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Short Title: Accident & Health Insur./Rate Stabilization.-AB

(Public)

Sponsors:

Referred to:

March 17, 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

1 rating methodologies used by filers and may also address issue age or attained age
2 rating, or both; policy reserves used in rating; and other recognized actuarial principles
3 of the NAIC, the American Academy of Actuaries, and the Society of Actuaries."

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

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

8 ...

9 (h) Every policy that is subject to this section and that provides individual
10 accident and health insurance benefits to a resident of this State shall return to
11 policyholders benefits that are reasonable in relation to the premium charged. The
12 Commissioner may adopt rules or utilize existing rules to establish minimum standards
13 for loss ratios of policies on the basis of incurred claims experience and earned
14 premiums in accordance with accepted actuarial principles and practices to assure that
15 the benefits are reasonable in relation to the premium charged. Every insurer providing
16 policies in this State subject to this section shall not less than annually file for approval
17 its rates, rating schedules, and supporting documentation to demonstrate compliance
18 with the applicable loss ratio standards of this State as adopted by the Commissioner.
19 All filings of rates and rating schedules shall comply with the standards adopted by the
20 Commissioner. The filing shall include a certification by an individual who is either a
21 Fellow or an Associate of the Society of Actuaries or a Member of the American
22 Academy of 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. Nothing in this subsection shall require an insurer to provide
25 certification with respect to a previous rate period, or to require an insurer to reduce
26 properly filed and approved rates before the end of a rate period. This subsection does
27 not apply to any long-term care policy issued in this State on or after February 1, 2003,
28 and noncancellable accident and health insurance.

29 (i) For any long-term care policy issued in this State on or after February 1,
30 2003, an insurer shall on or before March 15 of each year:

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

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

41 (j) For purposes of this section, accident and health insurance means insurance
42 against death or injury resulting from accident or from accidental means and insurance
43 against disablement, disease, or sickness of the insured. This includes Medicare
44 supplemental insurance, long-term care, nursing home, or home health care insurance,

1 or any combination thereof, specified disease or illness insurance, hospital indemnity or
2 other fixed indemnity insurance, short-term limited duration health insurance, dental
3 insurance, vision insurance, and medical, hospital, or surgical expense insurance or any
4 combination thereof. Notwithstanding any other provision to the contrary, subsection
5 (h) of this section does not apply to disability income insurance."

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

8 **"§ 58-3-275. Closure of a block of business.**

9 (a) An insurer that determines to create a closed block of business in this State
10 shall not later than 60 days prior to the closure date:

11 (1) Notify the Commissioner in writing of the insurer's decision to cease
12 sales of the policy form(s) and provide a reasonable estimate, based on
13 sound actuarial principles, of the expected impact on future premiums
14 of ceasing sales of the policy form(s). If the insurer's qualified actuary
15 estimates that the expected impact on future annual premiums of
16 ceasing sales of the policy form(s) exceeds five percent (5%) per
17 annum, then the insurer shall comply with the requirements of
18 subdivision (3) of this subsection. If each subsequent annual premium
19 rate filing results in an approved annual premium rate increase no
20 greater than the last premium rate increase approved when the block of
21 insurance was open, plus five percent (5%) per annum, then the insurer
22 shall not be required to comply with the requirements of subdivision
23 (3) of this subsection. If any subsequent annual premium rate filing
24 results in an approved premium rate increase in excess of five percent
25 (5%) per annum more than the last premium rate increase approved
26 while the block of insurance was open, then the insurer shall comply
27 with the requirements of subdivision (3) of this subsection at the time
28 the filing is approved, unless the insurer can demonstrate to the satisfaction
29 of the Commissioner that the portion of the increase that is due to the closing
30 of the block is not more than five percent (5%) per annum.

31 (2) Inform each agent and broker selling the product of the decision and
32 the date of closure.

33 (3) If required pursuant to subdivision (1) of this subsection, notify all
34 affected policyholders of the determination and provide a statement of
35 the general effect that might be expected to result from the closure of
36 the block. Notice shall comply with any rules adopted pursuant to
37 subsection (b) of this section.

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

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

42 (1) 'Accident and health insurance' means insurance against death or
43 injury resulting from accident or from accidental means and insurance
44 against disablement, disease, or sickness of the insured. This includes

1 Medicare supplemental insurance, long-term care, nursing home, or
 2 home health care insurance, or any combination thereof, specified
 3 disease or illness insurance, hospital indemnity or other fixed
 4 indemnity insurance, short-term limited duration health insurance,
 5 dental insurance, vision insurance, and medical, hospital, or surgical
 6 expense insurance or any combination thereof.

7 (2) 'Block of business' means a particular policy form or contract of
 8 individual accident and health insurance issued by an insurer.

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

12 (4) 'Insurer' includes an insurance company subject to this Chapter, a
 13 service corporation organized under Article 65 of this Chapter, a health
 14 maintenance organization organized under Article 67 of this Chapter,
 15 or a multiple employer welfare arrangement subject to Article 49 of
 16 this Chapter.

17 (5) 'Closure date' means the effective date that no new insureds will be
 18 issued coverage of the particular policy form(s).

19 (6) 'Policyholders' includes those applicants for the particular policy form
 20 that is being closed and for which the policy is not yet issued.

21 (d) This section does not apply when an insurer makes a decision to discontinue a
 22 particular policy form or contract of accident and health insurance coverage subject to
 23 Article 68 of this Chapter, cancels or nonrenews the coverage, and offers replacement
 24 coverage pursuant to G.S. 58-68-65(c)(1)."

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

26 **"§ 58-65-2. Other laws applicable to service corporations.**

27 The following provisions of this Chapter are applicable to service corporations that
 28 are subject to this Article:

- 29 G.S. 58-2-125. Authority over all insurance companies; no exemptions from
 30 license.
- 31 G.S. 58-2-155. Investigation of charges.
- 32 G.S. 58-2-160. Reporting and investigation of insurance and reinsurance
 33 fraud and the financial condition of licensees; immunity from
 34 liability.
- 35 G.S. 58-2-162. Embezzlement by insurance agents, brokers, or
 36 administrators.
- 37 G.S. 58-2-185. Record of business kept by companies and agents;
 38 Commissioner may inspect.
- 39 G.S. 58-2-190. Commissioner may require special reports.
- 40 G.S. 58-2-195. Commissioner may require records, reports, etc., for agencies,
 41 agents, and others.
- 42 G.S. 58-2-200. Books and papers required to be exhibited.
- 43 G.S. 58-3-50. Companies must do business in own name; emblems,
 44 insignias, etc.

- 1 G.S. 58-3-115. Twisting with respect to insurance policies; penalties.
2 G.S. 58-50-35. Notice of nonpayment of premium required before forfeiture.
3 G.S. 58-51-25. Policy coverage to continue as to mentally retarded or
4 physically handicapped children.
5 G.S. 58-51-95(h).
6 (i),(j). Approval by Commissioner of forms, classification and rates;
7 hearings; exceptions."
8 **SECTION 4.** This act becomes effective July 1, 2006.