

**Enrolled
House Bill 2850**

Sponsored by Representative HUFFMAN; Senator JOHNSON

CHAPTER

AN ACT

Relating to the effectiveness of notices of lapse for certain insurance policies; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Section 2 of this 2015 Act is added to and made a part of ORS chapter 743.

SECTION 2. (1)(a) An insurer may not issue an individual long term care insurance policy until the insurer receives from an applicant for the policy:

(A) A written designation of the full name and residential address of at least one person, in addition to the applicant, to whom the insurer can send notice of a lapse or termination of the policy because of a failure to pay a premium; or

(B) A written waiver that the applicant has signed and dated and in which the applicant elects not to designate another person to whom an insurer can send the notice described in subparagraph (A) of this paragraph. The waiver must read substantially as follows:

I understand that I have a right to designate at least one other person other than myself to receive notice of lapse or termination of this insurance policy for failing to pay a premium. I understand that the insurer will not send a notice until 30 days after a premium is due and remains unpaid. I elect NOT to designate a person other than myself to receive this notice.

(b) At least once every two years an insurer shall notify a policy owner of the policy owner's right to change the person the policy owner designates to receive the notice described in paragraph (a)(A) of this subsection.

(c) An applicant's designation of another person to receive the notice described in paragraph (a)(A) of this subsection does not constitute the other person's acceptance of a liability for services an insurer provides to an insured under an individual long term care insurance policy.

(d) If a policy owner pays premiums for an individual long term care insurance policy by means of a payroll deduction or a deduction from a pension payment, the requirement to obtain a designation from the policy owner as provided in paragraph (a)(A) of this subsection does not apply until 60 days after the policy owner stops paying premiums through a payroll deduction or a deduction from a pension payment.

(2) In addition to the requirement specified in subsection (1) of this section, an individual long term care insurance policy must provide for reinstating coverage after a lapse if the insurer receives proof that the policy owner was cognitively impaired or had a loss of functional capacity before the expiration of any grace period for premium payments that is set forth in the policy. An insured may request reinstatement under this subsection within five months after the insurance policy lapsed and the insurer may require the insured to pay all past due premiums. For purposes of this subsection, the standard for determining cognitive impairment or a loss of functional capacity may not be more stringent than any criteria set forth in the insurance policy for determining cognitive impairment or a loss of functional capacity for the purposes of showing eligibility for benefits.

(3) A notice that an individual life insurance policy, individual long term care insurance policy or individual disability income policy has lapsed because of a failure to pay a premium is effective only if the insurer:

- (a) Sends a written notice at least 30 days before the date of the lapse;
- (b) Accompanies the notice with an explanation of the reason for the lapse; and
- (c) Sends the notice:

(A) By first class mail, postage prepaid, to the last-known address of the policy owner and designee, if any; or

(B) To the last-known electronic mail address for the policy owner and designee, if any, that is in the insurer's records, provided that the policy owner and designee consent to receive notices related to the policy owner's insurance policy electronically.

(4) This section does not apply to an individual life insurance policy, an individual long term care insurance policy or an individual disability income policy that requires a premium payment each month or at more frequent intervals.

(5) The Director of the Department of Consumer and Business Services may adopt rules to implement the requirements of this section.

SECTION 3. (1) Section 2 of this 2015 Act becomes operative January 1, 2016.

(2) The Director of the Department of Consumer and Business Services may take any action before the operative date specified in subsection (1) of this section that is necessary to enable the director, on and after the operative date specified in subsection (1) of this section, to exercise the duties, functions and powers conferred on the director by section 2 of this 2015 Act.

SECTION 4. This 2015 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect on its passage.

Passed by House April 2, 2015

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Timothy G. Sekerak, Chief Clerk of House

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Tina Kotek, Speaker of House

Passed by Senate May 7, 2015

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Peter Courtney, President of Senate

Received by Governor:

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Approved:

.....M,....., 2015

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Kate Brown, Governor

Filed in Office of Secretary of State:

.....M,....., 2015

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Jeanne P. Atkins, Secretary of State