HOUSE
RESEARCH
ORGANIZATION bill analysis 5/19/2009

SB 963
Ellis (Smithee)
(CSSB 963 by Smithee)

SUBJECT: Regulation of premium rates for long-term care insurance

COMMITTEE: Insurance — committee substitute recommended

VOTE: 8 ayes — Smithee, Martinez Fischer, Deshotel, Eiland, Hancock, Hunter, Taylor, Thompson

0 nays

1 absent — Isett

SENATE VOTE: On final passage, April 9 — 31-0, on Local and Uncontested Calendar

WITNESSES: For — (*Registered, but did not testify:* Brenda Nation, American Council of Life Insurers (ACLI))

Against — None

On — Jennifer Ahrens, Texas Association of Life and Health Insurers

DIGEST: CSSB 963 would amend the Insurance Code by adding sec. 1651.056 to prohibit a long-term care premium rate from being used until the rate was filed with the Department of Insurance and approved by the commissioner.

An insurer who obtained approval of a long-term care premium rate increase would have to:

- notify policyholders of the rate increase at least 45 days before the date the policyholder was required to make a premium payment at the increased rate; and
- provide contingent nonforfeiture benefits consistent with nationally recognized models and rules adopted by the commissioner.

The commissioner could disapprove a long-term premium rate that was not actuarially justified or did not comply with established standards or rules adopted by the commissioner.

The bill would take effect September 1, 2009, and would apply to any rate increase implemented on or after the effective date.

SUPPORTERS SAY:

CSSB 963 would ensure that Texans did not pay higher rates for long-term care insurance to make up for insurance company losses in other states. Many long-term care insurance providers provide coverage to consumers in several different states. Most states regulate the insurance premiums companies offer. Occasionally, a provider denied a rate increase in one state will file for rate increases in states that do not regulate rates to compensate for the lower rates in rate-regulated states. As a result, consumers in Texas, a non-regulated state, may be forced to pay higher premiums for long-term care insurance.

CSSB 963 would ensure that Texans did not carry the premium load for other states by prohibiting a long-term care premium rate from being used until the rate was filed and approved by the insurance commissioner.

OPPONENTS SAY:

No apparent opposition.

NOTES:

The House version of CSSB 963 differs from the Senate passed bill by increasing from 30 to 45 the minimum number of days before the premium due date that an insurer would be required to notify the policyholder of the increase and by requiring a long-term care insurer to provide contingent nonforfeiture benefits consistent with nationally recognized models and rules adopted by the commissioner.

The House version removed provisions from the Senate-passed bill requiring the insurer to either continue coverage at the increased rate or, subject to terms approved by the commissioner, reduce policy benefits so as not to increase the premium rate, or convert the coverage to a paid up status with a shortened benefit period, and by removing provisions requiring the insured to choose to continue coverage, reduce benefits, or convert coverage within 30 days of the insurer's notice.

The House version would apply to rate increases implemented after September 1, 2009, whereas the bill as passed by the Senate would apply to a long-term care policy that was delivered, issued for delivery, or renewed on or after January 1, 2010.

The companion bill, HB 4344 by Smithee, passed the House on the Local, Consent, and Resolutions Calendar on April 15 and was referred to the Senate State Affairs Committee on April 27.