions from coverage under the act do not apply to any portion of a policy or contract, including a rider, that provides long-term care benefits or any other health insurance benefit and that, for the purposes of the act, benefits provided by a long-term care rider to a life insurance policy or annuity contract are considered to be the same type of benefits as the base life insurance policy or annuity contract.

S.B. 1153 requires the commissioner of insurance, in appointing members of the association's board of directors, to consider whether the directors appointed from member insurers fairly represent the member insurers that are HMOs and life, health, and annuity insurers. The bill authorizes the board to use telephone conference call, videoconference, or other similar telecommunication method for establishing a quorum, voting, or any other meeting purpose

regardless of the subject matter discussed or considered by the board at the meeting and removes limitations on the use of such meeting methods. The bill revises the meeting location that must be specified in a notice of a board meeting and requires an audio or digital recording of the open portion of a board meeting to be posted on the association's website.

S.B. 1153 authorizes the association to implement or file for an actuarially justified rate or premium increase in accordance with the terms and conditions of a covered policy or contract unless doing so is prohibited by other law. The bill changes the date on which an amendment to the association's plan of operation automatically takes effect if not approved or disapproved by the commissioner before that date from the 30th day after the date the amendment is submitted to the commissioner for approval to the 60th day after that date.

S.B. 1153 requires the amount of a Class B assessment for long-term care insurance written by an impaired or insolvent association member insurer to be allocated according to a methodology that is included in the association's plan of operation, is approved by the commissioner, and provides for 50 percent of the assessment to be allocated to accident and health member insurers and 50 percent to be allocated to life and annuity member insurers. The bill exempts from this requirement a rider to a member insurer's life insurance policy or annuity contract that provides long-term care benefits.

S.B. 1153 expands the list of actions that the association may take with respect to an impaired or insolvent member insurer to include reissuing the insurer's policies or contracts or causing those policies or contracts to be reissued. The bill makes the association's right to appear before a court applicable to a proposal for reissuing an impaired or insolvent insurer's policies or contracts.

S.B. 1153 removes the requirement for the association, in ensuring payment of benefits with respect to a life or health insurance policy or contract of certain impaired or insolvent insurers, to ensure such payment at premiums identical to the premiums that would have been applicable under that policy or contract. The bill specifies that a reissued or alternative policy offered by the association as substitute coverage with respect to such a policy or contract must be offered at actuarially justified rates.

EFFECTIVE DATE

September 1, 2019.