
**Financial Institutions & Insurance
Committee**

HB 2585

Brief Description: Concerning insurance.

Sponsors: Representatives Kelley, Kirby and Moeller; by request of Insurance Commissioner.

Brief Summary of Bill

- Alters the service of process requirements for a number of licensees of the Insurance Commissioner
- Changes reporting requirements for issuers of charitable gift annuities.
- Makes a number of grammatical and editing changes.

Hearing Date: 1/14/10

Staff: Jon Hedegard (786-7127).

Background:

Charitable Gift Annuities

Charitable gift annuity businesses are governed by regulated under the Insurance Code. The Insurance Commissioner (Commissioner) may grant a certificate of exemption to any insurer or educational, religious, charitable, or scientific institution conducting a charitable gift annuity business that meets several criteria. The holder of a certificate of exemption must meet certain financial standards. A charitable annuity contract or policy form must include certain information. The holder of a certificate of exemption must file annual reports on or before March 1 of each year. When filing the annual report, the holder of a certificate of exemption must pay filing fees of \$25 plus \$5 for each charitable gift annuity contract written for residents of this state.

Medicare Supplement Insurance

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Medicare Supplement insurance is a type of health coverage intended to fill in the coverage gaps in the Medicare program. There are 12 standard policy options, called A through L, that provide coverage for a range of benefits. These Medicare Supplement policies are regulated by the Commissioner though standards are often set by the federal government.

Service of Process

Service of process is the legal procedure of notifying an affected person or business of a pending legal action. The Insurance Code contains provisions that require a wide variety of nonresident persons and businesses to follow certain procedures in appointing the Commissioner their attorney for the purpose of receiving service of process. Generally, the person on entity must provide the Commissioner with the name, title, and address of the person who should be contacted about the action. The service of process provisions generally (apparently not with health discount organizations unless those are also health carriers) require a \$10 fee for service on the Commissioner to be paid by the licensee being served.

Life Settlement Licensing Fees

The Legislature adopted a regulatory framework for the oversight of life settlements in 2009. The licensing fees for life settlement producers was required to be deposited in the Commissioner's regulatory fund.

Summary of Bill:

Charitable Gift Annuities

An insurer or business conducting a charitable gift annuity business must:

- annually report on its financial condition on a form prescribed by the Commissioner within sixty days of the end of its fiscal year;
- pay an annual filing fee of \$25 plus \$5 for each charitable gift annuity contract written for residents of the state.

Medicare Supplement Insurance

A reference to Medicare Supplement Standardized Plan E is corrected to Standardized Plan F.

Service of Process

Service of process requirements are modified for a number of nonresident persons and entities, including:

- reciprocal insurers;
- unauthorized insurers;
- charitable gift annuities;
- surplus line brokers;
- insurance and title producers;
- fraternal benefit societies;
- reinsurance intermediaries;
- life settlement providers and brokers;
- Service contract providers;
- protection product providers; and
- discount plan organizations.

The new service of process requirements are generally similar to the previous provisions. The fee remains \$10 and now specifically applies to health discount organizations (that are not health carriers). The Commissioner may now use electronic means or other means reasonably calculated to provide notices. The appointment of the Commissioner is explicitly made to be irrevocable. The appointment binds successors in interest and remains in effect as long as the person or entity has a contract or liabilities in the state. Legal proceedings may not require a licensee to appear, plead, or answer until the expiration of 40 days after the date of service upon the Commissioner. The Commissioner may adopt rules to implement the service or process provisions.

Life Settlement Licensing Fees

The fees are required to be deposited in the General Fund.

A number of grammatical and editing changes are made.

Appropriation: None.

Fiscal Note: Requested January 11, 2010.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.