

# A-Engrossed House Bill 2850

Ordered by the House March 30  
Including House Amendments dated March 30

Sponsored by Representative HUFFMAN

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

**Provides that insurer may not issue individual long term care insurance policy until insurer receives written designation of full name and residential address of at least one person to whom insurer can send notice of lapse or termination because of failure to pay premium, or receives written waiver of right to designate person to receive notice. Specifies exceptions.**

**Requires individual long term care insurance policy to provide for reinstating coverage after lapse if insurer receives proof that policy owner was cognitively impaired or had loss of functional capacity before grace period for premium payments expires.**

Provides that notice of insurance policy's lapse is *[not]* effective *[unless]* **only** if insurer sends written notice to policy owner at least *[25]* **30** days before date of lapse and includes explanation of reason for lapse. Specifies methods for sending notice *[and what constitutes proof of notice]*.

Becomes operative January 1, 2016.

Declares emergency, effective on passage.

## A BILL FOR AN ACT

1  
2 Relating to the effectiveness of notices of lapse for certain insurance policies; and declaring an  
3 emergency.

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

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

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

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

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

14  
15  
16 **I understand that I have a right to designate at least one other person other than myself**  
17 **to receive notice of lapse or termination of this insurance policy for failing to pay a premium.**  
18 **I understand that the insurer will not send a notice until 30 days after a premium is due and**  
19 **remains unpaid. I elect NOT to designate a person other than myself to receive this notice.**  
20

21  
22 **(b) At least once every two years an insurer shall notify a policy owner of the policy**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 owner's right to change the person the policy owner designates to receive the notice de-  
2 scribed in paragraph (a)(A) of this subsection.

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

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

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

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

25 (a) Sends a written notice at least 30 days before the date of the lapse;

26 (b) Accompanies the notice with an explanation of the reason for the lapse; and

27 (c) Sends the notice:

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

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

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

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

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

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

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

1 **on its passage.**

2

---