

Honolulu, Hawaii

MAR 05 2015

RE: S.B. No. 722  
S.D. 2

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 722, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO LONG-TERM CARE INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require the thirty-day lapse or termination notices for long-term care policies or certificates to be sent by certified mail or commercial delivery service instead of first-class mail; and
- (2) Prohibit a long-term care policy or certificate from lapsing or being terminated earlier than sixty days after the date of mailing of the notice.

Your Committee received testimony in support of this measure from AARP Hawaii and two individuals. Your Committee received testimony in opposition to this measure from America's Health Insurance Plans and American Council of Life Insurers.

Your Committee finds that long-term care insurance plays an important role in financing long-term care in Hawaii and individuals may faithfully maintain a long-term care insurance policy for many years before an unintentional lapse in payment occurs. It is therefore important to have strong consumer protection standards in this area, including the requirement for



lapse or termination notices to be sent by certified mail or commercial delivery service as proposed by this measure.

Your Committee has heard the concerns that this measure proposes to prohibit the lapse or termination of a policy no earlier than sixty days after the date of mailing of the lapse or termination notice. Your Committee notes that under existing Hawaii law, the earliest date an insurer may terminate a policy is sixty-five days, which is consistent with the requirements under the National Association of Insurance Commissioners' long-term care insurance model. According to testimony received by your Committee, the language proposed in this measure requires an insured to provide the insured an additional twenty-five days of coverage without premium payment, which would essentially result in a ninety-day grace period of coverage. Your Committee concludes that amendments to this measure are necessary to keep the lapsing or termination of a policy consistent with the National Association of Insurance Commissioners' requirement of sixty-five days.

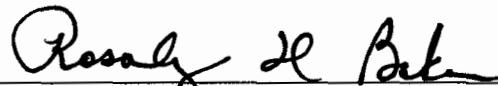
Accordingly, your Committee has amended this measure by:

- (1) Deleting language that would have prohibited a long-term care policy or certificate from lapsing or being terminated earlier than sixty days after the date of mailing of the notice; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 722, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 722, S.D. 2.



Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,



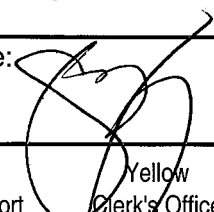
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ROSALYN H. BAKER, Chair



The Senate  
Twenty-Eighth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:* <b>SB 722 SDI</b>	Committee Referral: <b>HSH, CPN</b>	Date: <b>2/25/15</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)				✓
KAHELE, Gilbert	✓			
KIDANI, Michelle N.	✓			
NISHIHARA, Clarence K.	✓			
WAKAI, Glenn	✓			
SLOM, Sam				✓
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes