

AMENDED IN SENATE MAY 27, 1998  
AMENDED IN ASSEMBLY APRIL 16, 1998

CALIFORNIA LEGISLATURE—1997-98 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2595**

**Introduced by Assembly Member Baugh**

February 23, 1998

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An act to amend ~~Section 10232.25~~ Sections 10232.25 and 10233.5 of the Insurance Code, relating to long-term care insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2595, as amended, Baugh. Long-term care insurance.

Existing law regulates long-term care insurance. Federal law provides that long-term care insurance that meets certain requirements is subject to favorable income tax treatment. Existing law requires insurers that offer long-term care coverage to provide a notice comparing benefits under federally tax qualified policies and policies that meet California requirements but are not federally tax qualified.

This bill would revise the required notice.

*Existing law requires an outline of coverage to be delivered to a prospective applicant for long-term care insurance at the time of initial solicitation, and requires that outline to include information regarding the toll-free telephone number of the Department of Insurance.*

*This bill would also require that outline to include information regarding the toll-free telephone number of the Health Insurance Counseling and Advocacy Program.*

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 10232.25 of the Insurance Code  
2 is amended to read:

3 10232.25. (a) Each insurer that offers long-term care  
4 coverage pursuant to Section 10232.2 shall make available  
5 at the time of a solicitation the following notice in a  
6 separate document, in 12-point type, to be signed and  
7 dated by the applicant and agent or insurer, with a copy  
8 provided to the applicant and the original maintained in  
9 accordance with paragraph (8) of subdivision (c) of  
10 Section 10508:

11

12 IMPORTANT NOTICE

13

14 THIS COMPANY OFFERS TWO TYPES OF  
15 LONG-TERM CARE POLICIES IN CALIFORNIA:

16 (1) LONG-TERM CARE POLICIES (OR  
17 CERTIFICATES) INTENDED TO QUALIFY FOR  
18 FEDERAL AND STATE OF CALIFORNIA TAX  
19 BENEFITS.

20

21

22 AND

23

24 (2) LONG-TERM CARE POLICIES (OR  
25 CERTIFICATES) THAT MEET CALIFORNIA  
26 STANDARDS AND ARE NOT INTENDED TO  
27 QUALIFY FOR FEDERAL OR STATE OF  
28 CALIFORNIA TAX BENEFITS BUT WHICH MAY  
29 MAKE IT EASIER TO QUALIFY FOR BENEFITS.



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2 (b) The notice required by subdivision (a) shall be  
3 made available by employers to employees and  
4 dependents who are offered by employers a choice of the  
5 two types of policies described and apply for coverage.

6 (c) The commissioner, after consulting with the  
7 Health Insurance Counseling and Advocacy Program,  
8 and after issuing a public notice and receiving public  
9 comments, may approve modifications to the language in  
10 the notice set forth in subdivision (a), if the modifications  
11 (1) are warranted based on federal or state laws, federal  
12 regulations, or other relevant federal decisions, and (2)  
13 are strictly limited to those necessary to ensure that the  
14 summary notice required by this section does not provide  
15 false or misleading information.

16 *SEC. 2. Section 10233.5 of the Insurance Code is*  
17 *amended to read:*

18 10233.5. (a) An outline of coverage shall be delivered  
19 to a prospective applicant for long-term care insurance at  
20 the time of initial solicitation through means which  
21 prominently direct the attention of the recipient to the  
22 document and its purpose.

23 (b) In the case of agent solicitations, an agent shall  
24 deliver the outline of coverage prior to the presentation  
25 of an application or enrollment form.

26 (c) In the case of direct response solicitations, the  
27 outline of coverage shall be presented in conjunction with  
28 any application or enrollment form.

29 (d) The outline of coverage shall be a freestanding  
30 document, using no smaller than 10-point type.

31 (e) The outline of coverage shall contain no material  
32 of an advertising nature.

33 (f) Use of the text and sequence of the text of the  
34 outline of coverage set forth in this section is mandatory,  
35 unless otherwise specifically indicated.

36 (g) Text which is capitalized or underscored in the  
37 outline of coverage may be emphasized by other means  
38 which provide prominence equivalent to capitalization  
39 or underscoring.

40



1 (h) The outline of coverage shall be in the following  
2 form:

3  
4 “(COMPANY NAME)

5  
6 (ADDRESS—CITY AND STATE)

7  
8 (TELEPHONE NUMBER)

9  
10 LONG-TERM CARE INSURANCE

11  
12 OUTLINE OF COVERAGE

13  
14 (Policy Number or Group Master Policy and  
15 Certificate Number)

16  
17 1. This policy is (an individual policy of insurance) ((a  
18 group policy) which was issued in the (indicate  
19 jurisdiction in which group policy was issued)).

20 2. PURPOSE OF OUTLINE OF COVERAGE. This  
21 outline of coverage provides a very brief description of  
22 the important features of the policy. You should compare  
23 this outline of coverage to outlines of coverage for other  
24 policies available to you. This is not an insurance contract,  
25 but only a summary of coverage. Only the individual or  
26 group policy contains governing contractual provisions.  
27 This means that the policy or group policy sets forth in  
28 detail the rights and obligations of both you and the  
29 insurance company. Therefore, if you purchase this  
30 coverage, or any other coverage, it is important that you  
31 READ YOUR POLICY (OR CERTIFICATE)  
32 CAREFULLY!

33 3. TERMS UNDER WHICH THE POLICY OR  
34 CERTIFICATE MAY BE RETURNED AND PREMIUM  
35 REFUNDED.

36 (a) Provide a brief description of the right to  
37 return—“free look” provision of the policy.

38 (b) Include a statement that the policy either does or  
39 does not contain provisions providing for a refund or  
40 partial refund of premium upon the death of an insured

1 or surrender of the policy or certificate. If the policy  
 2 contains such provisions, include a description of them.

3 4. THIS IS NOT MEDICARE SUPPLEMENT  
 4 COVERAGE. If you are eligible for Medicare, review the  
 5 Medicare Supplement Buyer’s Guide available from the  
 6 insurance company.

7 (a) (For agents) Neither (insert company name) nor  
 8 its agents represent Medicare, the federal government or  
 9 any state government.

10 (b) (For direct response) (insert company name) is  
 11 not representing Medicare, the federal government or  
 12 any state government.

13 5. LONG-TERM CARE COVERAGE. Policies of this  
 14 category are designed to provide coverage for one or  
 15 more necessary or medically necessary diagnostic,  
 16 preventive, therapeutic, rehabilitative, maintenance, or  
 17 personal care services, provided in a setting other than an  
 18 acute care unit of a hospital, such as in a nursing home, in  
 19 the community, or in the home.

20 This policy provides coverage in the form of a fixed  
 21 dollar indemnity benefit for covered long-term care  
 22 expenses, subject to policy (limitations) (waiting  
 23 periods) and (coinsurance) requirements. (Modify this  
 24 paragraph if the policy is not an indemnity policy.)

25 6. BENEFITS PROVIDED BY THIS POLICY.

26 (a) (Covered services, related deductible(s), waiting  
 27 periods, elimination periods, and benefit maximums.)

28 (b) (Institutional benefits, by skill level.)

29 (c) (Noninstitutional benefits, by skill level.)

30 (Any benefit screens must be explained in this section.  
 31 If these screens differ for different benefits, explanation  
 32 of the screen should accompany each benefit description.  
 33 If an attending physician or other specified person must  
 34 certify a certain level of functional dependency in order  
 35 to be eligible for benefits, this too must be specified. If  
 36 activities of daily living (ADLs) are used to measure an  
 37 insured’s need for long-term care, then these qualifying  
 38 criteria or screens must be explained.)

39 7. LIMITATIONS AND EXCLUSIONS.

40 (Describe:



- 1 (a) Preexisting conditions.
- 2 (b) Noneligible facilities/provider.
- 3 (c) Noneligible levels of care (e.g., unlicensed
- 4 providers, care or treatments provided by a family
- 5 member, etc.).
- 6 (d) Exclusions/exceptions.
- 7 (e) Limitations.)

8 (This section should provide a brief specific description  
9 of any policy provisions which limit, exclude, restrict,  
10 reduce, delay, or in any other manner operate to qualify  
11 payment of the benefits described in (6) above.)

12 THIS POLICY MAY NOT COVER ALL THE  
13 EXPENSES ASSOCIATED WITH YOUR LONG-TERM  
14 CARE NEEDS.

15 8. RELATIONSHIP OF COST OF CARE AND  
16 BENEFITS. Because the costs of long-term care services  
17 will likely increase over time, you should consider  
18 whether and how the benefits of this plan may be  
19 adjusted. (As applicable, indicate the following:

- 20 (a) That the benefit level will NOT increase over time.
- 21 (b) Any automatic benefit adjustment provisions.
- 22 (c) Whether the insured will be guaranteed the option
- 23 to buy additional benefits and the basis upon which
- 24 benefits will be increased over time if not by a specified
- 25 amount or percentage.
- 26 (d) If there is such a guarantee, include whether
- 27 additional underwriting or health screening will be
- 28 required, the frequency and amounts of the upgrade
- 29 options, and any significant restrictions or limitations.
- 30 (e) And finally, describe whether there will be any
- 31 additional premium charge imposed, and how that is to
- 32 be calculated.)

33 9. TERMS UNDER WHICH THE POLICY (OR  
34 CERTIFICATE) MAY BE CONTINUED IN FORCE OR  
35 DISCONTINUED.

- 36 (a) Describe the policy renewability provisions.
- 37 (b) For group coverage, specifically describe
- 38 continuation/conversion provisions applicable to the
- 39 certificate and group policy.



1 (c) Describe waiver of premium provisions or state  
2 that there are no such provisions.

3 (d) State whether or not the company has a right to  
4 change premium, and if such a right exists, describe  
5 clearly and concisely each circumstance under which the  
6 premium may change.

7 10. ALZHEIMER’S DISEASE AND OTHER  
8 ORGANIC BRAIN DISORDERS.

9 (State that the policy provides coverage for insureds  
10 clinically diagnosed as having Alzheimer’s Disease or  
11 related degenerative and dementing illnesses.  
12 Specifically describe each benefit screen or other policy  
13 provision which provides preconditions to the availability  
14 of policy benefits for such an insured.)

15 11. PREMIUM.

16 (a) State the total annual premium for the policy.

17 (b) If the premium varies with an applicant’s choice  
18 among benefit options, indicate the portion of annual  
19 premium which corresponds to each benefit option.

20 12. ADDITIONAL FEATURES.

21 (a) Indicate if medical underwriting is used.

22 (b) Describe other important features.

23 13. INFORMATION AND COUNSELING. The  
24 California Department of Insurance has prepared a  
25 Consumer Guide to Long-Term Care Insurance. This  
26 guide can be obtained by calling the Department of  
27 Insurance toll-free telephone number. This number is  
28 1-800-927-HELP. Additionally, the Health Insurance  
29 Counseling and Advocacy Program (HICAP)  
30 administered by the California Department of Aging,  
31 provides long-term care insurance counseling to  
32 California senior citizens. Call the ~~Department of~~  
33 ~~Insurance~~ HICAP toll-free telephone number  
34 1-800-434-0222 for a referral to your local HICAP office.  
35 *HICAP is a service provided free of charge by the State*  
36 *of California.*  
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~~1-800-927-HELP~~'

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