

1 (4) Each policyholder or applicant has the right to
2 designate at least one person, in addition to the insured, who
3 is to receive the notice of termination. For policies issued
4 or renewed on or after October 1, 1996, the insurer shall
5 notify the policyholder at least once every 2 years of the
6 policyholder's right to designate a secondary addressee.
7 Designation does not constitute acceptance by the insurer of
8 any liability for the additional parties. The form used for
9 the written designation must provide space clearly designated
10 for listing at least one person. The designation shall include
11 each person's full name and home address. Each policyholder or
12 applicant who elects not to designate a secondary addressee
13 shall execute a waiver. The waiver must state: "Protection
14 against unintended lapse.-I understand that I have the right
15 to designate at least one person other than myself to receive
16 notice of lapse or termination of this long-term care or
17 limited benefit insurance policy for nonpayment of premium. I
18 understand that notice will not be given until 30 days after a
19 premium is due and unpaid. I elect NOT to designate any person
20 to receive such notice." Notice shall be given by first-class
21 United States mail, postage prepaid, and notice may not be
22 given until 30 days after a premium is due and unpaid. Notice
23 shall be deemed given on the 5th day after the date on which
24 it is mailed.

25 (5) If a policy is canceled due to nonpayment of
26 premium, the policyholder is entitled to have the policy
27 reinstated if the policyholder or any secondary addressee
28 designated pursuant to subsection (4) demonstrates within not
29 less than 5 months after the date of cancellation that the
30 failure to pay the premium when due was unintentional and due
31 to the cognitive impairment or loss of functional capacity of

1 the policyholder. Under these circumstances, policy
2 reinstatement shall be subject to payment of overdue premiums.
3 The standard of proof of cognitive impairment or loss of
4 functional capacity may not be more stringent than the benefit
5 eligibility criteria for cognitive impairment or loss of
6 functional capacity contained in the policy or certificate.
7 The insurer may require payment of an interest charge of no
8 more than 8 percent per year for the number of days elapsing
9 before the payment of the premium. During this period, the
10 policy shall remain in effect if the claimant or the
11 claimant's representative makes a sufficient demonstration of
12 cognitive impairment. If a claim is made under the policy
13 during a 180-day period before the overdue premium is paid,
14 the amount of the premium or premiums plus any applicable
15 interest as described in this subsection may be deducted in
16 any settlement under the policy.

17 Section 2. This act shall take effect July 1, 2007.

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20 SENATE SUMMARY

21 Provides policyholders with the right to designate at
22 least one secondary addressee to receive a notice of
23 termination. Requires insurers to notify the policyholder
24 of his or her right at least once every 2 years. Provides
25 for a designation form. Provides for a waiver of the
26 right to designate. Requires the inclusion of specific
27 language in each waiver. Provides requirements for the
28 delivery of a notice of termination. Provides for policy
29 reinstatement upon a sufficient demonstration of
30 cognitive impairment or loss of functional capacity.
31 Provides guidelines regarding the establishment of
cognitive impairment or loss of functional capacity.
Authorizes insurers to require payment of an interest
charge on an overdue unpaid premium. Provides for the
deduction of the unpaid premium plus interest from claim
settlements under certain circumstances.