

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 181

Short Title: Health Ins. – Pay to Gov. Agencies.

(Public)

Sponsors: Senator Winner of Buncombe.

Referred to: Insurance.

February 17, 1993

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT HEALTH INSURANCE POLICIES SHALL PROVIDE FOR DIRECT PAYMENT TO GOVERNMENTAL AGENCIES PROVIDING HEALTH SERVICES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-51-15(a) reads as rewritten:

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

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

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

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

TIME LIMIT ON CERTAIN DEFENSES:

a. After two years from the date of issue or reinstatement of this policy no misstatements except fraudulent misstatements made by the applicant in the application for such policy shall be used

1 to void the policy or deny a claim for loss incurred or disability  
2 (as defined in the policy) commencing after the expiration of  
3 such two-year period.

4 The foregoing policy provisions may be used in its entirety  
5 only in major or catastrophe hospitalization policies and major  
6 medical policies each affording benefits of five thousand dollars  
7 (\$5,000) or more for any one sickness or injury. Disability  
8 income policies affording benefits of one hundred dollars  
9 (\$100.00) or more per month for not less than 12 months and  
10 franchise policies. Other policies to which this section applies  
11 must delete the words 'except fraudulent misstatements.'

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

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

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

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

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

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

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

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

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

3 Unless not less than five days prior to the premium due date the  
4 insurer has delivered to the insured or has mailed to his last address as  
5 shown by the record of the insurer written notice of its intention not to  
6 renew this policy beyond the period for which the premium has been  
7 accepted.)

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

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

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

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

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

38 NOTICE OF CLAIM: Written notice of claim must be given to the  
39 insurer within 20 days after the occurrence or commencement of any  
40 loss covered by the policy, or as soon thereafter as is reasonably  
41 possible. Notice given by or on behalf of the insured or the beneficiary  
42 to the insurer at ..... (insert the location of such office as the insurer  
43 may designate for the purpose), or to any authorized agent of the

insurer, with information sufficient to identify the insured, shall be deemed notice to the insurer.

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

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

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

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

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

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

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

TIME OF PAYMENT OF CLAIMS: Indemnities payable under this policy for any loss other than loss for which this policy provides any period payment will be paid immediately upon receipt of due written proof of such loss. Subject to due written proof of loss, all accrued

1 indemnities for loss for which this policy provides periodic payment  
2 will be paid ..... (insert period for payment which must not be less  
3 frequently than monthly) and any balance remaining unpaid upon the  
4 termination of liability will be paid immediately upon receipt of due  
5 written proof.

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

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

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

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

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

33 (9a) A provision in the substance of the following language:

34 Subject to any written direction of the insured in the application or  
35 otherwise all or a portion of any indemnities provided by this policy on  
36 account of covered services provided by governmental agencies, shall  
37 at the insurer's option and, unless the insured provides proof that the  
38 covered services have been paid for by the insured, shall be paid  
39 directly to the governmental agency providing the services.

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

41 PHYSICAL EXAMINATIONS AND AUTOPSY: The insurer at its  
42 own expense shall have the right and opportunity to examine the  
43 person of the insured when and as often as it may reasonably require

1 during the pendency of a claim hereunder and to make an autopsy in  
2 case of death where it is not forbidden by law.

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

4 LEGAL ACTIONS: No action at law or in equity shall be brought to  
5 recover on this policy prior to the expiration of 60 days after written  
6 proof of loss has been furnished in accordance with the requirements  
7 of this policy. No such action shall be brought after the expiration of  
8 three years after the time written proof of loss is required to be  
9 furnished.

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

11 CHANGE OF BENEFICIARY: Unless the insured makes an  
12 irrevocable designation of beneficiary, the right to change of  
13 beneficiary is reserved to the insured and the consent of the beneficiary  
14 or beneficiaries shall not be requisite to surrender or assignment of this  
15 policy or to any change of beneficiary or beneficiaries, or to any other  
16 changes in this policy.

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

19 Sec. 2. This act becomes effective October 1, 1993, and shall apply to all  
20 insurance policies written or renewed after that date.