

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE DRH10132-LN-139 (3/9)

Short Title: Accident & Health Insur./Rate Stabilization.-AB (Public)

Sponsors: Representatives Holliman and Wright (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

1 AN ACT TO REQUIRE ANNUAL FILING AND ACTUARIAL CERTIFICATION
2 OF RATES FOR INSURERS PROVIDING INDIVIDUAL ACCIDENT AND
3 HEALTH INSURANCE BENEFITS AND TO BETTER PROTECT CONSUMERS
4 FROM THE HARMFUL IMPACT OF BLOCKS OF BUSINESS BEING
5 CLOSED.
6

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.(a)** G.S. 58-51-95(f) reads as rewritten:

9 "**§ 58-51-95. Approval by Commissioner of forms, classification and rates;**
10 **hearing; exceptions.**

11 ...

12 (f) An insurer may ~~increase~~revise rates chargeable on policies subject to this
13 section, other than noncancellable policies, with the approval of the Commissioner if the
14 Commissioner finds that the revised rates are not excessive, not inadequate, and not
15 unfairly discriminatory; and exhibit a reasonable relationship to the benefits provided by
16 the policies. The approved rates shall be guaranteed by the insurer, as to the
17 policyholders affected by the rates, for a period of not less than 12 months; or as an
18 alternative to the insurer giving the guarantee, the approved rates may be applicable to
19 all policyholders at one time if the insurer chooses to apply for that relief with respect to
20 those policies no more frequently than once in any 12-month period. The rates shall be
21 applicable to all policies of the same type; provided that no rate ~~increase~~revision may
22 become effective for any policy unless the insurer has given the policyholder written
23 notice of the rate revision 45 days before the effective date of the revision. The
24 policyholder must then pay the revised rate in order to continue the policy in force. The
25 Commissioner may adopt reasonable rules, after notice and hearing, to require the
26 submission of supporting data and such information as the Commissioner considers
27 necessary to determine whether the rate revisions meet these standards. In adopting the

1 rules under this subsection, the Commissioner may require identification of the types of
2 rating methodologies used by filers and may also address issue age or attained age
3 rating, or both; policy reserves used in rating; and other recognized actuarial principles
4 of the NAIC, the American Academy of Actuaries, and the Society of Actuaries."

5 **SECTION 1.(b)** G.S. 58-51-95 is amended by adding the following new
6 subsections to read:

7 "**§ 58-51-95. Approval by Commissioner of forms, classification and rates;**
8 **hearing; exceptions.**

9 ...

10 (g) Every policy that is subject to this section and that provides individual
11 accident and health insurance benefits to a resident of this State shall return to
12 policyholders benefits that are reasonable in relation to the premium charged. The
13 Commissioner may adopt rules or utilize existing rules to establish minimum standards
14 for loss ratios of policies on the basis of incurred claims experience and earned
15 premiums in accordance with accepted actuarial principles and practices to assure that
16 the benefits are reasonable in relation to the premium charged. Every insurer providing
17 policies in this State subject to this section shall not less than annually file for approval
18 its rates, rating schedules, and supporting documentation to demonstrate compliance
19 with the applicable loss ratio standards of this State as adopted by the Commissioner.
20 All filings of rates and rating schedules shall demonstrate that the actual and expected
21 losses in relation to premiums comply with the standards adopted by the Commissioner.
22 The filing shall include a certification by an individual who is either a Fellow or an
23 Associate of the Society of Actuaries or a Member of the American Academy of
24 Actuaries that the rates are not excessive, not inadequate, and not unfairly
25 discriminatory; and that the rates exhibit a reasonable relationship to the benefits
26 provided by the policy. This subsection does not apply to any long-term care policy
27 issued in this State on or after February 1, 2003, and noncancellable accident and health
28 insurance.

29 (h) For any long-term care policy issued in this State on or after February 1,
30 2003, an insurer shall on or before March 15 of each year:

31 (1) Provide to the Commissioner an actuarial certification listing all of its
32 long-term care policy forms available for sale in this State as of
33 December 31 of the prior year, stating that the current premium rate
34 schedule for each form is sufficient to cover anticipated costs under
35 moderately adverse experience and stating that the premium rate
36 schedule is reasonably expected to be sustainable over the file of the
37 form with no future premium increases anticipated.

38 (2) For any policy form for which the statement in subdivision (1) of this
39 subsection cannot be made or is qualified, submit a plan of corrective
40 action to the Commissioner for approval.

41 (i) For purposes of this section, accident and health insurance means insurance
42 against death or injury resulting from accident or from accidental means and insurance
43 against disablement, disease, or sickness of the insured. This includes Medicare
44 supplemental insurance, long-term care, nursing home, or home health care insurance,

1 or any combination thereof, specified disease or illness insurance, hospital indemnity or
2 other fixed indemnity insurance, short-term limited duration health insurance, dental
3 insurance, vision insurance, and medical, hospital, or surgical expense insurance or any
4 combination thereof."

5 **SECTION 2.** Article 3 of Chapter 58 of the General Statutes is amended by
6 adding the following new section to read:

7 **"§ 58-3-275. Closure of a block of business.**

8 (a) An insurer that determines to create a closed block of business in this State
9 shall:

10 (1) Within five business days of making the determination to close a block
11 of business, notify the Commissioner in writing of the insurer's
12 decision to cease sales of the policy and of the expected impact on
13 future premiums.

14 (2) Within 20 days of making the determination to close a block of
15 business, inform each agent and broker selling the product of the
16 decision and cease all marketing activities regarding that business.

17 (3) Within 30 days, notify all policyholders of the determination and of its
18 expected impact on future premiums. Notice shall comply with any
19 rules adopted pursuant to subsection (b) of this section.

20 (b) The Commissioner may adopt rules to carry out the purposes and provisions
21 of this section, including rules establishing the language, content, format, and methods
22 of distribution of the notices required by this section.

23 (c) As used in this section, the term:

24 (1) 'Accident and health insurance' means insurance against death or
25 injury resulting from accident or from accidental means and insurance
26 against disablement, disease, or sickness of the insured. This includes
27 Medicare supplemental insurance, long-term care, nursing home, or
28 home health care insurance, or any combination thereof, specified
29 disease or illness insurance, hospital indemnity or other fixed
30 indemnity insurance, short-term limited duration health insurance,
31 dental insurance, vision insurance, and medical, hospital, or surgical
32 expense insurance or any combination thereof.

33 (2) 'Block of business' means a particular policy form or contract of
34 individual accident and health insurance issued by an insurer, which
35 includes distinct benefits or marketing methods.

36 (3) 'Closed block of business' means a block of business for which an
37 insurer ceases to actively market, sell, and issue new contracts under a
38 particular policy form in this State.

39 (4) 'Insurer' includes an insurance company subject to this Chapter, a
40 service corporation organized under Article 65 of this Chapter, a health
41 maintenance organization organized under Article 67 of this Chapter,
42 or a multiple employer welfare arrangement subject to Article 49 of
43 this Chapter.

1 (d) This section does not apply when an insurer makes a decision to discontinue a
2 particular policy form or contract of accident and health insurance coverage subject to
3 Article 68 of this Chapter, cancels or renews the coverage, and offers replacement
4 coverage pursuant to G.S. 58-68-65(c)(1)."

5 **SECTION 3.** G.S. 58-65-2 reads as rewritten:

6 "**§ 58-65-2. Other laws applicable to service corporations.**

7 The following provisions of this Chapter are applicable to service corporations that
8 are subject to this Article:

9 G.S. 58-2-125. Authority over all insurance companies; no exemptions from
10 license.

11 G.S. 58-2-155. Investigation of charges.

12 G.S. 58-2-160. Reporting and investigation of insurance and reinsurance
13 fraud and the financial condition of licensees; immunity from
14 liability.

15 G.S. 58-2-162. Embezzlement by insurance agents, brokers, or
16 administrators.

17 G.S. 58-2-185. Record of business kept by companies and agents;
18 Commissioner may inspect.

19 G.S. 58-2-190. Commissioner may require special reports.

20 G.S. 58-2-195. Commissioner may require records, reports, etc., for agencies,
21 agents, and others.

22 G.S. 58-2-200. Books and papers required to be exhibited.

23 G.S. 58-3-50. Companies must do business in own name; emblems,
24 insignias, etc.

25 G.S. 58-3-115. Twisting with respect to insurance policies; penalties.

26 G.S. 58-50-35. Notice of nonpayment of premium required before forfeiture.

27 G.S. 58-51-25. Policy coverage to continue as to mentally retarded or
28 physically handicapped children.

29 G.S. 58-51-95(g),(h),

30 (i). Approval by Commissioner of forms, classification and rates;
31 hearings; exceptions."

32 **SECTION 4.** This act becomes effective July 1, 2006, and applies to policies
33 or certificates issued, renewed, or reinstated on or after that date.