

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 2066 Session of
1976

INTRODUCED BY A. K. HUTCHINSON, SCHMITT, TRELLO, ABRAHAM, COHEN
AND TAYLOR, JANUARY 27, 1976

REFERRED TO COMMITTEE ON CONSUMER PROTECTION, JANUARY 27, 1976

AN ACT

1 Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An
2 act relating to insurance; amending, revising, and
3 consolidating the law providing for the incorporation of
4 insurance companies, and the regulation, supervision, and
5 protection of home and foreign insurance companies, Lloyds
6 associations, reciprocal and inter-insurance exchanges, and
7 fire insurance rating bureaus, and the regulation and
8 supervision of insurance carried by such companies,
9 associations, and exchanges, including insurance carried by
10 the State Workmen's Insurance Fund; providing penalties; and
11 repealing existing laws," by further providing for the
12 approval of policies, contracts, or certificates, covering
13 life, health, accident, personal liability, fire, marine,
14 title, and all forms of casualty insurance or contracts of
15 insurance, or use applications, riders, or endorsements in
16 connection therewith.

17 The General Assembly of the Commonwealth of Pennsylvania
18 hereby enacts as follows:

19 Section 1. Section 354, act of May 17, 1921 (P.L.682,
20 No.284), known as "The Insurance Company Law of 1921," amended
21 August 23, 1961 (P.L.1079, No.487) and repealed in part January
22 6, 1970 (1969 P.L.434, No.185) and July 31, 1970 (P.L.673,
23 No.223), is amended to read:

24 Section 354. Approval of Policies, Contracts, etc.;
25 Prohibiting the Use Thereof Unless Approved; Judicial Review;

1 Penalty.--It shall be unlawful for any insurance company,
2 association, or exchange, including domestic mutual fire
3 insurance companies, doing business in this Commonwealth, to
4 issue, sell, or dispose of any policy, contract, or certificate,
5 covering life, health, accident, personal liability, fire,
6 marine, title, and all forms of casualty insurance, or contracts
7 pertaining to pure endowments or annuities, or any other
8 contracts of insurance, or use applications, riders, or
9 endorsements, in connection therewith, until the forms of the
10 same have been submitted to and formally approved by the
11 Insurance Commissioner, and copies filed in the Insurance
12 Department, except riders and endorsements relating to the
13 manner of distribution of benefits, and to the reservation of
14 rights and benefits under any such policy, and used at the
15 request of the individual policyholder, and except any forms
16 which, in the opinion of the Insurance Commissioner, do not
17 require his approval.

18 In making any approval of such forms, the Insurance
19 Commissioner shall consider whether the language, style, and
20 format of any such form is legible and understandable to a
21 person of average intelligence and education in the market in
22 which it is expected to be used.

23 The Insurance Commissioner shall approve any such policy
24 form, contract, certificate or other evidence of insurance
25 delivered or issued for delivery in this Commonwealth and any
26 application, rider or endorsement to be used in connection
27 therewith only if: (1) the benefits provided therein are
28 reasonable in relation to the premium charged; and (2) any such
29 form contains no provisions which encourage misrepresentation or
30 are unjust, unfair, inequitable, misleading, deceptive, contrary

1 to law or to the public policy of this Commonwealth.

2 The Insurance Commissioner is empowered to promulgate
3 regulations as necessary for the administration of this section.

4 Forms so filed, forms filed under the act, approved the
5 eleventh day of May, one thousand nine hundred forty-nine
6 (Pamphlet Laws 1210), or any amendments thereof, or filed under
7 any other section of this law, shall be deemed approved at the
8 expiration of thirty (30) days after filing, unless earlier
9 approved or disapproved by the Insurance Commissioner. The
10 Insurance Commissioner, by written notice to the insurer may,
11 within such thirty-day period, extend the period for approval or
12 disapproval for an additional thirty (30) days.

13 Such approval given a policy of accident or health insurance
14 or any form used therewith shall become void on the fifth
15 anniversary of the date on which it was approved by the
16 Insurance Commissioner. All forms of accident or health
17 insurance or any form used therewith that are approved by the
18 Insurance Commissioner for use in this Commonwealth on July 1,
19 1975 because they were approved by him prior to that date are
20 hereby disapproved for use in this Commonwealth after July 1,
21 1980 unless sooner disapproved by the Insurance Commissioner in
22 accordance with this statute.

23 Such approval shall become void upon any subsequent notice of
24 disapproval from the Insurance Commissioner, or upon any
25 subsequent withdrawal of license or refusal of the Insurance
26 Commissioner to relicense any such company, association, or
27 exchange, or upon the subsequent passage of an act which would
28 no longer make such contracts or related forms a fit subject for
29 approval, except that this provision shall not affect contracts
30 issued prior thereto.

1 Upon any disapproval [the] other than, in the case of a
2 policy of accident or health insurance or any form used
3 therewith on the occurrence of the fifth anniversary of the date
4 on which it was approved by the Insurance Commissioner. The
5 Insurance Commissioner shall notify the insurer in writing,
6 specifying the reason for such disapproval; and within thirty
7 (30) days from the date of mailing of such notice to the
8 insurer, such insurer may make written application to the
9 Insurance Commissioner for a hearing thereon, and such hearing
10 shall be held within thirty (30) days after receipt of such
11 application. The procedure before the Insurance Commissioner
12 shall be in accordance with the adjudication procedure set forth
13 in the "Administrative Agency Law," and the insurer shall be
14 entitled to the judicial review as provided for in said law.

15 Any person, corporation, insurance company, exchange, order,
16 or society that shall, either as principal or agent, issue, or
17 cause to be issued, any policy or contract of insurance within
18 the Commonwealth, contrary to this section, shall be guilty of a
19 misdemeanor, and, upon conviction thereof, shall be sentenced to
20 pay a fine not exceeding five hundred dollars (\$500.00).

21 Upon satisfactory evidence of the violation of this section
22 by any such person, corporation, insurance company, exchange,
23 order, or society, the Insurance Commissioner may, in his
24 discretion, pursue any one or more of the following courses of
25 action: (1) Suspend or revoke the license of such offending
26 person, corporation, insurance company, exchange, order or
27 society; (2) refuse, for a period of not to exceed one year
28 thereafter, to issue a new license to such person, corporation,
29 insurance company, exchange, order, or society; (3) impose a
30 fine of not more than one thousand dollars (\$1,000.00) for each

1 and every act in violation of this act. When the Insurance
2 Commissioner shall take action in any of the ways above recited,
3 the person, corporation, insurance company, exchange, order, or
4 society aggrieved may appeal therefrom to the [court of common
5 pleas of Dauphin County] Commonwealth Court.

6 Section 2. Section 616 of the act, amended May 26, 1937
7 (P.L.885, No.229) and repealed in part January 6, 1970 (1969
8 P.L.434, No.185) and July 31, 1970 (P.L.673, No.223), is amended
9 to read:

10 Section 616. Copies of Policies to be Filed with and
11 Approved by the Insurance Commissioner.--No policy of insurance
12 against loss from sickness, or loss or damage from bodily injury
13 or death of the insured by accident, shall be issued or
14 delivered by any insurance company, association or exchange
15 issuing such policies, to any person in this Commonwealth until
16 a copy of the form thereof, and of the classification of risks
17 and the premium rates pertaining thereto, have been filed with
18 and formally approved by the Insurance Commissioner.

19 In making any approval of such forms, the Insurance
20 Commissioner shall consider whether the language, style, and
21 format of any such form is legible and understandable to a
22 person of average intelligence and education in the market in
23 which it is expected to be used.

24 The Insurance Commissioner shall approve of any such policy
25 form, contract, certificate or other evidence of insurance
26 delivered or issued for delivery in this Commonwealth and any
27 application, rider or endorsement to be used in connection
28 therewith only if: (1) the benefits provided therein are
29 reasonable in relation to the premium charged; and (2) any such
30 form contains no provisions which encourage misrepresentation or

1 are unjust, unfair, inequitable, misleading, deceptive, contrary
2 to law or to the public policy of this Commonwealth.

3 The Insurance Commissioner is empowered to promulgate
4 regulations as necessary for the administration of this section.

5 Such approval given a policy of accident or health insurance
6 or any form used therewith shall become void on the fifth
7 anniversary of the date on which it was approved by the
8 Insurance Commissioner. All forms of accident or health
9 insurance or any form used therewith that is approved by the
10 Insurance Commissioner for use in this Commonwealth on July 1,
11 1975 because they were approved by him prior to that date are
12 hereby disapproved for use in this Commonwealth after July 1,
13 1980 unless sooner disapproved by him in accordance with this
14 section.

15 If the Insurance Commissioner shall notify in writing the
16 company, corporation, association, or other insurer which has
17 filed such form that it does not comply with the requirements of
18 law, specifying the reason for his opinion, it shall be unlawful
19 for any such insurer to issue any policy in such form. The
20 action of the Insurance Commissioner in this regard shall be
21 subject to review by the [court of common pleas of Dauphin
22 County] Commonwealth Court.

23 Section 3. This act shall take effect immediately.