

# SENATE BILL REPORT

## SB 6364

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As Passed Senate, February 11, 2008

**Title:** An act relating to long-term care insurance.

**Brief Description:** Establishing standards for long-term care insurance.

**Sponsors:** Senators Marr, Parlette, Franklin, Keiser, Murray, Weinstein, Hobbs, Prentice, Berkey, Pridemore, Haugen, Kilmer, Rasmussen, McCaslin and Shin.

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 1/23/08, 1/24/08 [DP].  
Passed Senate: 2/11/08, 48-0.

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### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** Do pass.

Signed by Senators Keiser, Chair; Franklin, Vice Chair; Pflug, Ranking Minority Member; Carrell, Fairley, Kastama, Kohl-Welles, Marr and Parlette.

**Staff:** Mich'l Needham (786-7442)

**Background:** The National Association of Insurance Commissioners (NAIC) has worked for a number of years to develop national uniform standards to facilitate interstate cooperation and commercial transactions that cross state boundaries. The NAIC has worked closely with the National Conference of State Legislatures, National Conference of Insurance Legislators, and the National Association of Attorneys General in the development and refinement of model legislation for a number of insurance areas that may be filed through an interstate compact. Insurance carriers may file products in one venue through the interstate compact and sell their products for life insurance, annuities, disability income, and long-term care insurance products in all participating compact states. The 2005 Legislature directed the state to participate in the interstate insurance product regulation compact.

Long-term care insurance is a relatively new insurance product compared to some other insurance products, like life insurance. Washington State first passed the Long-Term Care Insurance Act in 1986. Since that time, policy standards have evolved and long-term care delivery approaches have changed dramatically. The NAIC model long-term act includes a number of modifications dealing with rate stabilization and other consumer protections.

**Summary of Bill:** The NAIC model long-term act is adopted for all long-term care insurance policies sold in Washington on or after January 1, 2009. Standards governing policies sold prior to January 2009 remain in place. The new policy definitions allow long-term care

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policies to meet Internal Revenue Code requirements as tax qualified plans, including life insurance contracts with long-term care insurance riders.

A stricter definition of pre-existing conditions is provided which limits the conditions to those identified within the six months preceding the effective date of coverage. A policy may not exclude coverage for a loss or confinement that is a result of a pre-existing condition, unless the loss or confinement begins within the first six months of coverage. A policy may not exclude, limit, or reduce coverage or benefits for specifically named or described pre-existing diseases or conditions beyond the waiting period.

An individual purchasing a long-term care policy may return the policy for any reason within 30 days and receive a full premium refund. An outline of coverage must be available for a prospective applicant at the time of initial solicitation. The Office of Insurance Commissioner (OIC) must prescribe a standardized outline of coverage that must be provided to each applicant.

Monthly reports must be generated for those using a long-term care benefit funded through a life insurance policy, by acceleration of the death benefit, which details the amount of benefit paid out and remaining.

The OIC must develop minimum standards for inflation protection features. All policies offered must include an offer of a nonforfeiture benefit, which allows the purchaser to retain some benefits in the event they discontinue premium payments. The OIC must adopt rules specifying the type or types of nonforfeiture benefits to be offered.

Insurance producers, brokers, and agents must complete one-time training to sell long-term care policies offered under this new chapter. Each carrier or issuer of policies must develop and use suitability standards to determine whether the purchase of long-term care coverage is appropriate for the applicant.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This adds important consumer protections and will add increased consumer confidence in long-term care insurance products to allow growth in purchasing opportunities. These changes modernize the product and reflect standards adopted across the country. The NAIC model act provides important uniform standards for products that assist the national companies that generally sell these products.

**Persons Testifying:** PRO: Senator Marr, prime sponsor; Mel Sorenson, American Council of Life Insurers, Americas Health Insurance Plans, National Association of Insurance Financial Advisors.