HOUSE RESEARCH

Bill Summary

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Overview

This bill includes a variety of technical, clarifying, and substantive provisions regarding products and industries regulated by the Department of Commerce. The subjects covered and the section numbers in the bill devoted to them are motor vehicle loans (1), service contracts (2-5, 56), reinsurance intermediaries (6), life insurance 7-8, 48), health insurance 9-17, 48, 56), long-term care insurance (18-40), property and casualty insurance (41-46), worker's compensation self-insurance (49-52), real estate appraisers (53), real estate brokers and salespersons (54), and debt collectors (55). The sections dealing with long-term care insurance update our laws to match the current version of the Model Act recommended by the National Association of Insurance Commissioners (NAIC).

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1 **Cash sale price.** Increases the maximum document preparation fee permitted for a motor vehicle sales finance contract from $50 to $75.

2 **Scope and practice.** Amends a chapter regulating service (warranty) contracts of certain automotive product protection products to eliminate an exemption for general motor vehicle service contracts. Exempts service contracts issued by motor vehicle manufacturers on private passenger automobiles, except with respect to three provisions of the chapter.

3 **Motor vehicle manufacturer.** Defines the term "motor vehicle manufacturer" for purposes of the preceding section.

4 **Service contract.** Says that service contracts regulated under chapter 59B may include coverage for towing, rental (of a substitute vehicle), emergency road service, and road hazard

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protection.

5 **Coverage limitations and exclusions.** Permits service contracts to cover damage from rust, corrosion, or damage caused by a non-covered part.

6 **Duration; fees.** Puts licenses for reinsurance intermediaries on a renewed cycle of up to 24 months, with all licenses expiring on October 31 of the renewal year. Permits the commissioner to specify the renewal year. Permits a licensee to continue to do business after October 31 while waiting for the renewal license if the licensee applied for renewal by October 15.

7 **Definitions.** Technical changes to use correctly the terminology used in a specific mortality table used for life insurance.

8 **Duties of insurers that use agents and brokers.** Change from 20 days to 30 days the period of time a consumer has to back out of a replacement life insurance policy. This eliminates an inconsistency with a 2007 legislative change to another law.

9 **Application.** One of several sections in the bill that coordinates existing Minnesota laws regarding health insurance coverage of mental health and chemical dependency. The legislature enacted section 62A.47 in 1995, without amending related laws to make them consistent with section 62A.47.

10 **Minimum benefits.** See explanation for section 9.

11 **Required coverage.** Clarifies that the existing requirement that health insurance cover cancer screening includes the charge for the office or facility visit at which the screening was done.

12 **Electronic enrollment.** Permits enrollment in a Medicare supplement plan by telephone or other electronic means without the need to obtain a signature if the insurer's procedures meet certain requirements.

13 **Board of directors; organization.** Changes the description of persons eligible appointment by the commissioner of commerce to the board of directors of the Minnesota Comprehensive Health Association (MCHA). (MCA is the private-sector health insurance high-risk pool for individuals who have preexisting health conditions.) The change in eligibility is that two members must be individuals enrolled in individual or group health coverage that is assessed to help pay for MCHA; currently those positions are allocated to employers that provide coverage that is subject to the assessment.

14 **Merger.** Merges the Minnesota Joint Underwriting Association under chapter 62F, which provides a high-risk pool for medical malpractice insurance into the Joint Underwriting Association (JUA) under chapter 62I, which provides a high-risk pool for business liability insurance as a separate division. The JUA under 62I has been administering the JUA under 62J for the past few years.

15 **Utilization review organization.** Makes "prepaid limited health services organizations" (mostly standalone Medicare Part D prescription drug plans) subject to our utilization review regulations on the same basis as other health insurance coverage.

16 **Alcoholism, mental health, and chemical dependency.** Clarifies that chemical dependency coverage includes alcoholism and is included in our mental health parity law.

17 **Disclosure of executive compensation.** Exempts health plan companies that are a small share of the Minnesota market from filing information about their executive compensation, which is usually a copy of the company's IRS FORM 990. Eliminates filing with the Consumer Advisory Board, which was repealed many years ago, and instead requires filing with the commissioner that regulates the company.

18 **Hands on assistance.** Defines this term for purposes of long-term care insurance.

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19 **Personal care.** Defines this term for purposes of long-term care insurance.

20 **Providers of services.** Defines this term for purposes of long-term care insurance.

21 **Skilled nursing care, personal care, home care, specialized care, assisted living care, and other services.** Provides that these terms are defined based upon the level of skill, nature of care and the setting in which the care is delivered.

22 **Field issue prohibition.** Clarifies the definition of a "field-issued" (issued by an agent or third-party administrator for an insurer) long-term care insurance policy.

23 **Authorized limitations and exclusions.** Permits long-term care insurance to exclude coverage of expenses covered by Medicare. Prohibits long-term care insurance from refusing to cover long-term care obtained in another state solely on the basis of the other state's provider licensing laws.

24 **Premiums.** Specifies how increases or decreases in coverage under an existing policy affect a calculation relating to premium rates.

25 **Electronic enrollment for group policies.** Same as section 12, dealing with electronic enrollment, but applies to long-term care insurance offered through an employer or labor union.

26 **Disclosure of tax consequences.** Requires insurers to disclose to insureds under a life insurance policy that the use of accelerated benefits to pay for long-term care may have adverse tax consequences.

27 **Benefit triggers.** Requires that "benefit triggers" under a long-term care insurance policy be clearly disclosed.

28 **Qualified long-term care insurance policy.** Adds a reference to the relevant section of the Internal Revenue Code.

29 **Inflation protection feature.** Provides that inflation protection included in long-term care insurance (LTCI) partnership policies must be at least three percent per year or based on the consumer price index or another type of inflation-protection approved by the commissioner that comply with this section and the goals of the partnership program. (The long-term care partnership program is a federal-state program that encourages the purchase of LTCI by allowing people who had it to keep some assets if they later need to go on Medicaid.)

30 **Reserve standards.** Specifies how policy reserves for accelerated benefits provided for long-term care under life insurance policies. (Policy reserves are the financial reserves an insurance company must maintain to fund possible future payment of benefits.) Specifies that policy reserves for long-term care benefits provided in a way other than through accelerated benefits must be calculated according to other statutes.

31 **Life insurance policies.** Requires life insurance policies that provide accelerated benefits for long-term care to use a policy illustration that complies with a model regulation adopted by the National Association of Insurance Commissioners (NAIC).

32 **Contingent benefit upon lapse.** Requires a contingent benefit on lapse (a benefit to an insured who permits the policy to lapse by not continuing to pay the premiums) for long-term care policies with a fixed or limited payment period every time the insurer increases the premium rate under certain circumstances. If the right to a contingent benefit is triggered under both this provision and the preceding paragraph, the insured may choose between the two benefits. Requires the insurer to notify the insured of the insured's options under this section.

33 **Purchased blocks of business.** Makes a change to conform to the preceding section in situations in which an insurer assumed the obligations of another insurer for a group of policies ("a block of business").

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34 **Standards for benefit triggers.** Provides revised standards for what triggers an insurer's obligation to pay long-term care insurance benefits. Prohibits requiring a deficiency in more than two activities of daily living. This section applies only to policies issued after its effective date. It does not ever apply to certificates of coverage issued under a group policy that was issued before the effective date.

35 **Additional standards for benefit triggers for qualified long-term care insurance contracts.** Appears to provide tightened standards for payment of benefits on qualified long-term care policies.

36 **Association to educate members.** Specifies the type of information an association is required to provide to its members when endorsing or selling them a long-term care insurance policy.

37 **Additional association responsibilities.** Requires an association that decides to endorse a long-term care insurance policy to retain an expert on long-term care insurance, not associated with the insurer, to monitor the product and approve the association's marketing of it. This requirement does not apply to endorsement of a qualified long-term care insurance policy

38 **Unfair trade practices.** Makes failure to provide with marketing standards for long-term care insurance a violation of the state laws that regulate trade practices in the insurance industry.

39 **Availability of new services or providers.** Requires insurers to notify existing insureds about a new policy series that provides coverage for new services or providers not previously available. Requires that insureds be offered the right to upgrade their existing policies without the disadvantages associated with starting a new policy at an older age. This section does not apply to insureds who are already receiving long-term care at the time.

40 **Right to reduce coverage and lower premiums.** Requires long-term care policies to permit insureds to later choose to reduce coverage and premiums and requires a reminder of this right when a policy is about to lapse.

41 **Policy forms.** Eliminates a requirement that fire insurance policies issued by the Minnesota FAIR plan be on forms published by the Insurance Services Office. The FAIR plan is a residual market mechanism that provides fire insurance to property owners who cannot get the coverage in the regular private market.

42 **Exceptions.** Adds a corporation law statute dealing with quorum requirements for shareholders meetings to a list of state laws that do not apply to domestic mutual insurance companies operating under chapter 66A. (This change does not affect township mutuals.)

43 **Life insurance companies.** Makes a technical change to a law governing who is a member of a mutual life insurance company.

44 **Quorum.** Specifies the quorum requirement for member meetings of a domestic mutual insurance company. This is related to section 42 above, which exempts these companies from the regular corporation law on this issue.

45 **Definitions.** Makes the same technical change contained in section 43 above, but applies it to a mutual company converting to a stock company.

46 **Insurable property in cities.** Permits township mutuals to sell property insurance in cities of the second class (population between 20,000 and 100,000) with approval of the commissioner. Under current law, they are not allowed to sell in cities of the first or second class.

47 **Return of policy or contract.** Eliminates a provision permitting an insured to send a notice of cancellation of an individual health insurance policy, life insurance policy, or annuity

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contract by telegram. This leaves giving the notice in person or by mail. This involves a right to return the policy or contract within the first ten days after receiving the policy or contract and receive a full refund of any premium already paid. (In the insurance world, this is called "the free look.")

48 **Contents.** Clarifies language regarding the required notice of the right to return an insurance policy or annuity contract, as described in section 47. Provides a 30-day "free look" for a policy that replaces an existing policy, which apparently is intended to apply only to life insurance policies and annuity contracts.

49 **Private employers who have ceased to be self-insured.** This section involves employers who self-insure for worker's compensation liability. Those employers are required under existing law to belong to the Self-insurer's Security Fund to cover obligations of self-insurers who become insolvent and do not pay the worker's compensation claims of their workers. When an employer no longer self-insures, the employer needs to continue paying annual assessments to the security fund to ensure payment of its obligation to pay benefits incurred for its employees while the employer was self-insured. Under certain circumstances, a former self-insurer can pay a lump sum to "buy out" of the obligation to pay future assessments. This section raises the threshold for the right to buy out, based upon the size of the former self-insurer's annualized assessments, by increasing that threshold from $500 to $15,000. This will allow more former self-insurers to buy out. The amount needed to buy out is based on a formula specified in statute, which is not changed here.

50 **New membership.** This section affects groups of employers who self-insure for worker's compensation as a group. These are called commercial self-insurance groups. This is different from section 49, which involves employers who individually self-insure for worker's compensation and belong to the Self-insurer's Security Fund. This section makes a minor change to permit those groups to notify the commissioner of commerce of the addition of a new member within five days, rather than prior to the addition.

51 **Commercial self-insurance group common fund.** Permits a commercial self-insurance group (for worker's compensation) to "initiate proceedings" against a member who is delinquent in making payments to the group within 30 days, rather than 15 days.

52 **Required reports from members to group.** Permits a commercial self-insurance group (for worker's compensation) that has been in existence for at least five years to have the option of requiring annual financial statements from members representing at least 50 percent of the group's total earned premium, rather than from all members, provided that those from members representing at least 25 percent of the group's total earned premium are required to audited or reviewed (not just compiled) financial statements. This has the effect of eliminating the requirement of financial statements from the smaller employers, each of which has only a minimal effect on the financial solvency of the group.

53 **Requirement.** Clarifies compliance with a federal reporting requirement relating to real estate appraisers who have met requirements for both certification and licensure.

54 **Limited broker license.** Exempts person selling timeshare interests under the supervision of a person who has a limited real estate broker's license from the requirement that the person either have a real estate license or be an officer of the corporation or a partner of the partnership that owns the timeshare property.

55 **Segregated accounts.** Requires that debt collectors to maintain a trust account, separate from the collector's regular business accounts, and deposit all amounts it collects for clients in that account.

56 **Repealer.** Repeals a provision dealing with health coverage for alcoholism and drug

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dependency, which is no longer relevant due to section 16 of this bill. Repeals a provision dealing with motor vehicle service contracts, which section 2 of this bill makes subject to regulation with other service contracts under chapter 59B instead. Repeals a 2006 session law codified as section 62J.83 dealing with medical care provided for free or at a reduced price.