
A BILL FOR AN ACT

RELATING TO LONG-TERM CARE INSURANCE.

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

1 SECTION 1. The legislature finds that Hawaii has a long
2 history of respecting and helping its kupuna. Accordingly, the
3 legislature finds that additional protections are needed to help
4 seniors avoid inadvertent lapses or terminations of their long-
5 term care insurance for nonpayment of premiums. This Act amends
6 the current law by requiring that notice of a lapse of coverage
7 or cancellation be sent by certified mail or commercial delivery
8 service to the policyholder. The legislature also finds that
9 this will provide proof that the cancellation notice was mailed
10 and delivered. This Act also prevents a policy from lapsing or
11 being terminated earlier than sixty days after the date of
12 mailing of the notice.

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

17 The legislature also finds that the need for additional
18 protections is best illustrated by the tragic turn of events



1 faced by an elderly couple in Virginia, whose confusion allowed
2 their long-term care insurance to lapse. Over eleven years the
3 couple had faithfully paid an insurer about \$50,000 in premiums,
4 which would have entitled them to about \$600,000 in benefits
5 through their joint policy. Then, during a visit to his bank,
6 the husband mistakenly stopped the automatic premium payment
7 system that his son had set up. The insurer then sent notices
8 to the couple that their long-term care insurance coverage was
9 about to end because they had stopped making payments.

10 Unfortunately, the elderly couple did not understand the notices
11 and did not act to prevent the cancellation. Their son found
12 the insurer's notices months later when his mother became ill
13 and needed to use her long-term care insurance benefits.

14 In this case, the son was the parents' designated third
15 party, meaning that the insurer should have notified him of any
16 change to his parents' policy. The insurer claimed that it sent
17 such a notice to him, however, the son claimed that he did not
18 receive it. Virginia's insurance regulations offered the family
19 no legal recourse other than to bring a lawsuit against the
20 insurer. That option would have been far too expensive for the
21 family, and similarly, purchasing a new long-term care insurance



1 policy was prohibitively expensive. Ultimately, the elderly
2 couple had to sell their condominium and downsize to a modest
3 apartment, and the mother now receives care through a medicaid
4 program.

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

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

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



1 The policy or certificate shall not lapse or be terminated
2 earlier than sixty days after the date of mailing of the
3 notice."

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

6 SECTION 4. This Act shall take effect on January 1, 2016.

7



Report Title:

Long-Term Care Insurance; Termination or Lapse

Description:

Requires the 30-day termination notices for long-term care policies to be sent by certified mail or commercial delivery service instead of first-class mail. Prohibits a policy from lapsing or being terminated earlier than 60 days after the date of mailing of the notice. Takes effect on 1/1/2016. (SD1)

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