86R28295 SMT-F

By:  Lucio III H.B. No. 2507

Substitute the following for H.B. No. 2507:

By:  Lucio III C.S.H.B. No. 2507

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of short-term limited-duration insurance policies providing health insurance coverage.

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

SECTION 1.  Section 1201.104(a), Insurance Code, is amended to read as follows:

(a)  For individual accident and health insurance policies, the commissioner shall adopt rules establishing minimum standards for benefits under each of the following categories of coverage:

(1)  basic hospital expense;

(2)  basic medical-surgical expense;

(3)  hospital indemnity or other fixed indemnity;

(4)  major medical expense;

(5)  disability income protection;

(6)  accident only;

(7)  specified disease;

(8)  specified accident; [~~and~~]

(9)  limited benefit; and

(10)  short-term limited-duration insurance.

SECTION 2.  Chapter 1201, Insurance Code, is amended by adding Subchapter G to read as follows:

SUBCHAPTER G. SHORT-TERM LIMITED-DURATION INSURANCE

Sec. 1201.301.  DEFINITIONS. In this subchapter:

(1)  "Health benefit exchange" has the meaning assigned by Section 1369.201.

(2)  "Short-term limited-duration insurance" has the meaning assigned by 26 C.F.R. Section 54.9801-2.

Sec. 1201.302.  ADVERTISING DISCLOSURES REQUIRED. (a) An insurer issuing a short-term limited-duration insurance policy shall display, on all sales and marketing materials, including any Internet websites advertising or selling the policy, the applicable notice under 26 C.F.R. Section 54.9801-2, including any modifications to the notice prescribed by the commissioner under Subsection (d).

(b)  An agent selling a short-term limited-duration insurance policy in person or through the telephone shall read out loud the disclosure required by Subsection (a) to a prospective purchaser.

(c)  The commissioner shall by rule prescribe a procedure to communicate the disclosure required by Subsection (a) to a prospective purchaser of a short-term limited-duration insurance policy on an Internet website that is substantially equivalent to an agent reading the disclosure aloud.

(d)  The commissioner may by rule prescribe modifications to the notice under 26 C.F.R. Section 54.9801-2 for the purpose of making the notice more readable.

Sec. 1201.303.  POLICY DISCLOSURE FORM. (a) The commissioner by rule shall prescribe a disclosure form to be provided with the short-term limited-duration insurance policy and the application.

(b)  The disclosure form must be in an easily readable font at least 14-point in size and include:

(1)  the duration of coverage;

(2)  a statement that:

(A)  the policy may be renewed only [x] times/may not be renewed;

(B)  the expiration of short-term coverage is not a qualifying life event that would make a person eligible for a special enrollment period; and

(C)  the policy may expire outside of the open enrollment period;

(3)  to the extent the information is available, the dates of the next three open enrollment periods under the federal Affordable Care Act following the date the policy expires;

(4)  whether the policy contains any limitations or exclusions to preexisting conditions;

(5)  the maximum dollar amount payable under the policy;

(6)  the deductibles under the policy and the health care services to which the deductibles apply;

(7)  whether the following health care services are covered, including:

(A)  prescription drug coverage;

(B)  mental health services;

(C)  substance abuse treatment;

(D)  maternity care;

(E)  hospitalization;

(F)  surgery;

(G)  emergency health care; and

(H)  preventive health care; and

(8)  any other information the commissioner determines is important for a purchaser of a short-term limited-duration insurance policy.

(c)  An insurer issuing a short-term limited-duration insurance policy shall adopt procedures in accordance with commissioner rule to obtain a signed form from the insured acknowledging receipt of the disclosure form described by this section. The rule must allow for electronic acknowledgment. The insurer shall retain an acknowledgment form until the fifth anniversary of the date the insurer receives the form, and the insurer shall make the form available to the department on request.

Sec. 1201.304.  RENEWAL LIMITATION. (a) An insurer may not advertise or describe a short-term limited-duration insurance policy as renewable unless:

(1)  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

(2)  the policy is renewable at the sole option of the policyholder.

(b)  This subsection does not limit the right of an insurer to make changes in premium rates by class.

Sec. 1201.305.  TERMINATION. (a) Except as provided by Subsection (b), an insurer issuing a short-term limited-duration insurance policy may not terminate the policy before the policy's expiration date except:

(1)  for nonpayment of premiums; or

(2)  because the policyholder has performed an act or practice that constitutes fraud or has made an intentional misrepresentation of a material fact relating to the policy.

(b)  An insurer issuing a short-term limited-duration insurance policy shall 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.

SECTION 3.  Not later than January 1, 2020, the commissioner of insurance shall adopt rules necessary to implement Section 1201.104, Insurance Code, as amended by this Act, and Subchapter G, Chapter 1201, Insurance Code, as added by this Act.

SECTION 4.  Subchapter G, Chapter 1201, Insurance Code, as added by this Act, applies only to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2020. An insurance policy delivered, issued for delivery, or renewed before January 1, 2020, is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 5.  This Act takes effect September 1, 2019.