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I N   S E N A T E

April 13, 2012

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Introduced by Sen. KENNEDY -- read twice and ordered printed, and when printed to be committed to the Committee on Insurance

AN ACT to amend the insurance law, in relation to third party notification by insurance carriers in certain instances in regard to long term care policies; prohibiting the inclusion of certain goods and services in the sale of certain insurance policies without the insured's informed consent, and providing a specific penalty for violation of such prohibition

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1     Section 1. Subsection (f) of section 3111 of the insurance law, as  
2     relettered by section 30 of part B of chapter 58 of the laws of 2004, is  
3     relettered subsection (g) and a new subsection (f) is added to read as  
4     follows:  
5     (F) EVERY INSURER THAT HAS IN FORCE A LONG-TERM CARE INSURANCE POLICY  
6     AS DEFINED IN SECTION ONE THOUSAND ONE HUNDRED SEVENTEEN OF THIS CHAPTER  
7     THE PREMIUMS FOR WHICH ARE PAID DIRECTLY TO THE INSURER BY THE SENIOR  
8     CITIZEN INSURED SHALL PERMIT THE INSURED TO DESIGNATE A PARTY TO WHOM  
9     THE INSURER SHALL TRANSMIT NOTICES OF NONPAYMENT OF PREMIUMS DUE OR  
10    NOTICE OF CANCELLATION FOR NONPAYMENT OF PREMIUMS, AS DETERMINED BY THE  
11    INSURER. THE SENIOR CITIZEN SHALL NOTIFY THE INSURER THAT A THIRD PARTY  
12    HAS BEEN SO DESIGNATED. SUCH NOTIFICATION SHALL BE DELIVERED TO THE  
13    INSURER BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AND SHALL BE EFFEC-  
14    TIVE NOT LATER THAN TEN BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE  
15    INSURER. THE NOTIFICATION MUST CONTAIN, IN WRITING, AN ACCEPTANCE BY THE  
16    THIRD PARTY DESIGNEE TO RECEIVE SUCH NOTICES OF CANCELLATION. SHOULD THE  
17    THIRD PARTY DESIGNEE DESIRE TO TERMINATE HIS OR HER STATUS AS A THIRD  
18    PARTY DESIGNEE, SUCH DESIGNEE SHALL PROVIDE WRITTEN NOTICE TO BOTH THE  
19    INSURER AND THE SENIOR CITIZEN INSURED. SHOULD THE SENIOR CITIZEN  
20    INSURED DESIRE TO TERMINATE THE THIRD PARTY DESIGNATION, THE INSURED  
21    SHALL PROVIDE WRITTEN NOTICE TO THE INSURER. THE TRANSMISSION TO THE  
22    THIRD PARTY DESIGNEE OF ANY SUCH NOTICE OF CANCELLATION SHALL BE IN  
23    ADDITION TO A COPY OF SUCH DOCUMENT TRANSMITTED TO THE SENIOR CITIZEN  
24    INSURED AND WHEN A THIRD PARTY IS SO DESIGNATED ALL SUCH NOTICES SHALL

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets  
[ ] is old law to be omitted.

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BE MAILED IN AN ENVELOPE CLEARLY MARKED ON ITS FACE WITH THE FOLLOWING:  
"IMPORTANT INSURANCE POLICY INFORMATION: OPEN IMMEDIATELY". DESIGNATION  
AS A THIRD PARTY SHALL NOT CONSTITUTE ACCEPTANCE OF ANY LIABILITY ON THE  
THIRD PARTY FOR SERVICES PROVIDED TO SUCH SENIOR CITIZEN. THE INSURER  
SHALL NOTIFY ITS INSURED SENIOR CITIZEN ANNUALLY IN WRITING OF THE  
AVAILABILITY OF THE THIRD PARTY DESIGNEE NOTICE PROCEDURE AND PROVIDE  
INFORMATION ON HOW THE INSURED CAN COMMENCE THIS PROCEDURE; HOWEVER,  
SUCH NOTICE NEED NOT BE PROVIDED ONCE A SENIOR CITIZEN HAS MADE A DESIGNATION.

S 2. Subsection (a) of section 2324 of the insurance law, as amended  
by chapter 482 of the laws of 2000, is amended to read as follows:

(a) (1) No authorized insurer, no licensed insurance agent, no  
licensed insurance broker, and no employee or other representative of  
any such insurer, agent or broker shall make, procure or negotiate any  
contract of insurance other than as plainly expressed in the policy or  
other written contract issued or to be issued as evidence thereof, or  
shall directly or indirectly, by giving or sharing a commission or in  
any manner whatsoever, pay or allow or offer to pay or allow to the  
insured or to any employee of the insured, either as an inducement to  
the making of insurance or after insurance has been effected, any rebate  
from the premium which is specified in the policy, or any special favor  
or advantage in the dividends or other benefit to accrue thereon, or  
shall give or offer to give any valuable consideration or inducement of  
any kind, directly or indirectly, which is not specified in such policy  
or contract, other than any article of merchandise not exceeding fifteen  
dollars in value which shall have conspicuously stamped or printed thereon  
the advertisement of the insurer, agent or broker, or shall give, sell  
or purchase, or offer to give, sell or purchase, as an inducement  
to the making of such insurance or in connection therewith, any stock,  
bond or other securities or any dividends or profits accrued thereon,  
nor shall the insured, his OR HER agent or representative knowingly  
receive directly or indirectly, any such rebate or special favor or  
advantage, provided, however, a licensed insurance agent or a licensed  
insurance broker may retain the usual commission or underwriting fee on  
insurance placed on his OR HER own property or risks, if the aggregate  
of such commissions or underwriting fees will not exceed five percent of  
the total net commissions or underwriting fees received by such licensed  
insurance agent or insurance broker during the calendar year.

(2) NO AUTHORIZED INSURER, NO LICENSED INSURANCE AGENT, NO LICENSED  
INSURANCE BROKER, AND NO EMPLOYEE OR OTHER REPRESENTATIVE OF ANY SUCH  
INSURER, AGENT OR BROKER SHALL INCLUDE WITH THE SALE OF AN INSURANCE  
POLICY ANY OTHER INSURANCE POLICY OR PRODUCT OR OTHER GOODS AND SERVICES  
WITHOUT FIRST OBTAINING THE INFORMED CONSENT OF THE PROPOSED INSURED.

S 3. Subsection (f) of section 2324 of the insurance law is amended to  
read as follows:

(f) (1) Any person or corporation violating the provisions of this  
section shall, in addition to all other penalties provided by law, pay  
to the people of this state as a penalty the sum of five hundred dollars  
for each such violation.

(2) ANY PERSON OR CORPORATION VIOLATING THE PROVISIONS OF PARAGRAPH  
TWO OF SUBSECTION (A) OF THIS SECTION SHALL, IN ADDITION TO ALL OTHER  
PENALTIES PROVIDED BY LAW, PAY A FINE IN THE SUM OF ONE THOUSAND DOLLARS  
FOR EACH SUCH VIOLATION.

S 4. Subsection (c) of section 4224 of the insurance law, as amended  
by chapter 592 of the laws of 2008, is amended to read as follows:

1 (c) (1) Except as permitted by section three thousand two hundred  
2 thirty-nine of this chapter, no such life insurance company and no such  
3 savings and insurance bank and no officer, agent, solicitor or represen-  
4 tative thereof and no such insurer doing in this state the business of  
5 accident and health insurance and no officer, agent, solicitor or repre-  
6 sentative thereof, and no licensed insurance broker and no employee or  
7 other representative of any such insurer, agent or broker, shall pay,  
8 allow or give, or offer to pay, allow or give, directly or indirectly,  
9 as an inducement to any person to insure, or shall give, sell or  
10 purchase, or offer to give, sell or purchase, as such inducement, or  
11 interdependent with any policy of life insurance or annuity contract or  
12 policy of accident and health insurance, any stocks, bonds, or other  
13 securities, or any dividends or profits accruing or to accrue thereon,  
14 or any valuable consideration or inducement whatever not specified in  
15 such policy or contract; nor shall any person in this state knowingly  
16 receive as such inducement, any rebate of premium or policy fee or any  
17 special favor or advantage in the dividends or other benefits to accrue  
18 on any such policy or contract, or knowingly receive any paid employment  
19 or contract for services of any kind, or any valuable consideration or  
20 inducement whatever which is not specified in such policy or contract.

21 (2) NO SUCH LIFE INSURANCE COMPANY AND NO SUCH SAVINGS AND INSURANCE  
22 BANK AND NO SUCH INSURER DOING IN THIS STATE THE BUSINESS OF ACCIDENT  
23 AND HEALTH INSURANCE AND NO OFFICER, AGENT, SOLICITOR OR REPRESENTATIVE  
24 THEREOF AND NO LICENSED INSURANCE BROKER AND NO EMPLOYEE OR OTHER REPRE-  
25 SENTATIVE OF ANY SUCH INSURER, AGENT OR BROKER SHALL INCLUDE WITH THE  
26 SALE OF AN INSURANCE POLICY ANY OTHER INSURANCE POLICY OR PRODUCT OR  
27 OTHER GOODS AND SERVICES WITHOUT FIRST OBTAINING THE INFORMED CONSENT OF  
28 THE PROPOSED INSURED.

29 S 5. Section 4224 of the insurance law is amended by adding a new  
30 subsection (f) to read as follows:

31 (F) ANY PERSON OR CORPORATION VIOLATING THE PROVISIONS OF PARAGRAPH  
32 TWO OF SUBSECTION (C) OF THIS SECTION SHALL IN ADDITION TO ALL OTHER  
33 PENALTIES PROVIDED BY LAW PAY A FINE IN THE SUM OF ONE THOUSAND DOLLARS  
34 FOR EACH SUCH VIOLATION.

35 S 6. This act shall take effect immediately, except that section one  
36 of this act shall take effect on the first of January next succeeding  
37 the date on which it shall have become a law and shall apply to policies  
38 issued or renewed on or after such date.