

HOUSE BILL REPORT

HB 2585

As Reported by House Committee On:
Financial Institutions & Insurance

Title: An act relating to insurance.

Brief Description: Concerning insurance.

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

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/19/10 [DPS].

Brief Summary of Substitute Bill

- Changes reporting requirements for issuers of charitable gift annuities.
- Redirects certain license fees from the Insurance Commissioner's Regulatory Account to the General Fund.
- Makes a number of grammatical and editing changes.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, Roach, Rodne, Santos and Simpson.

Staff: Jon Hedegard (786-7127).

Background:

Charitable Gift Annuities.

Charitable gift annuity businesses are governed and 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

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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 an additional \$5 for each charitable gift annuity contract written for residents of this state.

Medicare Supplement Insurance.

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.

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 Account.

Summary of Substitute 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 60 days of the end of its fiscal year; and
- pay an annual filing fee of \$25, plus an additional \$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.

Substitute Bill Compared to Original Bill:

Service of process provisions are removed.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Every year, the Commissioner runs a bill that contains only provisions that are agreed to by all parties. The title is very broad. The agreement is that no one can add things to the bill but anyone objecting to something in the bill can get that part of the bill removed. Because the title is so broad, any fix must happen in committee; floor amendments are not allowed on this bill. The proposed substitute removes the only substantive portions of the bill. The remainder is technical in nature. The charitable gift annuity provisions should help those businesses reduce filing costs. The Medicare Supplement change is very important. There is an incorrect reference and it is being fixed. Licensing fees in the insurance code are generally deposited in the General Fund. This change makes the depositing of fees for life settlement providers consistent with the depositing of other licensing fees.

(Opposed) None.

Persons Testifying: Representative Kelley, prime sponsor; Representative Kirby; and Drew Bouton, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: None.