

SFA

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

(517) 373-5383

RECEIVED

JUN 06 1989

Mich. State Law Library

Senate Bill 311

Sponsor: Senator Doug Carl

Committee: Commerce and Technology

Date Completed: 5-1-89

SUMMARY OF SENATE BILL 311 as introduced 4-13-89:

The bill would amend Chapter 20 of the Insurance Code, the Uniform Trade Practices Act, to specify the conditions under which an insurer could induce a person to cancel or replace a long-term care coverage policy and an insurance policy could be substituted with another policy offering fewer benefits; require insurers to provide summaries of long-term care coverage to applicants and policy holders; prescribe penalties for violations of the bill, and increase from \$100 to \$1,000 the maximum fine for each violation of the Act's prohibition against misrepresenting the terms of an insurance policy.

Specifically, the bill states that it would be an unfair method of competition and an unfair or deceptive act or practice for an insurer, agent, solicitor, or counselor to induce a person to cancel or otherwise terminate a long-term care insurance policy or coverage and replace it with another long-term care insurance policy unless there was a substantial difference in cost favorable to the policy holder, or the insured had previously demonstrated a dissatisfaction with the service being received from the current insurer, health care corporation, agent, solicitor, or counselor. If the new policy would provide fewer aggregate benefits, the insurer, agent, solicitor, or counselor would have to obtain a signed acknowledgment from the prospective insured.

The license of an agent, insurer, solicitor, or counselor who violated the bill would have to be revoked for one year (the current license sanction for illegal, inducements and misrepresentations), and the violator would have to provide to the insured either the benefits he or she would have been entitled to under the replaced long-term care insurance policy or coverage or the benefits he or she was entitled to under the current long-term policy, whichever was greater. (Note: Illegal inducements and misrepresentations also are subject to criminal penalties, but the penalties apply to those specific violations.)

Insurers offering long-term care insurance would have to provide a summary of coverage to each prospective applicant before application and to a policy holder upon request before renewal, and would have to obtain acknowledgment of receipt of the summary on the application or renewal form by obtaining the signatures of the agent and applicant. The summary of coverage would have to be in substantially the form prescribed in the bill, 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

S.B. 311 (5-1-89)

category.

An application for a long-term care policy or certificate would have to contain in capital letters on the first page a statement advising the applicant to write to the Michigan Insurance Bureau or call the Area Agency on Aging in the applicant's community for additional information about long-term care coverage.

The bill is tie-barred to House Bill 4396, which would amend the Insurance Code to specify the conditions under which group long-term care coverage could be offered; authorize the Insurance Commissioner to promulgate rules establishing standards for the sale of long-term care policies, conditions of eligibility, and limitations and termination of coverage; and specify certain provisions that would have to be included in group and individual long-term care policies.

MCL 500.2069 et al.

Legislative Analyst: L. Burghardt

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State and local government. Assuming that the Act's criminal penalties would apply to violations of the bill, the number of insurers, agents, solicitors, or counselors that would be required to pay fines and penalty charges to the State or would be imprisoned in the county jail for violations of the Act cannot be determined.

Fiscal Analyst: J. Schultz

S8990\S311SA

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.

SFA BILL ANALYSIS

Senate Bill ~~311~~ 311

Analysis First

See SB 250

HOUSE LEGISLATIVE ANALYSIS SECTION

Senate Bill 311

Analysis First

See SB 250

SENATE ANALYSIS SECTION

SENATE BILL 311

ANALYSIS Revised Enrolled

SEE SB 250