BILL ANALYSIS

Senate Research Center
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C.S.S.B. 963
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State Affairs
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Some Texas consumers are unfairly being forced to pay higher premiums for long-term care insurance to compensate for the lower rates consumers pay in the states in which those companies' rate increase have been denied.

Many long-term care insurance companies write business in multiple states, most of which regulate rates. Long-term care carriers file for rate increases in the various states as needed. Occasionally, a carrier is denied a rate increase in one state and then in order to collect the amount of premium it believes necessary, the carrier will file for rate increases in other states that do not regulate rates, such as Texas, to make up or compensate for the inadequate rates it is able to charge in the rate-regulated states.

C.S.S.B. 963 prohibits a long-term care premium rates from being used until the rate has been filed with the Texas Department of Insurance and approved by the commissioner of insurance (commissioner) and authorizes the commissioner to disapprove a long-term premium rate that is not actuarially justified or does not comply with standards established under this chapter or adopted by rule by the commissioner. This bill sets forth notification requirements for an insurer who obtains the commissioner's approval of an increase of a long-term care premium rate.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is modified in SECTION 1 (Section 1651.056, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 1651, Insurance Code, by adding Section 1651.056, as follows:

Sec. 1651.056. REVIEW; APPROVAL OR DISAPPROVAL OF PREMIUM RATES. (a) Prohibits a long-term care premium rate from being used until the rate has been filed with the Texas Department of Insurance (TDI) and approved by the commissioner of insurance (commissioner).

(b) Authorizes the commissioner to disapprove a long-term care premium rate that is not actuarially justified or does not comply with standards established under this chapter or adopted by rule by the commissioner.

(c) Requires an insurer who obtains the commissioner's approval of an increase of a long-term care premium rate under Subsection (a) to notify policyholders of the scheduled rate increase at least 30 days prior to the date that the policyholder is required to make a premium payment at the increased rate; and offer to continue coverage at the increased rate, reduce policy benefits provided by the long-term care coverage in effect immediately before the scheduled increase without the requirement of additional underwriting so that the premium payments required are not increased; or convert the coverage to a paid-up status with a shortened benefit period.

(d) Requires that the offer to reduce policy benefits under Subsection (c)(2)(B) (relating to reducing policy benefits provided by the long-term care coverage in effect immediately before the scheduled increase) or convert coverage under Subsection (c)(2)(C) (relating to converting the coverage to a paid-up status with a shortened benefit period) be made subject to terms approved by the commissioner.

(e) Requires a policyholder to elect whether to accept the offer to continue coverage, reduce policy benefits, or convert coverage under Subsection (c) not later than the 30th day after the date of the notice that the insurer provides under Subsection (c).

(f) Provides that a policyholder who fails to make an election that complies with Subsection (e) is considered to have elected to continue coverage at the increased rate.

SECTION 2. Makes application of this Act prospective to January 1, 2010.

SECTION 3. Effective date: September 1, 2009.