HOUSE RESEARCH

Bill Summary

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Overview

This is the Department of Commerce insurance bill.

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1 **License education approval.** Clarifies that license education course sponsors must be approved by the commissioner and that the sponsor must have a coordinator who meets requirements in Department of Commerce rules. (This applies to pre-license education courses for all licenses issued by the Department of Commerce and not just to insurance-related licenses.) Eliminates obsolete language.

2 **License education fees.** Makes changes related to the preceding section, providing that sponsors, rather than the sponsor's coordinators, must have approval of the commissioner of commerce.

3 **Scope and purpose.** This section amends the new chapter 59B, enacted in 2005 to provide for Commerce Department regulation of certain service contracts, which are in substance a type of insurance. Adds home warranties, other than statutory home warranties under chapter 327A and the three chapters relating to common interest communities, to the list of types of transactions that are exempt from regulation as service contracts. Provides that warranties covered by the new exemption may be subject to regulation as insurance.

4 **Scope.** Eliminates service contracts and warranties from the list of products not included in guaranty association coverage for insureds whose insurance company becomes insolvent.

5 **Disapproval.** Provides that a filing of a policy form for approval is automatically disapproved if the insurer does not respond within 60 days to an objection or inquiry made by the Department of Commerce. This provision applies to life insurance or annuity forms.

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If a filing is rejected on that basis and the insurer still wishes to seek approval, the insurer may re-file the request and pay a new filing fee.

6 **Continuation of coverage.** Provides that the right of a former employee to continue employer group life insurance extends to any benefits in addition to life insurance that are also provided by the policy.

7 **Notice of options.** Clarifies that if a former employee or a dependent of a former employee dies during the person's 60-day period within which to elect continuation coverage under a group life insurance policy, the person's coverage is deemed to have been continued, and the person's previously selected beneficiary (rather than the person's estate) receives the death benefit.

8 **Standards for disapproval.** Provides that a request to the Commerce Department for approval of a health policy form or premium rate is deemed denied if the insurer does not respond within 60 days to an objection or inquiry from the department. Permits resubmission of the request upon payment of another filing fee.

9 **Applicability.** Provides that an existing law regulating subrogation by health insurers applies to fixed indemnity, blanket health insurance (such as coverage offered through colleges to their students), and Medicare supplement insurance.

10 **Continuation of coverage.** Provides that the health coverage continuation rights under an employer group policy apply separately to the former employee and each covered dependent of the former employee. Requires the insurer to provide instructions on how to get the continuation directly through the insurer instead of through the former employer.

11 **Responsibility of employee.** Changes continuation of health coverage language to conform to the preceding section. Permits a dependent to keep the continuation coverage if the employee gets a new job with health coverage that does not include dependent coverage.

12 **Notice of options.** Conforming changes relating to the preceding two sections.

13 **Coverage of adopted children.** Adds language to an existing law regulating health coverage of adopted children. Treats them the same as newborn children for purposes of the procedures for adding them to existing health coverage of a parent.

14 **Coverage for diabetes.** Clarifies that private sector coverage of diabetes equipment and supplies is secondary to Medicare, including Medicare Part D.

15 **Medicare supplement plan with 50 percent coverage.** Permits sale of a Medicare supplement policy that provides less coverage than policies currently permitted in Minnesota. Has 50 percent coinsurance on some benefits, and a $4,000 annual out-of-pocket limit.

16 **Medicare supplement plan with 75 percent coverage.** Permits sale of a Medicare supplement policy that provides more coverage than the preceding section but less than current law. Has 25 percent coinsurance on some benefits, and a $2,000 annual out-of-pocket limit.

17 **Required filing.** Treats Blue Cross-type insurers the same as other insurers regarding failure to respond within 60 days to Department of Commerce objections or inquiries regarding a form or rate filing.

18 **Filing or disapproval.** Same as preceding section.

19 **Duties of writing carrier.** Requires that the "writing carrier contract" between the Minnesota Comprehensive Health Association and the insurer that administers its program be for a five-year (instead of three-year) term.

20 **Terminated employees.** Changes a law involving the right of former employees who are unable to obtain continuation coverage to enroll in the Minnesota Comprehensive Health

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Association. Clarifies that it is limited to Minnesota residents and to persons who are otherwise eligible. Requires that the former employee first apply for individual coverage in the private market and be rejected.

21 **Qualifying coverage.** Adds two types of health coverage to the definition of "qualifying coverage" for purposes of portability of health insurance coverage. (Health coverage is "portable" (no new pre-existing condition limitation) if the person's previous coverage is "qualifying coverage.") This section adds all government plans and state health insurance programs for children sponsored by the federal government to the list of "qualifying coverage."

22 **Jurisdiction.** Provides that chapter 62M, involving utilization review organizations, applies to the Minnesota Comprehensive Health Association.

23 **Annual report.** Clarifies language regarding annual reports required of utilization review organizations. Provides a date for the report by those that are not licensed health insurers.

24 **Claims filing.** Amends the "prompt billing" (of insurers) law to permit variation by contract between a health care provider and an insurer only if the contract provides for a shorter period than required by the law.

25 **Rental vehicles.** Eliminates a provision added a few years ago, which eliminates vicarious liability for rental car companies (liability based solely on their ownership of the vehicle that was driven negligently and not on their own negligence) in amounts that exceed certain dollar limits, if they have liability insurance or self-insurance that covers their liability up to those amounts. For rental car companies, this section affects only their vicarious liability. Vicarious liability is generally secondary to liability based on negligence, such as negligent driving.

26 **Rates and forms open to inspection.** Makes insurance company filings (proposed policy forms and premium rates) with the Department of Commerce open to "the public" (their competitors) within ten days after their effective date, rather than after the department has finished reviewing them.

27 **Standards for automobile insurance claims handling, settlement offers, and agreements.** Changes the "script" that auto insurers must use when they inform insureds of their right under state law to choose their own repair shop. The change eliminates a mention of Minnesota, making it possible for insurers to use this as a standard script for other states as well, without requiring a separate one for Minnesota customers. Does not change the substance of the script.

28 **Readability compliance; filing and approval.** This section affects a requirement that a proposed insurance policy form meet our readability standards (be at least somewhat understandable to the average consumer). Changes a 90-day "deemer" to a 60-day "deemer." A deemer provision deems a proposed form or rate automatically approved if not disapproved within a specified period of time. Deems a filing automatically disapproved if the insurer does not respond within 60 days to a department question or objection regarding the filing. Permits re-filing the request for approval with payment of a new filing fee. These "deemer" changes affect only the proposed policy form's readability approval.

29 **Assigned risk plan.** Defines "assigned risk plan" for purposes of worker's compensation, for use in the following sections. This section and the six sections that follow largely put into statute current Department of Commerce rules regarding the worker's compensation assigned risk plan. The repealer at the end of this bill repeals all of those rules.

30 **Employer.** Defines "employer" in the context of the worker's compensation assigned risk plan, for use in the following sections.

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31 **General duties of commissioner.** Provides that the commissioner of commerce shall monitor and have jurisdiction over financial reserves maintained for losses of the worker's compensation assigned risk plan.

32 **Assigned risk rating plan.** Specifies that that the commissioner of commerce has approval authority over classifications of employers for purposes of determining the premium rates charged for their coverage under the worker's compensation assigned risk plan.

33 **Minimum qualifications.** Specifies the eligibility requirements that an employer must meet to obtain worker's compensation coverage through the assigned risk plan. The requirements are that the employer must be required under state law to have worker's compensation insurance and have been rejected for that coverage by an insurance company.

34 **Disqualifying factors.** Specifies the circumstances under which the worker's compensation assigned risk plan may refuse an employer's application for coverage or terminate an employer's existing coverage.

35 **Occupational disease exposure.** Requires that employers that have occupational disease exposure, as determined by the commissioner of commerce, provide physical examinations of employees in order to obtain or maintain worker's compensation assigned risk plan coverage.

36 **Minimum deposit.** Permits the worker's compensation self-insurers security fund to obtain its own independent actuarial review or study of a self-insured employer's future liability. (This estimated future liability affects the amount that a self-insured employer is required to deposit with the security fund. The security fund covers worker's compensation claims against self-insured employers that become insolvent and therefore unable to pay the claims.)

37 **Operational audit.** Broadens the circumstances under which the commissioner of commerce may conduct an operational audit of the claims processing, financial reserving, and underwriting procedures of a commercial worker's compensation self-insurance group. This type of group is a group of employers that self-insure for a worker's compensation in a group pooling type of arrangement, as opposed to larger employers that are more likely to be able to self-insure on their own.

38 **Reporting to licensed data services organizations.** Makes the use of data services organizations by self-insurers optional and makes various changes in what they may optionally do through data services organizations.

39 **Repealer.** Repeals all Department of Commerce rules relating to the worker's compensation assigned risk plan. Those rules are mostly codified in sections 29 to 35 of this bill.