

## **BILL ANALYSIS**

C.S.H.B. 2507  
By: Lucio III  
Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

It has been reported that recent changes in federal regulations significantly increased the duration of short-term limited-duration health insurance plans. Some have suggested that consumers purchasing these plans may not understand the limitations on benefits applicable to these plans and that the consumers might expect benefits that are more robust than the benefits the plans actually provide. Given reports that these plans often deny coverage for preexisting conditions and provide little or no coverage for mental health, there are concerns that overreliance on these plans could lead not only to increased uncompensated care and medical bankruptcies but also to higher premiums for traditional health insurance. C.S.H.B. 2507 seeks to address these concerns by, among other things, requiring the commissioner of insurance to adopt rules establishing minimum standards for benefits under short-term limited-duration health coverage and requiring certain disclosure and notice procedures.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTIONS 1, 2, and 3 of this bill.

### **ANALYSIS**

C.S.H.B. 2507 amends the Insurance Code to require the commissioner of insurance to adopt rules establishing minimum standards for benefits under short-term limited-duration insurance coverage and to adopt rules necessary to implement the standards not later than January 1, 2020.

C.S.H.B. 2507 sets out provisions applicable to a short-term limited-duration insurance policy delivered, issued for delivery, or renewed on or after January 1, 2020. The bill requires an insurer issuing such a policy to display on all sales and marketing materials, including websites advertising or selling the policy, the applicable notice under federal regulations, including modifications to the notice, as prescribed by commissioner rule under the bill's provisions, for purposes of making the notice more readable. The bill requires an agent selling such a policy in person or through the telephone to read out loud the disclosure to a prospective purchaser and requires the commissioner by rule to prescribe a procedure to communicate the required disclosure to a prospective purchaser on a website that is substantially equivalent to an agent reading the disclosure aloud.

C.S.H.B. 2507 requires the commissioner to prescribe by rule a disclosure form to be provided with such a policy and the application and sets out content and format requirements for the disclosure form. The bill requires an insurer issuing such a policy to adopt procedures in

accordance with commissioner rule to obtain a signed form from the insured acknowledging receipt of the disclosure form, to retain an acknowledgment until the fifth anniversary of the date the insurer receives the form, and to make the acknowledgment available to the Texas Department of Insurance (TDI) on request. The bill requires the rule to allow for electronic acknowledgement.

C.S.H.B. 2507 prohibits and insurer from advertising or describing such a policy as renewable unless the policy provides that, during the initial term and any renewal period, the insurer may not change a material term in the policy without the consent of the policyholder and the policy is renewable at the sole option of the policyholder. These renewal limitation provisions do not limit the right of an insurer to make changes in premium rates by class.

C.S.H.B. 2507 prohibits an insurer from terminating a policy before the policy's expiration date except for nonpayment of premiums or because the policy holder has performed an act or practice that constitutes fraud or has made an intentional misrepresentation of a material fact relating to the policy. The bill requires the insurer issuing such a policy to provide an option under the policy for the insured to cancel the policy effective after each 30-day interval after the effective date of coverage. The bill requires the commissioner to adopt rules necessary to implement the bill's provisions relating to a short-term limited-duration insurance policy not later than January 1, 2020.

### **EFFECTIVE DATE**

September 1, 2019.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 2507 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute changes the advertising disclosure from a specified notice statement in a prescribed format to an applicable notice under certain federal regulations. The substitute includes the following with respect to the advertising disclosure:

- an authorization for the commissioner by rule to prescribe modifications to the notice; and
- a requirement for the commissioner by rule to prescribe a procedure to communicate the disclosure on a website.

The substitute revises the contents of the policy disclosure form and includes a provision requiring the applicable rule to allow electronic acknowledgement of the form.

The substitute, with respect to the conditions under which an insurer may terminate a policy before the policy's expiration date, revises the condition authorizing termination for fraud by specifying that the insurer may so terminate because the policyholder has performed an act or practice that constitutes fraud or making an intentional misrepresentation of a material fact relating to the policy.

The substitute includes a provision prohibiting an insurer from advertising or describing a policy as renewable and setting out exceptions and limitations applicable to that prohibition.

The substitute does not include the following:

- a provision establishing a policy's maximum duration;
- explicit prohibitions against an insurer renewing a policy and issuing a new policy to an individual covered by a policy during the preceding 275 days; and
- a provision requiring an insurer to file with TDI a copy of any advertising materials the

insurer intends to use in Texas and requiring approval from TDI for certain documents related to a policy.