# COMMITTEE ON LEGISLATIVE RESEARCH
# OVERSIGHT DIVISION

## FISCAL NOTE

L.R. No.: 4803-01
Bill No.: SB 1180
Subject: Insurance - Medical; Insurance Department; Elderly
Type: Original
Date: March 5, 2002

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## FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| | | | |
| | | | |
| **Total Estimated Net Effect on All State Funds** | **$0** | **$0** | **$0** |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| | | | |
| | | | |
| **Total Estimated Net Effect on All Federal Funds** | **$0** | **$0** | **$0** |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| **Local Government** | **$0** | **$0** | **$0** |

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 3 pages.

## FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services** assume this proposal would not fiscally impact their agency.

Officials from the **Department of Insurance (INS)** assume this legislation updates long term care insurance law to be consistent with the National Association of Insurance Commissioners model regulation. This legislation changes various standards applicable to rates, rate increases and required disclosures to consumers. The INS would be required to do training and adjust market conduct examination processes to assure provisions of the legislation are reviewed and insurers are in compliance. The INS does not anticipate a need for additional resources to implement provisions of the proposed law.

| FISCAL IMPACT - State Government | FY 2003 (10 Mo.) | FY 2004 | FY 2005 |
|---|---|---|---|
| | **$0** | **$0** | **$0** |

| FISCAL IMPACT - Local Government | FY 2003 (10 Mo.) | FY 2004 | FY 2005 |
|---|---|---|---|
| | **$0** | **$0** | **$0** |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal makes several changes to the long-term care insurance law. This proposal clarifies that the term "long-term care insurance" to include any insurance policy that meets the requirements of a "qualified long-term care insurance contract", as defined in Section 7702B of the Internal Revenue Code. This proposal requires the issuer of a long-term care contract to state clearly in its enrollment materials whether the contract is intended to be tax-qualified, pursuant to Section 7702B. This proposal requires the issuer to deliver the certificate of insurance to the applicant no later than 30 days after the date of approval. This proposal requires the long-term care policy summary to include a statement that any long-term care inflation protection option that may be required by the laws of Missouri is not available under the policy.

This proposal requires issuers to provide a written explanation for a denial of coverage within 60
DESCRIPTION (continued)

days of receiving a written request for an explanation from the applicant. The issuer must provide all information directly related to the denial. This proposal allows insurers to rescind long-term care contracts upon a showing of misrepresentation. The degree of misrepresentation that must be proven will vary, depending on the length of time the policy has been in effect (Section 376.1124). This proposal prohibits a long-term care contract to be field issued based on medical or health status. This proposal prohibits an insurer from recovering benefits paid to the policyholder when the issuer rescinds the policy. This proposal requires insurers to offer a policy that includes a nonforfeiture benefit. If that benefit is declined, the issuer must then offer a contingent benefit upon lapse that will be available for a specified period of time following a substantial increase in premium rates. This proposal requires the Department of Insurance to promulgate rules creating the standards for nonforfeiture benefits, contingent benefits upon lapse, the length of time these benefits must run, and the extent to which premiums may be increased. The Department of Insurance must also promulgate rules regarding marketing practices, agent compensation, agent testing, penalties, and reporting practices for long-term care insurance. This proposal allows insurers or agents in violation of long-term care insurance requirements to be fined $10,000 or three times the commission paid for each policy involved, whichever is greater.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance
Department of Health and Senior Services

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