A BILL FOR AN ACT

RELATING TO LONG-TERM CARE INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that Hawaii has a long history of respecting and helping its kupuna. Accordingly, the legislature finds that additional protections are needed to help seniors avoid inadvertent lapses or terminations of their long-term care insurance for nonpayment of premiums. This Act amends the current law by requiring that notice of a lapse of coverage or cancellation be sent by certified mail or commercial delivery service to the policyholder. The legislature also finds that this will provide proof that the cancellation notice was mailed and delivered.

The legislature further finds that the changes effected under this Act will have a relatively minor impact on insurers when compared with the consequences that would befall policyholders whose long-term care insurance lapses.

The legislature also finds that the need for additional protections is best illustrated by the tragic turn of events faced by an elderly couple in Virginia, whose confusion allowed...
their long-term care insurance to lapse. Over eleven years the
couple had faithfully paid an insurer about $50,000 in premiums,
which would have entitled them to about $600,000 in benefits
through their joint policy. Then, during a visit to his bank,
the husband mistakenly stopped the automatic premium payment
system that his son had set up. The insurer then sent notices
to the couple that their long-term care insurance coverage was
about to end because they had stopped making payments.
Unfortunately, the elderly couple did not understand the notices
and did not act to prevent the cancellation. Their son found
the insurer's notices months later when his mother became ill
and needed to use her long-term care insurance benefits.

In that case, the son was the parents' designated third
party, meaning that the insurer should have notified him of any
change to his parents' policy. The insurer claimed that it sent
such a notice to him; however, the son claimed that he did not
receive it. Virginia's insurance regulations offered the family
no legal recourse other than to bring a lawsuit against the
insurer. That option would have been far too expensive for the
family, and similarly, purchasing a new long-term care insurance
policy was prohibitively expensive. Ultimately, the elderly
couple had to sell their condominium and downsize to a modest apartment, and the mother now receives care through a medicaid program.

The purpose of this Act is to help Hawaii's kupuna prevent lapses or terminations for their long-term care insurance policies.

SECTION 2. Section 431:10H-209, Hawaii Revised Statutes, is amended to read as follows:

"[+]§431:10H-209[+] Lapse or termination for nonpayment of premium. No individual long-term care policy or certificate shall lapse or be terminated for nonpayment of premium unless the insurer, at least thirty days before the effective date of the lapse or termination, has given notice to the insured and to those persons designated in section 431:10H-208 at the address provided by the insured for purposes of receiving notice of lapse or termination. Notice shall be given by [first-class United States mail, postage-prepaid] certified mail, commercial delivery service, or any means of delivery that requires proof of delivery and notice may not be given until thirty days after a premium is unpaid. Notice shall be deemed to have been given as of five days after the date of mailing."

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SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.

INTRODUCED BY:
Report Title:
Long-term Care Insurance; Lapse or Termination; Notice; Kupuna Caucus

Description:
Requires the thirty-day lapse or termination notices for long-term care policies to be sent by certified mail or commercial delivery service, or other method of delivery requiring proof of delivery.

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