

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 646

Session of
1975

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

AS REPORTED FROM COMMITTEE ON CONSUMER PROTECTION, AS AMENDED,
SEPTEMBER 25, 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

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 ~~format~~ <—
20 REQUIRED DISCLOSURES FOR THEIR SALE for individual policies of <—
21 accident and health insurance and subscriber contracts of health
22 plan corporations and nonprofit health service plans and
23 certificates issued by fraternal benefit societies and required
24 disclosures for their sale. These regulations shall be in
25 addition to applicable laws of this Commonwealth and may cover
26 but shall not 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, any person insured under the policy, or
20 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; and <—
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 ~~(6)~~ <—
11 (7) 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 categories of coverage listed in
15 paragraphs (1) through ~~(7)~~ (8) of subsection (a) which are <—
16 contained within the policy or contract unless the Insurance
17 Commissioner finds 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.

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

23 Section 5. Outline of Coverage.--(a) In order to provide for
24 full and fair disclosure in the sale of individual accident and
25 health insurance policies or subscriber contracts of a health
26 plan corporation or a nonprofit health service plan or
27 certificates issued by fraternal benefit societies, no such
28 policy or contract shall be delivered or issued for delivery in
29 this State unless ~~(i) in the case of a direct response insurance~~ <—
30 ~~product,~~ the outline of coverage described in subsection (b)

1 EITHER accompanies the policy; ~~(ii) in all other cases, the~~ <—
2 ~~outline of coverage described in subsection (b)~~ OR is delivered <—
3 to the applicant at the time application is made and an
4 acknowledgment of receipt or certificate of delivery of such
5 outline is provided the insurer. ~~with the application.~~ In the <—
6 event the policy is issued on a basis other than that applied
7 for, an amended outline of coverage properly describing the
8 policy or contract must accompany the policy or contract when it
9 is delivered. The amended outline of coverage must prominently
10 state that it is not the policy or contract for which
11 application was made.

12 (b) The Insurance Commissioner shall issue regulations
13 prescribing the format ~~of all policies and forms as well as~~ AND <—
14 CONTENTS of the outline of coverage required by subsection (a).
15 "Format" means style, arrangement, and overall appearance,
16 including such items as the size, color and prominence of type
17 and the arrangement of text and captions. The outline of
18 coverage shall include, in a form understandable to a person of
19 average intelligence and education:

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

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

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

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

29 (5) a statement that the outline is a summary of the policy
30 or contract issued or applied for and that the policy or

1 contract should be consulted to determine governing contractual
2 provisions.

3 Section 6. Pre-existing Conditions.--(a) Notwithstanding the
4 provisions of section 618(A)(2) of The Insurance Company Law of
5 1921, if an insurer elects to use a simplified application form,
6 with or without a question as to the applicant's health at the
7 time of application, but without any questions concerning the
8 insured's health history or medical treatment history, the
9 policy must cover any loss occurring after 12 months from any
10 pre-existing condition not specifically excluded from coverage
11 by terms of the policy, and, except as so provided, the policy
12 or contract shall not include wording that would permit a
13 defense based upon pre-existing conditions.

14 ~~Section 7. Effect of Regulations on Policies.--(a)~~ <—
15 ~~Notwithstanding any other provision of law, when a regulation~~
16 ~~has been adopted pursuant to this act, all policies of accident~~
17 ~~and health insurance which are not in compliance with such~~
18 ~~regulation, may no longer be issued as of the date specified in~~
19 ~~such regulation, not less than 60 days following its effective~~
20 ~~date.~~

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

28 ~~Section 8. Effective Date. This act shall take effect in~~
29 ~~180 days.~~

30 SECTION 7. EFFECTIVE DATES OF REGULATIONS.--REGULATIONS <—

1 PROMULGATED UNDER THE ACT SHALL SPECIFY AN EFFECTIVE DATE
2 APPLICABLE TO POLICY AND BENEFIT RIDERS DELIVERED OR ISSUED FOR
3 DELIVERY IN THIS COMMONWEALTH ON AND AFTER SAID EFFECTIVE DATE
4 WHICH SHALL NOT BE LESS THAN 180 DAYS AFTER THE ADOPTION OR
5 PROMULGATION.