HOUSE RESEARCH

Bill Summary

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Overview

This is the 2005 omnibus insurance bill, primarily from the Department of Commerce. Most sections are technical.

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1 **Fees other than examination fees.** Increases the fee for filing insurance forms and premium rates from $75 to $90. Eliminates a $250 filing fee for a worker's compensation "large risk alternative rating option plan" (commonly called LRARO, which is pronounced "la-rar-o"), which meets a threshold of at least $250,000 in annual premiums from a single employer. The elimination of this fee relates to section 0of this bill.

2 **Termination of insurance agency contract with insurer.** Provides that, if an insurance agency contract with an insurer is terminated, the insurance company must notify the insured that the policy will not be renewed for that reason. If the agency cannot replace the coverage with suitable coverage from another insurer, requires the agency to tell the insured that the insured may renew with the same insurer. Requires the insurer to renew the policy upon the request of the insured or agent before the renewal date.

3 **Self-insurance or insurance plan administrators who are vendors of risk management services.** This section deals with what are usually called third party administrators (TPAs). TPAs administer insured or self-insured health plans for employers. They do not bear insurance risk. Licensed insurers that also act as TPAs do not need this separate TPA license. This section changes TPA licensure from a $1,000 fee for two years to a $1,500 fee for three years.

4 **Approval of viatical settlement contract forms.** This section involves viatical settlements.

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A viatical settlement is the sale, by a person who has life insurance, of the right to collect the person's life insurance benefit when the person dies at some unknown time in the future. These sales usually involve an insured who has a chronic terminal illness, will live for an unknown period of time (often several years), does not need life insurance to provide for dependents, and wishes to have immediate cash. The purchase of a viatical settlement is an investment. These transactions are usually handled through intermediaries called viatical settlement providers or brokers, who receive a fee for their services. This section extends current law regulating intermediaries in viatical settlements to include brokers.

5 **Disclosure.** Makes existing viatical settlement disclosure requirements apply to viatical settlement brokers. Changes the required timing of disclosures that a viatical settlement provider or broker is required to make to the seller (called a "viator"), so that they are made when the provider or broker gives an application to the prospective viator, rather than later when the viatical settlement agreement is being signed by all parties to it.

6 **Definitions.** Defines nine terms used in the following section. The definition of "producer" (insurance agents and agencies) exempts them from the two following sections until January 1, 2007.

7 **Information security program.** Requires insurance companies, agents, and other insurance-related entities to implement a comprehensive security program to protect customer information.

8 **Unfair trade practices.** Makes a violation of the two preceding sections a violation of the unfair insurance trade practices act. This provides for enforcement by the commissioner.

9 **Eligibility determination.** Permits a corporation that is a member of an insurance holding company system to reimburse an officer, director, or employee in advance for legal expenses related to litigation, for which the person certifies eligibility for indemnification.

10 **Dental and vision plan coverage.** Technical clarification of a section that lists requirements that apply to health plan coverage that do not apply to dental insurance plans.

11 **Limitations on denials, conditions, and pricing of coverage.** This section deals with the "six month open window" open enrollment period for Medicare supplement insurance available after a person enrolls in Medicare Part B (Part A is hospital coverage and Part B is services of physicians and other providers). Open enrollment means the person cannot be turned down for Medicare supplement insurance for health reasons during that six-month period. Under current law, if a person who is enrolled in Medicare Part B drops that enrollment because the person has returned to work ("unretired') and has employee health coverage through the person's employer, the person gets another "six-month open window" when the person later retires again (or loses the job) and reenrolls in Medicare Part B. This section extends that to also apply to people who drop Medicare Part B because they obtain health coverage through an employer other than through becoming an employee. The typical example of this would be a person who gets that employer health coverage as a spouse or other dependent of an employee.

12 **Extended basic Medicare supplement plan.** Changes the coverage of preventive care in the Medicare supplement "extended basic" plan to conform to changes in Medicare's coverage of preventive care. Also makes changes to account for the new Medicare Part D.

13 **Basic Medicare supplement plan; coverage.** Changes the coverage of preventive care in the Medicare supplement "basic" plan, to conform to changes in Medicare's coverage of preventive care. Also makes changes to account for the new Medicare Part D.

14 **Minimum benefits of comprehensive health insurance plan.** Clarifies 2004 legislation permitting MCHA to offer a high deductible health plan for use with a health savings

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account.

15 **Selection of writing carrier.** Technical changes to correctly refer to Medicare supplement plans offered by the Minnesota Comprehensive Health Association (high-risk plan).

16 **Exclusion for suicide attempts prohibited.** Extends to more types of health-related insurance, the prohibition on denials of health coverage on the basis of suicide or attempted suicide.

17 **Access to provider discounts.** Requires high-deductible health plans used in conjunction with health savings accounts to provide access to any health care provider discounts available for use with the health plan for all care covered by the plan, regardless of whether the insured has satisfied the deductible.

18 **Nonrenewal.** Insurance companies base homeowner's insurance premium rates and nonrenewal decisions partly on the insured's claims history. This section prohibits homeowner's insurance companies from including as a claim an insured's inquiry about a hypothetical claim or an inquiry to the insured's agent about a potential claim.

19 **Active duty member of armed services reserves or national guard; use in underwriting prohibited.** Prohibits a homeowner's insurer from taking adverse underwriting action against a person called to active military duty, whose home is vacant or occupied by a caretaker as a result. (Insurers do not like to insure vacant buildings.)

20 **Snowmobile auxiliary lighting system discount.** Requires a discount on snowmobile insurance for having a certain auxiliary lighting system.

21 **Automobile self-insurance plans.** State law permits satisfying the mandatory auto insurance requirement through self-insurance under certain conditions. Usually this is used by large employers who can establish other financial arrangements for paying claims. Changes the initial application fee for motor vehicle self-insurance from $1,500 to $2,500. Changes the renewal period from annual to three years. Changes the renewal fee for political subdivisions from $400 per year to $1,200 for three years. Changes the renewal fee for nongovernmental entities from $500 per year to $1,500 for three years.

22 **Refusal to renew.** Conforming change to prohibit insurance companies from using as claims for purposes of homeowner's nonrenewal the types of inquiries described in section 0of this bill.

23 **Limitations on the use of credit information.** Requires insurers to reevaluate a policyholder's credit score or insurance score upon request. Requires any resulting premium change to be effective upon renewal. Provides that insurers need not do this more than twice per year for a policyholder.

24 **Experience modification factor revision for certain closed claims.** Permits insurers or insured employers to request that a data service organization revise the rate on a workers' compensation insurance policy under certain circumstances.

25 **Premium inclusion in ratemaking.** Eliminates a requirement that premiums charged to workers' compensation insurance companies for reinsurance by the Workers' Compensation Reinsurance Association (WCRA) be recognized as a cost for ratemaking on the same basis as assessments for the special compensation fund. Retains the requirement that those premiums be recognized for ratemaking.

26 **Prefiling of rates.** This section involves the large risk alternative rating option (LRARO, pronounced "la-rar-o") worker's compensation premium rate plans referred to in section 0of this bill. Changes LRARO to provide that the insurer may charge a premium rate without filing it with the commissioner if the insurer files with the commissioner a certification that the premium rate is being used only with a specified employer that generates at least

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$250,000 in annual worker's compensation premiums under the plan in all states combined, prior to discounts for high deductibles. Under current law, a LRARO premium rating plan must be filed with the commissioner, but is not subject to disapproval. Current law does not require the certification by the insurer.

27 **Penalties.** Makes changes to conform to the preceding section.

28 **Issuance.** Increases the initial and annual renewal licensing fee charged to data service organizations from $50 to $1,000. These are organizations of insurers that develop worker's compensation premium rates.

29 **Filing reports.** Sections 0to 0all involve employers who self-insure for workers' compensation, either individually or as part of a self-insured group. Requires more involvement by certified public accountants in monitoring the financial strength of members of self-insureds workers' compensation groups.

30 **Minimum deposit.** Prohibits workers' compensation self-insurers from claiming credit against financial liability for reinsurance or excess insurance obtained from a "captive" of the self-insurer. A "captive" insurance company is one owned by the company to whom it provides insurance.

31 **Notice; obligation of fund.** Gives the Self-Insurers' Security Fund the right to immediate possession of an insolvent member's claims files and data.

32 **Private employers who have ceased to be self-insured.** Requires self-insured employers who terminate self-insurance to provide an actuarial opinion of their liabilities promptly and provides enforcement of that requirement. Provides for interest on such liabilities not paid to the security fund.

33 **Assessment.** Changes language involving the assessments made by the worker's compensation self-insurance security fund on employers that are individually self-insured. This security fund steps in to pay worker's compensation benefits owed to employees by a self-insured employer that becomes insolvent.

34 **Disbursement of fund surplus.** Permits somewhat larger refunds of surplus money to members of a self-insured commercial workers' compensation group.

35 **All states coverage.** Permits self-insured workers' compensation groups to provide "all states" coverage. Requires it be available to members temporarily performing work out of state.

36 **Health coverage pool comparison shopping.** Requires service cooperatives to permit their school district and other local governmental employer members to seek competing bids for health insurance, except within the five-month period prior to expiration of a master agreement. Permits service cooperatives to exclude a former member for up to one year if the member accepts a competing bid. Requires service cooperatives to provide a member's claims experience (necessary for soliciting a competing bid). Provides that this obligation to provide the claims information trumps a conflicting 2004 law.

37 **Insurer payment.** Technical clarification of a law that governs the obligations of health insurers and worker's compensation insurers for injuries or illnesses that may be covered by both.

38 **Certain counties joint agreements for insurance coverage.** This section amends a 1985 session law that permitted specific counties and all political subdivisions within those counties, except Duluth, to offer group insurance or other benefits jointly with a nonprofit organization. The amendment provides that, notwithstanding specified statutes, such a joint arrangement may provide the same health insurance coverage under the same plan and premium rates to member employers who have 50 or fewer employees as it provides to

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employers who have more than 50 employees. Provides that the permission is a pilot project and expires at the end of the third full plan year following enactment. Section 0provides that this section is effective without approval by the local governmental units.

39 **Repealer.** Repeals a law requiring prior approval of advertisements by life insurance companies involving accelerated benefits and prohibiting approval if the advertisement might cause a prospective purchaser to think the product is a long-term care insurance policy.

Also repeals a law requiring employers that provide health coverage to employees to offer coverage that meets certain requirements. This law is preempted by the federal ERISA law.

40 **Effective date.** (a) Various effective dates.

(b) Provides that section 0does not require local approval.