

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 622

Short Title: Misc. Health Ins. Amendments.

(Public)

Sponsors: Senator Johnson.

Referred to: Insurance.

March 29, 1993

A BILL TO BE ENTITLED

AN ACT TO MAKE MISCELLANEOUS AMENDMENTS TO LAWS GOVERNING
HEALTH INSURANCE.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-3-150(b) reads as rewritten:

"(b) ~~As~~ With respect to group and blanket accident and health insurance and insurance, group life insurance insurance, and group annuity policies issued and delivered to a trust or to an association outside of this State and covering persons resident in this State, the group certificates to be delivered or issued for delivery in this State shall be filed with and approved by the Commissioner pursuant to subsection (a) of this section."

Sec. 2. Article 3 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"§ 58-3-170. Requirements for maternity coverage.

(a) Every entity providing a health benefit plan that provides maternity coverage in this State shall provide benefits for the necessary care and treatment related to maternity that are no less favorable than benefits for physical illness generally.

(b) As used in this section, 'health benefit plans' means accident and health insurance policies or certificates; nonprofit hospital or medical service corporation contracts; health, hospital, or medical service corporation plan contracts; health maintenance organization (HMO) subscriber contracts; and plans provided by a MEWA or plans provided by other benefit arrangements, to the extent permitted by ERISA."

Sec. 3. G.S. 58-58-145 reads as rewritten:

"§ 58-58-145. Group annuity contracts defined; requirements.

1 Any policy or contract, except a joint, reversionary or survivorship annuity contract,
2 whereby annuities are payable ~~dependent upon the continuation of the lives of~~ to more than
3 one person, ~~shall be deemed is~~ a group annuity contract. The person, firm or corporation
4 to whom or to which such contract is issued, as herein provided, ~~shall be deemed is~~ the
5 holder of ~~such the~~ contract. The term 'annuitant' ~~as used herein, refers to~~ means any person
6 ~~upon whose continued life such annuity is dependent to whom or which payments are made~~
7 under the group annuity contract. No authorized insurer shall deliver or issue for
8 delivery in this State any group annuity contract except upon a group of annuitants
9 ~~which that~~ conforms to the following: under a contract issued to an employer, or to the
10 trustee of a fund established by an employer or two or more employers in the same
11 industry or kind of business, the stipulated payments on which shall be paid by the
12 holder of such contract either wholly from the employer's funds or funds contributed by
13 him, or partly from such funds and partly from funds contributed by the employees
14 covered by such contract, and providing a plan of retirement annuities under a plan
15 which permits all of the employees of such employer or of any specified class or classes
16 thereof to become annuitants. Any such group of employees may include retired
17 employees, and may include officers and managers as employees, and may include the
18 employees of subsidiary or affiliated corporations of a corporation employer, and may
19 include the individual proprietors, partners and employees of affiliated individuals and
20 firms controlled by the holders through stock ownership, contract or otherwise."

21 Sec. 4. G.S. 58-51-15(a) reads as rewritten:

22 "(a) Required Provisions. – Except as provided in subsection (c) of this section
23 each such policy delivered or issued for delivery to any person in this State shall contain
24 the provisions specified in this subsection in the substance of the words that appear in
25 this section. Such provisions shall be preceded individually by the caption appearing in
26 this subsection or, at the option of the insurer, by such appropriate individual or group
27 captions or subcaptions as the Commissioner may approve.

28 (1) A provision in the substance of the following language:

29 ENTIRE CONTRACT; CHANGES: This policy, including the
30 endorsements and the attached papers, if any, constitutes the entire
31 contract of insurance. No change in this policy shall be valid until
32 approved by an executive officer of the insurer and unless such
33 approval be endorsed hereon or attached hereto. No agent has authority
34 to change this policy or waive any of its provisions.

35 (2) A provision in the substance of the following language:

36 TIME LIMIT ON CERTAIN DEFENSES:

37 a. After two years from the date of issue or reinstatement of this
38 policy no misstatements except fraudulent misstatements made
39 by the applicant in the application for such policy shall be used
40 to void the policy or deny a claim for loss incurred or disability
41 (as defined in the policy) commencing after the expiration of
42 such two-year period.

43 The foregoing policy provisions may be used in its entirety
44 only in major or catastrophe hospitalization policies and major

1 medical policies each affording benefits of five thousand dollars
2 (\$5,000) or more for any one sickness or injury. Disability
3 income policies affording benefits of one hundred dollars
4 (\$100.00) or more per month for not less than 12 months and
5 franchise policies. Other policies to which this section applies
6 must delete the words 'except fraudulent misstatements.'

7 (The foregoing policy provision shall not be so construed as to
8 affect any legal requirement for avoidance of a policy or denial of a
9 claim during such initial two-year period, nor to limit the application
10 of G.S. 58-51-15(b), (1), (2), (3), (4) and (5) in the event of
11 misstatement with respect to age or occupation or other insurance.)

12 (A policy which the insured has the right to continue in
13 force subject to its terms by the timely payment of premium:

- 14 1. Until at least age 50 or,
- 15 2. In the case of a policy issued after age 44, for at least
16 five years from its date of issue, may contain in lieu of
17 the foregoing the following provisions (from which the
18 clause in parentheses may be omitted at the insurer's
19 option) under the caption 'INCONTESTABLE.'

20 After this policy has been in force for a period of two
21 years during the lifetime of the insured (excluding any period
22 during which the insured is disabled), it shall become
23 incontestable as to the statements contained in the application.)

- 24 b. No claim for loss incurred or disability (as defined in the
25 policy) commencing after two years from the date of issue of
26 this policy shall be reduced or denied on the ground that a
27 disease or physical condition not excluded from coverage by
28 name or specific description effective on the date of loss had
29 existed prior to the effective date of coverage of this policy.

- 30 (3) A provision in the substance of the following language:

31 GRACE PERIOD: A grace period of (insert a number not
32 less than '7' for weekly premium policies, '10' for monthly premium
33 policies and '31' for all other policies) days will be granted for the
34 payment of each premium falling due after the first premium, during
35 which grace period the policy shall continue in force.

36 (A policy which contains a cancellation provision may add, at the
37 end of the above provision, subject to the right of the insurer to cancel
38 in accordance with the cancellation provision hereof.

39 A policy in which the insurer reserves the right to refuse any
40 renewal shall have, at the beginning of the above provision,

41 Unless not less than five days prior to the premium due date the
42 insurer has delivered to the insured or has mailed to his last address as
43 shown by the record of the insurer written notice of its intention not to

1 renew this policy beyond the period for which the premium has been
2 accepted.)

3 (4) A provision in the substance of the following language:

4 REINSTATEMENT: If any renewal premium be not paid within
5 the time granted the insured for payment, a subsequent acceptance of
6 premium by the insurer or by any agent duly authorized by the insurer
7 to accept such premium, without requiring in connection therewith an
8 application for reinstatement, shall reinstate the policy; provided,
9 however, that if the insurer or such agent requires an application for
10 reinstatement and issues a conditional receipt for the premium
11 tendered, the policy will be reinstated upon approval of such
12 application by the insurer, or, lacking such approval, upon the forty-
13 fifth day following the date of such conditional receipt unless the
14 insurer has previously notified the insured in writing of its disapproval
15 of such application. The reinstated policy shall cover only loss
16 resulting from such accidental injury as may be sustained after the date
17 of reinstatement and loss due to such sickness as may begin more than
18 10 days after such date. In all other respects the insured and insurer
19 shall have the same rights thereunder as they had under the policy
20 immediately before the due date of the defaulted premium, subject to
21 any provisions endorsed hereon or attached hereto in connection with
22 the reinstatement. Any premium accepted in connection with a
23 reinstatement shall be applied to a period for which premium has not
24 been previously paid, but not to any period more than 60 days prior to
25 the date of reinstatement.

26 (The last sentence of the above provision may be omitted from any
27 policy which the insured has the right to continue in force subject to its
28 terms by the timely payment of premiums:

- 29 a. Until at least age 50 or,
30 b. In the case of a policy issued after age 44, for at least five years
31 from its date of issue.)

32 (5) A provision in the substance of the following language:

33 NOTICE OF CLAIM: Written notice of claim must be given to the
34 insurer within 20 days after the occurrence or commencement of any
35 loss covered by the policy, or as soon thereafter as is reasonably
36 possible. Notice given by or on behalf of the insured or the beneficiary
37 to the insurer at (insert the location of such office as the insurer
38 may designate for the purpose), or to any authorized agent of the
39 insurer, with information sufficient to identify the insured, shall be
40 deemed notice to the insurer.

41 (In a policy providing a loss-of-time benefit which may be payable for
42 at least two years, an insurer may at its option insert the following
43 between the first and second sentences of the above provision:

1 Subject to the qualifications set forth below, if the insured
2 suffers loss of time on account of disability for which indemnity
3 may be payable for at least two years, he shall, at least once in
4 every six months after having given notice of claim, give to the
5 insurer notice of continuance of said disability, except in the
6 event of legal incapacity. The period of six months following
7 any filing of proof by the insured or any payment by the insurer
8 on account of such claim or any denial of liability in whole or in
9 part by the insurer shall be excluded in applying this provision.
10 Delay in the giving of such notice shall not impair the insured's
11 right to any indemnity which would otherwise have accrued
12 during the period of six months preceding the date on which
13 such notice is actually given.)

- 14 (6) A provision in the substance of the following language:

15 CLAIM FORMS: The insurer, upon receipt of a notice of claim,
16 will furnish to the claimant such forms as are usually furnished by it
17 for filing proofs of loss. If such forms are not furnished within 15 days
18 after the giving of such notice the claimant shall be deemed to have
19 complied with the requirements of this policy as to proof of loss upon
20 submitting, within the time fixed in the policy for filing proofs of loss,
21 written proof covering the occurrence, the character and the extent of
22 the loss for which claim is made.

- 23 (7) A provision in the substance of the following language:

24 PROOFS OF LOSS: Written proof of loss must be furnished to the
25 insurer at its said office in case of claim for loss for which this policy
26 provides any periodic payment contingent upon continuing loss within
27 90 days after the termination of the period for which the insurer is
28 liable and in case of claim for any other loss within 90 days after the
29 date of such loss. Failure to furnish such proof within the time required
30 shall not invalidate nor reduce any claim if it was not reasonably
31 possible to give proof within such time, provided such proof is
32 furnished as soon as reasonably possible and in no event, except in the
33 absence of legal capacity, later than one year from the time proof is
34 otherwise required.

- 35 (8) A provision in the substance of the following language:

36 TIME OF PAYMENT OF CLAIMS: Indemnities payable under
37 this policy for any loss other than loss for which this policy provides
38 any period payment will be paid immediately upon receipt of due
39 written proof of such loss. Subject to due written proof of loss, all
40 accrued indemnities for loss for which this policy provides periodic
41 payment will be paid (insert period for payment which must not be
42 less frequently than monthly) and any balance remaining unpaid upon
43 the termination of liability will be paid immediately upon receipt of
44 due written proof.

1 (9) A provision in the substance of the following language:

2 PAYMENT OF CLAIMS: Indemnity for loss of life will be
3 payable in accordance with the beneficiary designation and the
4 provisions respecting such payment which may be prescribed herein
5 and effective at the time of payment. If no such designation or
6 provision is then effective, such indemnity shall be payable to the
7 estate of the insured. Any other accrued indemnities unpaid at the
8 insured's death may, at the option of the insurer, be paid either to such
9 beneficiary or to such estate. All other indemnities will be payable to
10 the insured.

11 (The following provisions, or either of them, may be included with
12 the foregoing provision at the option of the insurer:

13 If any indemnity of this policy shall be payable to the estate of the
14 insured, or to an insured or beneficiary who is a minor or otherwise not
15 competent to give a valid release, the insurer may pay such indemnity,
16 up to an amount not exceeding \$..... (insert an amount which shall
17 not exceed ~~one~~ three thousand dollars (~~\$1,000~~ \$3,000)), to any
18 relative by blood or connection by marriage of the insured or
19 beneficiary who is deemed by the insurer to be equitably entitled
20 thereto. Any payment made by the insurer in good faith pursuant to
21 this provision shall fully discharge the insurer to the extent of such
22 payment.

23 Subject to any written direction of the insured in the application or
24 otherwise all or a portion of any indemnities provided by this policy on
25 account of hospital, nursing, medical, or surgical services, may at the
26 insurer's option and unless the insured requests otherwise in writing
27 not later than the time of filing proofs of such loss, be paid directly to
28 the hospital or person rendering such services; but it is not required
29 that the service be rendered by a particular hospital or person.)

30 (10) A provision in the substance of the following language:

31 PHYSICAL EXAMINATIONS AND AUTOPSY: The insurer at
32 its own expense shall have the right and opportunity to examine the
33 person of the insured when and as often as it may reasonably require
34 during the pendency of a claim hereunder and to make an autopsy in
35 case of death where it is not forbidden by law.

36 (11) A provision in the substance of the following language:

37 LEGAL ACTIONS: No action at law or in equity shall be brought
38 to recover on this policy prior to the expiration of 60 days after written
39 proof of loss has been furnished in accordance with the requirements
40 of this policy. No such action shall be brought after the expiration of
41 three years after the time written proof of loss is required to be
42 furnished.

43 (12) A provision in the substance of the following language:

1 CHANGE OF BENEFICIARY: Unless the insured makes an
2 irrevocable designation of beneficiary, the right to change of
3 beneficiary is reserved to the insured and the consent of the beneficiary
4 or beneficiaries shall not be requisite to surrender or assignment of this
5 policy or to any change of beneficiary or beneficiaries, or to any other
6 changes in this policy.

7 (The first clause of this provision, relating to the irrevocable
8 designation of beneficiary, may be omitted at the insurer's option.)"

9 Sec. 5. G.S. 58-50-10 is repealed.

10 Sec. 6. Article 3 of Chapter 58 of the General Statutes is amended by adding
11 a new section to read:

12 **"§ 58-3-175. Uniform claim forms.**

13 (a) Effective January 1, 1994, all claims submitted by health care providers to
14 health benefit plans shall be submitted on a uniform form or format that shall be
15 developed by the Department and approved by the Commissioner. Additional
16 information beyond that contained on the uniform form or format may be collected
17 subject to rules adopted by the Commissioner. This section applies to the submittal of
18 claims in writing and by electronic means.

19 (b) After consultation with the North Carolina Industrial Commission, the
20 Commissioner may include workers' compensation insurance policies as 'health benefit
21 plans' for the purpose of administering the provisions of this section.

22 (c) For purposes of this section, 'health benefit plans' means accident and health
23 insurance policies or certificates; nonprofit hospital or medical service corporation
24 contracts; health, hospital, or medical service corporation plan contracts; health
25 maintenance organization (HMO) subscriber contracts; plans provided by a MEWA or
26 plans provided by other benefit arrangements, to the extent permitted by ERISA; the
27 Teachers' and State Employees' Comprehensive Major Medical Plan; and medical
28 payment coverages under homeowners and automobile insurance policies."

29 Sec. 7. Sections 1 through 4 of this act become effective October 1, 1993.
30 Section 5 of this act becomes effective January 1, 1994. The remainder of this act is
31 effective upon ratification.