

BILL ANALYSIS

Senate Research Center
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S.B. 1492
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The purpose of this legislation is to give the commissioner of insurance (commissioner) greater flexibility to adopt rules relating to the premium rates for long-term care insurance. Currently, under Section 1651.055(b), Insurance Code, the commissioner is required to adopt rules to stabilize long-term care premium rates that "are consistent with nationally recognized models...that existed on January 1, 2001" or that are "consistent with any of those models as they are amended after January 1, 2001." The rules also must, "to the extent possible, contribute to the uniformity of state laws." As a result, the code essentially requires the commissioner to adopt standards established by the National Association of Insurance Commissioners (NAIC), the de facto standard-setting entity for insurance regulators in the United States.

Concern has arisen among some parties that strict conformity with NAIC's models may result in actuarially unsound rates. What's more, long-term care benefits can be extremely expensive, as they can require an insurer to pay a policyholder's living expenses for years. If improperly rated, then, the results can be calamitous, including insurer insolvencies and assumption of liabilities by public guaranty funds. S.B. 1492 would address this problem by repealing Section 1651.055(b), thus freeing the commissioner to make rules without reference to the national standard.

As proposed, S.B. 1492 amends current law relating to rules adopted by the commissioner of insurance to stabilize long-term care premium rates.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is rescinded in SECTION 1 (Section 1651.055, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Repealer: Section 1651.055(b) (relating to requiring the commissioner of insurance to adopt rules for rate stabilization consistent with certain models relating to the stabilization of long-term care premium rates), Insurance Code.

SECTION 2. Effective date: September 1, 2017.