

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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SENATE BILL 848

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

Sponsors: Senators Malone; Bingham, Dannelly, Lucas, Purcell, and Rand.

Referred to: Commerce.

March 23, 2005

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

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

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

...

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

1 rating, or both; policy reserves used in rating; and other recognized actuarial principles
2 of the NAIC, the American Academy of Actuaries, and the Society of Actuaries."

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

5 "**§ 58-51-95. Approval by Commissioner of forms, classification and rates;
6 hearing; exceptions.**

7 ...

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

27 (h) For any long-term care policy issued in this State on or after February 1,
28 2003, an insurer shall on or before March 15 of each year:

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

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

39 (i) For purposes of this section, accident and health insurance means insurance
40 against death or injury resulting from accident or from accidental means and insurance
41 against disablement, disease, or sickness of the insured. This includes Medicare
42 supplemental insurance, long-term care, nursing home, or home health care insurance,
43 or any combination thereof, specified disease or illness insurance, hospital indemnity or
44 other fixed indemnity insurance, short-term limited duration health insurance, dental

1 insurance, vision insurance, and medical, hospital, or surgical expense insurance or any
2 combination thereof."

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

5 **"§ 58-3-275. Closure of a block of business.**

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

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

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

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

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

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

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

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

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

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

42 (d) This section does not apply when an insurer makes a decision to discontinue a
43 particular policy form or contract of accident and health insurance coverage subject to

1 Article 68 of this Chapter, cancels or renews the coverage, and offers replacement
2 coverage pursuant to G.S. 58-68-65(c)(1)."

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

4 "**§ 58-65-2. Other laws applicable to service corporations.**

5 The following provisions of this Chapter are applicable to service corporations that
6 are subject to this Article:

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

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

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

13 G.S. 58-2-162. Embezzlement by insurance agents, brokers, or
14 administrators.

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

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

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

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

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

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

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

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

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

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

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