

GENERAL ASSEMBLY OF NORTH CAROLINA
1987 SESSION

CHAPTER 787
HOUSE BILL 773

AN ACT TO PREVENT CERTAIN UNFAIR METHODS OF COMPETITION IN
THE ADVERTISING AND SALE OF INSURANCE; AND TO REQUIRE THE
FAIR REPRESENTATION OF POLICY BENEFITS IN MEDICARE
SUPPLEMENT POLICIES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-54.4 is amended by adding a new subsection to read:

"(13) Overinsurance in credit or loan transactions. In connection with a loan or extension of credit secured by real or personal property or both, requiring the applicant to procure property and casualty insurance against any one risk which results in coverage which exceeds the replacement value of the secured property at the time of the loan or extension of credit. In connection with a secured or unsecured loan or extension of credit, requiring the applicant to procure life or health insurance against any one risk which exceeds the amount of the loan. In connection with a loan secured by both real and personal property, requiring credit property insurance, as defined in G.S. 58-359, on the personal property. For the purposes of this subsection 'amount of loan' shall be deemed to be the amount of principal and accrued interest to be paid by the debtor including other allowable charges."

Sec. 2. G.S. 58-42.1 is rewritten to read:

"§ 58-42.1. Twisting with respect to insurance policies; policies defined; penalties.—No insurer, or the agent or broker of any insurer shall make or issue, or cause to be issued, any written or oral statement that willfully misrepresents or willfully makes an incomplete comparison as to the terms, conditions, or benefits contained in any policy of insurance for the purpose of inducing or attempting to induce a policyholder in any way to terminate or surrender, exchange, or convert any insurance policy. Any person who violates this section is subject to the provisions of G.S. 58-9.7, 58-37 through 58-39, 58-42, and 58-44.4."

Sec. 3. G.S. 58-54.4(9) is amended by adding the following paragraph at the end:

"In advertising, sale, or solicitation for sale of any insurance policy represented or advertised to afford coverages and benefits supplemental to or in addition to Medicare coverage, all such advertising materials, except for advertisements which have as their objective the creation of a desire to inquire further about an insurance product and do nothing more than generally describe the product and invite inquiries for costs and further details of the coverage, including limitations, exclusions, reductions or limitations and terms under which the policy may be continued in force, in whatever

medium, and all solicitation and presentations for the sale of such policies, shall contain specific references to major exclusions or major exceptions that may result in voiding liability or in a reduction of benefits below those primarily advertised. When such policies contain a coordination of benefits clause whereby benefits are limited by or prorated with other outstanding coverages, such provision shall be called to the attention of the prospective purchaser by conspicuously printed type no smaller than 10 point type. When such policies are advertised to provide coverage above Medicare payments, but contain provisions limiting benefits to those approved for payment by Medicare under Part B, such limitation in benefits shall be called to the attention of the prospective purchaser regardless of the advertising medium; and when policies containing such provisions are delivered, there shall be incorporated therein the language or affixed thereto a sticker in conspicuously printed type no smaller than 10 point type stating: **CAUTION: POLICY BENEFITS ARE LIMITED TO THOSE APPROVED BY MEDICARE FOR PAYMENT.** Any person engaged in the solicitation or sale of such supplemental Medicare policies in this State shall, as a part of the application, determine and list on the application all policies of Medicare supplement or other health insurance currently in force that cover the prospective insured. In compiling such information, the person is entitled to rely upon information furnished by the prospective purchaser or insured."

Sec. 4. This act shall become effective November 1, 1987.

In the General Assembly read three times and ratified this the 12th day of August, 1987.