

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1251

PRINTER'S NO. 3869

AMOUNT

No Additional State Fund Cost

FUND

General

DATE INTRODUCED

April 13, 2009

PRIME SPONSOR

Representative D. Costa

HISTORY OF BILL

Referred to INSURANCE, April 13, 2009
Reported as amended, Jan. 25, 2010
First consideration, Jan. 25, 2010
Laid on the table, Jan. 25, 2010
Removed from table, Jan. 26, 2010
Re-committed to APPROPRIATIONS, Jan. 26, 2010
Re-reported as amended, Feb. 8, 2010
Second consideration, March 8, 2010
Third consideration and final passage, March 9, 2010 (196-0)
(Remarks see House Journal Page 196), March 9, 2010
In the Senate
Referred to BANKING AND INSURANCE, March 9, 2010
Reported as amended, June 8, 2010
First consideration, June 8, 2010
Re-referred to APPROPRIATIONS, June 14, 2010
Re-reported as committed, June 30, 2010

DESCRIPTION AND PURPOSE OF BILL

House Bill 1251 amends the Insurance Company Law of 1921 to: implement the recently adopted National Association of Insurance Commissioners (NAIC) model law relating to the processing of consumer complaints in the area of long-term care (LTC) insurance; for prompt payment of clean claims; to incorporate the recently extended Federal premium subsidy to lengthen the timeframe of benefits under Mini-Cobra to eligible individuals and to provide an extension of continuation of coverage in the event of a Federal premium assistance program; and sets forth conditions under which an insurer may, directly or indirectly through an investment subsidiary, engage in derivative transactions.

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Any policy of group life insurance and any policy of group accident and health insurance must cover at least two or more employees at the date of issue.

Sets up the conditions under which a life insurance company may directly or indirectly through an investment subsidiary, engage in derivative transactions, the limitations on hedging transactions, the limitations on income generation transactions, counterparty exposure, additional transactions, and establishes definitions.

Under Mini-Cobra, eligible individuals involuntarily terminated by businesses with 2 – 19 employees can purchase health insurance through their former employer and these individuals are allowed to utilize the 65 percent federal premium subsidy for fifteen months. The end date is either nine months after the date the covered employee's coverage under the group policy would have terminated because of a qualifying event, or if the Federal premium assistance program is being extended. Any individual who lost coverage following their nine month period can choose to have coverage reinstated for up to an additional six months. The Mini-Cobra extension will be in effect as long as the Federal subsidy, and will revert back to nine months when the subsidy is terminated.

In the area of long-term care insurance, the bill defines "benefit trigger", which determines whether insurance contract benefits provisions have been met, requiring payment for services rendered. Under the bill, if a determination is made that the benefit trigger has not been met, the insurer shall provide "clear, written notice" to the insured and his/her authorized representative. This notice shall include: the reason that the trigger has not been met; the insured's right to internal appeal; and steps related to post-internal independent review for contested denials. In addition, an insured may appeal to a court of competent jurisdiction within 60 days of the independent review decision.

The bill outlines the appeals process and requires the Insurance Department to certify qualifying independent review organizations to be used for independent reviews and to list these organizations on the Department's website and to publish a list annually in the Pennsylvania Bulletin by July 1st.

The bill also provides for the prompt payment of clean claims, as defined by the bill. Failure to timely pay a clean claim will result in a one percent per month interest charge and could be the basis for an Unfair Insurance Practice Act violation.

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Effective dates: the section of the act relating to Mini-Cobra shall apply retroactively to July 10, 2009; amendment to section 403-B (E) is effective September 24, 2010; the amendment or addition of sections relating to long-term care insurance take effect in 60 days; and the remainder of the act shall take effect immediately.

FISCAL IMPACT:

The Insurance Department expects that there will be minimal fiscal impact on the agency and that any costs can be absorbed within the department's operating budget. The Departments of Aging, Health, and Public Welfare (Office of Long-Term Living) are also impacted by the bill. The fiscal impact on those agencies is also expected to be minimal.