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BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bill 250 (Substitute S-3 as passed by the Senate)

Senate Bill 311 (Substitute S-3 as passed by the Senate)

Sponsor: Senator Doug Carl

Committee: Commerce and Technology

Date Completed: 8-30-89

RATIONALE

As public attention increasingly focuses on the need for protection against the high costs of long-term care, and as more insurance companies begin to market long-term care policies, the kinds of consumer problems that reportedly have been associated with the marketing of Medicare supplemental policies to senior citizens could be expected to recur. Buying insurance can be a complicated and confusing task, made even more difficult perhaps for senior citizens who wish to buy health-related policies that complement their existing coverages under Medicare. Insurance specialists say that older consumers often purchase duplicative or overlapping insurance policies while at the same time believing they are covered for certain kinds of care when they are not. Current law requires that customers for Medicare supplemental policies be provided with a summary of benefits in a specified form. Many people believe that this same kind of consumer information should be provided to customers for long-term care policies.

CONTENT

Senate Bill 250 (S-3) would amend the Nonprofit Health Care Corporation Reform Act and Senate Bill 311 (S-3) would amend Chapter 20 of the Insurance Code, the Uniform Trade Practices Act, to require that insurers offering individual or nongroup long-term care coverage provide a summary of benefits to prospective applicants before application and, upon request, before renewal. The insurer would have to

obtain an acknowledgment of receipt of the summary on the application form or renewal form by obtaining the customer's signature. Insurers using direct sales methods would have to provide the summary in connection with the initial application and upon request before renewal. The summary of coverage would have to be in substantially the form prescribed in the bills, i.e., the summary would have to list the benefit category such as skilled nursing care or home health benefits, define the category, and indicate the amount and extent of the coverage for that category. The bills would take effect January 1, 1990.

Senate Bill 311 (S-3) also would raise the maximum fine for misrepresentation by an agent from \$100 per violation to \$1,000 per violation. At the court's discretion, an agent could instead be sentenced to imprisonment in the county jail of the county in which the offense was committed.

Senate Bill 250 (S-3) is tie-barred to Public Act 131 of 1989 which amended the section of the Insurance Code dealing with unfair methods of competition and unfair or deceptive acts or practices to prohibit insurers from providing a commission or compensation to an agent, representative, or employee for the sale or service of a disability policy or rider issued to a person eligible for Medicare that is higher in the first year of the policy (or certificate) than the commission or compensation paid in each of the two subsequent, consecutive annual renewal

periods.

Further, the Act prohibits insurers from issuing to an individual eligible for Medicare a disability policy or rider that provides for a new pre-existing condition limitation waiting period if coverage is converted to or replaced by a new or other form of similar coverage with the same insurer or any of its affiliates. If the pre-existing condition limitation waiting period in the original or replaced policy has not expired, the replacement policy may include the remaining term of the waiting period. These provisions do not apply to an increase in benefits voluntarily selected by the individual.

Senate Bill 250 (S-3) also is tie-barred to House Bill 4364, which would amend the Public Health Code to make it a felony punishable by life imprisonment for a person illegally to manufacture or deliver a controlled substance or controlled substance analogue that caused the death of another person.

MCL 550.1402 et al. (S.B. 250)
500.2069 et al. (S.B. 311)

FISCAL IMPACT

Senate Bill 250 (S-3)

Senate Bill 250 (S-3) would have no fiscal impact on State or local government.

Senate Bill 311 (S-3)

Senate Bill 311 (S-3) would have an indeterminate fiscal impact on the State and no fiscal impact on local government. The number of insurers, agents, solicitors, or counselors who would be required to pay the increased fine to the State for misrepresenting the terms of an insurance policy cannot be determined.

ARGUMENTS

Supporting Argument

The bills would require that customers for long-term care policies be provided with the same kind of information that people shopping for Medicare supplemental policies are given. This is a method of helping senior citizens (and others) purchase the insurance coverages they need and only those they need. Consumers need clear explanations of what is covered and

not covered by the policies they are contemplating purchasing if they are to make sensible decisions.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.