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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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# HOUSE BILL

## No. 646

Session of  
1975

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

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SENATOR HANKINS, INSURANCE, IN SENATE, AS AMENDED, MARCH 8, 1976

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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

1 1921 and 40 Pa. C.S. § 6526, other than credit accident and  
2 health insurance.

3 "Forms" means policies, contracts, riders, endorsements, and  
4 applications subject to approval by the Insurance Commissioner,  
5 under section 354 of The Insurance Company Law of 1921 or  
6 section 11 of the Voluntary Nonprofit Health Service Act of  
7 1972, or 40 Pa. C.S. §§ 6124 and 6329.

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

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

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

- 27 (1) terms of renewability;  
28 (2) initial and subsequent conditions of eligibility;  
29 (3) non-duplication of coverage provisions;  
30 (4) coverage of dependents;

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

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

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

28 (1) basic hospital expense coverage;  
29 (2) basic medical-surgical expense coverage;  
30 (3) hospital confinement indemnity coverage;

1 (4) major medical expense coverage;  
2 (5) disability income protection coverage;  
3 (6) accident only coverage;  
4 (7) specified disease or specified accident coverage; and  
5 (8) supplemental coverage shall be permitted for all  
6 preceding categories of coverages with the exception of  
7 paragraph (7).

8 (b) Nothing in this section shall preclude the issuance of  
9 any policy or contract which combines two or more of the  
10 categories of coverage enumerated in paragraphs (1) through (7)  
11 of subsection (a).

12 (c) No policy or contract shall be delivered or issued for  
13 delivery in this State which does not meet the prescribed  
14 minimum standards for ~~the~~ THOSE categories of coverage listed in <—  
15 paragraphs (1) through (8) of subsection (a) which are contained  
16 within the policy or contract unless the Insurance Commissioner  
17 finds THAT such policy or contract will ~~be in the public~~ <—  
18 ~~interest and such policy or contract provides benefits that are~~  
19 ~~reasonable in relation to the premium charged.~~ NOT BE UNJUST, <—  
20 UNFAIR OR UNFAIRLY DISCRIMINATORY TO THE POLICYHOLDER,  
21 SUBSCRIBER, ANY PERSON INSURED UNDER THE POLICY, OR BENEFICIARY.  
22 CHANGES TO A POLICY OR CONTRACT REQUIRED BY REGULATIONS  
23 PROMULGATED PURSUANT TO THIS ACT, INCLUDING CHANGES TO PREMIUM  
24 RATES APPLICABLE THERETO, SHALL BE PERMITTED BY ENDORSEMENT OR  
25 RIDER UNLESS THE COMMISSIONER SHALL DETERMINE THAT SUCH CHANGE  
26 OR CHANGES SUBSTANTIALLY ALTERS THE POLICY OR CONTRACT.

27 (D) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT OR  
28 REGULATIONS PROMULGATED HEREUNDER, ANY POLICY OR CONTRACT  
29 SUBMITTED FOR APPROVAL WHICH DOES NOT MEET THE PRESCRIBED  
30 MINIMUM STANDARDS FOR THOSE CATEGORIES OF COVERAGE LISTED IN

1 PARAGRAPHS (1) THROUGH (8) OF SUBSECTION (A) WHICH ARE CONTAINED  
2 WITHIN THE POLICY OR CONTRACT MAY BE APPROVED IF, IN THE OPINION  
3 OF THE INSURANCE COMMISSIONER, SUCH POLICY OR CONTRACT IS NOT  
4 UNJUST, UNFAIR, OR UNFAIRLY DISCRIMINATORY TO THE POLICYHOLDER,  
5 SUBSCRIBER, ANY PERSON INSURED UNDER THE POLICY OR BENEFICIARY.

6 ~~(d)~~ (E) The Insurance Commissioner shall issue regulations <—  
7 prescribing the method of identification of policies and  
8 contracts based upon coverages provided.

9 Section 5. Outline of Coverage.--(a) In order to provide for  
10 full and fair disclosure in the sale of individual accident and  
11 health insurance policies or subscriber contracts of a health  
12 plan corporation or a nonprofit health service plan or  
13 certificates issued by fraternal benefit societies, EXCEPT FOR <—  
14 SUPPLEMENTAL POLICIES SOLD ON THE DEBIT PLAN, AND EXCEPT FOR  
15 RIDERS OR AMENDMENTS TO POLICIES OR CONTRACTS, no such policy or  
16 contract shall be delivered or issued for delivery in this State  
17 unless the outline of coverage described in subsection (b)  
18 either accompanies the policy or is delivered to the applicant  
19 at the time application is made. ~~and an acknowledgment of~~ <—  
20 ~~receipt or certificate of delivery of such outline is provided~~  
21 ~~the insurer. In the event the policy is issued on a basis other~~  
22 ~~than that applied for, an amended outline of coverage properly~~  
23 ~~describing the policy or contract must accompany the policy or~~  
24 ~~contract when it is delivered. The amended outline of coverage~~  
25 ~~must prominently state that it is not the policy or contract for~~  
26 ~~which application was made.~~

27 (b) The Insurance Commissioner shall issue regulations  
28 prescribing the format and contents of the outline of coverage  
29 required by subsection (a). "Format" means style, arrangement,  
30 and overall appearance, including such items as the size, color

1 and prominence of type and the arrangement of text and captions.  
2 The outline of coverage shall include, in a form understandable  
3 to a person of average intelligence and education:

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

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

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

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

13 (5) a statement that the outline is a summary of the policy  
14 or contract issued or applied for and that the policy or  
15 contract should be consulted to determine governing contractual  
16 provisions.

17 Section 6. Pre-existing Conditions.--(a) Notwithstanding the  
18 provisions of section 618(A)(2) of The Insurance Company Law of  
19 1921, if an insurer elects to use a simplified application form,  
20 with or without a question as to the applicant's health at the  
21 time of application, but without any questions concerning the  
22 insured's health history or medical treatment history, the  
23 policy must cover any loss occurring after 12 months from any  
24 pre-existing condition not specifically excluded from coverage  
25 by terms of the policy, and, except as so provided, the policy  
26 or contract shall not include wording that would permit a  
27 defense based upon pre-existing conditions. CHANGES TO POLICIES <—  
28 OR CONTRACTS REQUIRED UNDER THIS SECTION, INCLUDING CHANGES TO  
29 PREMIUM RATES APPLICABLE THERETO, SHALL BE PERMITTED BY  
30 ENDORSEMENT OR RIDER.

