

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 646

Session of  
1975

INTRODUCED BY A. K. HUTCHINSON, STAHL, SCHMITT, GILLETTE,  
BARBER, TRELLO, TOLL AND COHEN, MARCH 4, 1975

REFERRED TO COMMITTEE ON CONSUMER PROTECTION, MARCH 5, 1975

AN ACT

1 To provide reasonable standardization and simplification of  
2 terms and coverages of individual accident and health  
3 insurance policies and subscriber contracts of health plan  
4 corporations, nonprofit health service plans and certificates  
5 issued by fraternal benefit societies to facilitate public  
6 understanding and comparison, to eliminate provisions  
7 contained in individual accident and health insurance  
8 policies and subscriber contracts of health plan corporations  
9 and nonprofit health service plans and certificates issued by  
10 fraternal benefit societies which may be misleading or  
11 unreasonably confusing in connection either with the purchase  
12 of such coverages or with the settlement of claims, and to  
13 provide for full disclosure in the sale of accident and  
14 health coverages.

15 The General Assembly of the Commonwealth of Pennsylvania  
16 hereby enacts as follows:

17 Section 1. Short Title.--This act shall be known and may be  
18 cited as the "Individual Accident and Sickness Insurance Minimum  
19 Standards Act."

20 Section 2. Definitions.--(a) As used in this act:

21 "Accident and health insurance" means insurance written under  
22 section 202(a)(1) and (2) (other than life insurance and  
23 annuities) and section 202(c)(2) of The Insurance Company Law of  
24 1921 and 40 Pa. C.S. § 6526, other than credit accident and

1 health insurance.

2 "Forms" means policies, contracts, riders, endorsements, and  
3 applications subject to approval by the Insurance Commissioner,  
4 under section 354 of The Insurance Company Law of 1921 or  
5 section 11 of the Voluntary Nonprofit Health Service Act of  
6 1972, or 40 Pa. C.S. §§ 6124 and 6329.

7 "Policy" means the entire contract between the insurer and  
8 the insured, including the policy, riders, endorsements and the  
9 application, if attached, and also includes subscriber contracts  
10 issued by health plan corporations, nonprofit health service  
11 plans and certificates issued by fraternal benefit societies.

12 (b) Health plan corporations, nonprofit health service plans  
13 and fraternal benefit societies shall be deemed to be engaged in  
14 the business of insurance.

15 Section 3. Standards for Policy Provisions.--(a) The  
16 Insurance Commissioner shall issue regulations to establish  
17 specific standards, including standards of full and fair  
18 disclosure, that set forth the manner, content and format for  
19 individual policies of accident and health insurance and  
20 subscriber contracts of health plan corporations and nonprofit  
21 health service plans and certificates issued by fraternal  
22 benefit societies and required disclosures for their sale. These  
23 regulations shall be in addition to applicable laws of this  
24 Commonwealth and may cover but shall not be limited to:

- 25 (1) terms of renewability;
- 26 (2) initial and subsequent conditions of eligibility;
- 27 (3) non-duplication of coverage provisions;
- 28 (4) coverage of dependents;
- 29 (5) pre-existing conditions;
- 30 (6) termination of insurance;

1       (7) probationary periods;  
2       (8) limitations;  
3       (9) exceptions;  
4       (10) reductions;  
5       (11) elimination periods;  
6       (12) requirements for replacement;  
7       (13) recurrent conditions; and  
8       (14) the definition of terms, including but not limited to,  
9 the following: "hospital," "accident," "sickness," "injury,"  
10 "physician," "accidental means," "total disability," partial  
11 disability," "nervous disorder," "guaranteed renewable," and  
12 "non-cancellable."

13       (b) The Insurance Commissioner may issue regulations that  
14 specify prohibited policy provisions not otherwise specifically  
15 prohibited by statute which in the opinion of the Insurance  
16 Commissioner are unjust, unfair, or unfairly discriminatory to  
17 the policyholder, any person insured under the policy, or  
18 beneficiary.

19       Section 4. Minimum Standards for Benefits.--(a) The  
20 Insurance Commissioner shall issue regulations to establish  
21 minimum standards for benefits under each of the following  
22 categories of coverage in individual policies of accident and  
23 health insurance and subscriber contracts of health plan  
24 corporations and nonprofit health service plans and certificates  
25 issued by fraternal benefit societies:

26       (1) basic hospital expense coverage;  
27       (2) basic medical-surgical expense coverage;  
28       (3) hospital confinement indemnity coverage;  
29       (4) major medical expense coverage;  
30       (5) disability income protection coverage;

(6) accident only coverage; and

(7) specified disease or specified accident coverage.

(b) Nothing in this section shall preclude the issuance of any policy or contract which combines two or more of the categories of coverage enumerated in paragraphs (1) through (6) of subsection (a).

(c) No policy or contract shall be delivered or issued for delivery in this State which does not meet the prescribed minimum standards for the categories of coverage listed in paragraphs (1) through (7) of subsection (a) which are contained within the policy or contract unless the Insurance Commissioner finds such policy or contract will be in the public interest and such policy or contract provides benefits that are reasonable in relation to the premium charged.

(d) The Insurance Commissioner shall issue regulations prescribing the method of identification of policies and contracts based upon coverages provided.

Section 5. Outline of Coverage.--(a) In order to provide for full and fair disclosure in the sale of individual accident and health insurance policies or subscriber contracts of a health plan corporation or a nonprofit health service plan or certificates issued by fraternal benefit societies, no such policy or contract shall be delivered or issued for delivery in this State unless (i) in the case of a direct response insurance product, the outline of coverage described in subsection (b) accompanies the policy; (ii) in all other cases, the outline of coverage described in subsection (b) is delivered to the applicant at the time application is made and an acknowledgment of receipt or certificate of delivery of such outline is provided the insurer with the application. In the event the

1 policy is issued on a basis other than that applied for, an  
2 amended outline of coverage properly describing the policy or  
3 contract must accompany the policy or contract when it is  
4 delivered. The amended outline of coverage must prominently  
5 state that it is not the policy or contract for which  
6 application was made.

7 (b) The Insurance Commissioner shall issue regulations  
8 prescribing the format of all policies and forms as well as of  
9 the outline of coverage required by subsection (a). "Format"  
10 means style, arrangement, and overall appearance, including such  
11 items as the size, color and prominence of type and the  
12 arrangement of text and captions. The outline of coverage shall  
13 include, in a form understandable to a person of average  
14 intelligence and education:

15 (1) a statement identifying the applicable category or  
16 categories of coverage provided by the policy or contract as  
17 prescribed in section 4;

18 (2) a description of the principal benefits and coverage  
19 provided in the policy or contract;

20 (3) a statement of the exceptions, reductions and  
21 limitations contained in the policy or contract;

22 (4) a statement of the renewal provisions including any  
23 reservation by the insurer of a right to change premiums; and

24 (5) a statement that the outline is a summary of the policy  
25 or contract issued or applied for and that the policy or  
26 contract should be consulted to determine governing contractual  
27 provisions.

28 Section 6. Pre-existing Conditions.--(a) Notwithstanding the  
29 provisions of section 618(A)(2) of The Insurance Company Law of  
30 1921, if an insurer elects to use a simplified application form,

1 with or without a question as to the applicant's health at the  
2 time of application, but without any questions concerning the  
3 insured's health history or medical treatment history, the  
4 policy must cover any loss occurring after 12 months from any  
5 pre-existing condition not specifically excluded from coverage  
6 by terms of the policy, and, except as so provided, the policy  
7 or contract shall not include wording that would permit a  
8 defense based upon pre-existing conditions.

9 Section 7. Effect of Regulations on Policies.--(a)

10 Notwithstanding any other provision of law, when a regulation  
11 has been adopted pursuant to this act, all policies of accident  
12 and health insurance which are not in compliance with such  
13 regulation, may no longer be issued as of the date specified in  
14 such regulation, not less than 60 days following its effective  
15 date.

16 (b) When a regulation adopted pursuant to this act so  
17 provides, a policy of accident and health insurance which does  
18 not comply with the regulation shall be construed, and the  
19 insurer of such policy shall be liable, as if the policy did  
20 comply with the regulation. This subsection shall apply as of  
21 the date specified in the regulation to all such policies  
22 issued, amended, renewed, or converted thereafter.

23 Section 8. Effective Date.--This act shall take effect in  
24 180 days.