



TO: Jennifer Cawley, Executive Director, TALHI

CC: Bart Boles, Executive Director, TLHIGA

FROM: Jacqueline Rixen

DATE: September 4, 2018

RE: Synopsis of draft bill to amend Chapter 463, Texas Insurance Code, the Texas Life and Health Insurance Guaranty Association Act -- based on changes to the 2017 NAIC Life and Health Insurance Guaranty Association Model Act

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Section 1      463.002      Minor language change to reflect inclusion of HMOs.

Section 2      463.003      Clarifies definitions for easier references in the act; adds “Health Benefit Plan” to include all comprehensive health (major medical) coverage, regardless of who writes it, insurer or HMO, and excludes limited benefit coverages from the definition of Health Benefit Plan.

Section 3      463.052      Adds HMOs to description of required member insurers.

Section 4      463.053      Allows the size of the GA board to be increased from 9 to 11 members, at the option of the commissioner. This provision of the Texas Act differs quite a bit from the model. For example, the commissioner appoints the board of directors, and of the current 9 members, 3 are from large companies, 2 from small companies, and 4 are public directors. The amendment gives the commissioner the authority to increase the number of board members, and preserves the basic composition of large and small company representatives and public members, and adds that the commissioner shall ensure life, health, annuity, and HMO companies are represented as directors.

Section 5      463.059      Changes the provisions for board meetings via teleconference and video conference. The changes mirror the TWIA act. This is not a model act change.

Section 6      463.101      Specifies that the GA can seek premium rate increases on policies.

Section 7      463.102      Changes the time for the Commissioner to approve amendments to the plan of operation from 30 days to 60 days before the amendments are deemed approved. This is not a model act change; it was requested by TDI.

Section 8 463.109 Minor clarification that the GA can appear in court if policies are being reissued in addition to the current reasons: reinsuring, modifying, or guaranteeing policies.

Section 9 463.114 Changes to the summary document to include HMO references.

Section 10 463.153 Changes assessment provisions to allocate long-term care assessments 50/50 to life/annuity and health lines (the actual formula will be in the Plan of Operation). An additional sentence is added to specify that long-term care riders are not assessed using the 50/50 allocation, but instead are allocated to the account of the base policy. This additional sentence is not in the model act.

Section 11 463.154 Change to make language consistent with other assessment provisions.

Section 12 463.159 Minor change because of the addition of HMOs.

Section 13 463.201 Changes to specify that providers can receive coverage for services rendered under HMO contracts, and other changes to reflect the inclusion of HMOs.

Section 14 463.202 Change to include HMOs as covered contracts.

Section 15 463.203 Change to exclude Moody's adjustment from applying to long-term care or other health policies; and change to specify that Medicare, Medicaid, and CHIP are not covered.

Section 16 463.204 Changes to conform coverage limits for "health benefit plans" and to specify that the coverage limit for long-term care insurance that is a rider to a life or annuity policy is the same as for a stand-alone long-term care policy. (The coverage of long-term care riders is slightly different from the model act, which instead says that long-term care riders retain the same character as the underlying policy. The model act leaves open for interpretation what that means for coverage limits. Section 10 of the bill includes an addition to specify that for assessment purposes the premiums for long-term care riders retain the same character as the underlying policy).

Section 17 463.251 This change is the same as the one in Section 8, but in a different context, to clarify the GA can reissue policies.

Section 18 463.252 Minor language change to reflect inclusion of HMO enrollees.

Section 19 463.253 This change is the same as the one in Sections 8 and 17, but when an insurer is insolvent.

Section 20 463.254 References to premiums remaining identical for benefits provided are stricken to be consistent with the ability of the GA to obtain premium rate increases; other changes reflect the inclusion of HMOs; and the ability to raise premiums.

Section 21 463.256 Minor language changes to reflect inclusion of HMOs.

Section 22 463.260 Minor language changes to reflect inclusion of HMOs.

Section 23 463.261 Minor language changes to reflect inclusion of HMOs.

Section 24 463.303 Minor language changes to reflect inclusion of HMOs.

Section 25 463.304 Minor language changes to reflect inclusion of HMOs.

Section 26 463.352 Minor language changes to reflect inclusion of HMOs.

Section 27 463.355 Minor language changes to reflect inclusion of HMOs.

Section 28 463.401 Adds a penalty provision for failure to report or for inaccurate premium data reporting for assessment purposes. This is not a model act change.

Section 29 463.451 Minor language changes to reflect inclusion of HMOs.

Section 30 Changes apply to insurers that become impaired or insolvent after the effective date.

Section 31 The effective date is September 1, 2019.