HOUSE BILL 43

Unofficial Copy 1999 Regular Session
C3 9lr0055

By: **Chairman, Economic Matters Committee (Departmental - Insurance Administration, Maryland)**
Introduced and read first time: January 15, 1999
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Standard Policy Provisions**

3 FOR the purpose of providing that certain provisions of law apply to contracts
4 between nonprofit health service plans and their subscribers; requiring certain
5 provisions to be included in certain group and blanket health insurance policies
6 and nonprofit health service plan contracts; authorizing the use of certain other
7 provisions in certain group and blanket health insurance policies and nonprofit
8 health service plan contracts; and generally relating to certain policy provisions
9 in group, individual, and blanket policies and nonprofit health service plan
10 contracts.

11 BY repealing and reenacting, with amendments,
12 Article - Insurance
13 Section 14-102
14 Annotated Code of Maryland
15 (1997 Volume and 1998 Supplement)
16 (As enacted by Chapter 774 of the Acts of the General Assembly of 1998)

17 BY repealing and reenacting, with amendments,
18 Article - Insurance
19 Section 15-303
20 Annotated Code of Maryland
21 (1997 Volume and 1998 Supplement)

22 BY adding to
23 Article - Insurance
24 Section 15-303.1, 15-303.2, 15-307.1, and 15-307.2
25 Annotated Code of Maryland
26 (1997 Volume and 1998 Supplement)

27 BY repealing and reenacting, without amendments,
28 Article - Insurance

1 Section 15-307
2 Annotated Code of Maryland
3 (1997 Volume and 1998 Supplement)

4 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
5 MARYLAND, That the Laws of Maryland read as follows:

6 **Article - Insurance**

7 14-102.

8 A corporation without capital stock organized for the purpose of establishing,
9 maintaining, and operating a nonprofit health service plan through which health care
10 providers provide health care services to subscribers to the plan under contracts that
11 entitle each subscriber to certain health care services shall be governed and regulated
12 by:

13 (1) this subtitle;

14 (2) Title 2, Subtitle 2 of this article and §§ 1-206, 3-127, and 12-210 of
15 this article;

16 (3) Title 2, Subtitle 5 of this article;

17 (4) §§ 4-113 and 4-114 of this article;

18 (5) Title 5, Subtitles 1, 2, 3, 4, and 5 of this article;

19 (6) Title 7 of this article, except for § 7-706 and Subtitle 2 of Title 7;

20 (7) Title 9, Subtitles 1, 2, and 4 of this article;

21 (8) Title 10, Subtitle 1 of this article;

22 (9) Title 27 of this article; [and]

23 (10) §§ 15-207 THROUGH 15-221, 15-225 THROUGH 15-228, 15-303, 15-303.1,
24 15-303.2, 15-307, 15-307.1, AND 15-307.2 OF THIS ARTICLE; AND

25 (11) any other provision of this article that:

26 (i) is expressly referred to in this subtitle;

27 (ii) expressly refers to this subtitle; or

28 (iii) expressly refers to nonprofit health service plans or persons
29 subject to this subtitle.

1 15-303.

2 (a) Each policy of group health insurance shall contain [in substance the
3 provisions of this section] PROVISIONS THAT IN THE OPINION OF THE
4 COMMISSIONER ARE AT LEAST AS FAVORABLE TO THE POLICYHOLDER OR INSURED
5 AS THE PROVISIONS IN THIS SECTION.

6 (b) Each policy of group health insurance shall contain a provision that[,
7 absent fraud, each statement made by an applicant, policyholder, or insured is
8 considered to be a representation and not a warranty]:

9 (1) THE POLICY AND APPLICATION CONSTITUTE THE ENTIRE CONTRACT
10 BETWEEN THE PARTIES;

11 (2) ABSENT FRAUD, EACH STATEMENT MADE BY AN APPLICANT,
12 POLICYHOLDER, OR INSURED IS CONSIDERED TO BE A REPRESENTATION AND NOT A
13 WARRANTY; AND

14 (3) A STATEMENT MADE BY A POLICYHOLDER MAY NOT BE USED IN
15 DEFENSE TO A CLAIM UNDER THE POLICY UNLESS THE STATEMENT IS CONTAINED
16 IN A WRITTEN APPLICATION.

17 (c) [Each policy of group health insurance shall contain a provision that a
18 statement made to effectuate insurance does not avoid the insurance or reduce
19 benefits under the policy unless the statement is contained in a written instrument
20 signed by the policyholder or insured and a copy of the statement is given to the
21 policyholder, insured, or beneficiary of the insured.]

22 (1) EACH POLICY OF GROUP HEALTH INSURANCE SHALL CONTAIN A
23 PROVISION THAT WRITTEN NOTICE OF SICKNESS OR INJURY MUST BE GIVEN TO THE
24 INSURER WITHIN 20 DAYS AFTER THE DATE ON WHICH THE SICKNESS OR INJURY
25 OCCURS.

26 (2) FAILURE TO GIVE NOTICE WITHIN 20 DAYS AFTER THE DATE ON
27 WHICH THE SICKNESS OR INJURY OCCURS DOES NOT INVALIDATE OR REDUCE A
28 CLAIM IF IT IS SHOWN THAT:

29 (I) IT WAS NOT REASONABLY POSSIBLE TO GIVE NOTICE WITHIN
30 20 DAYS; AND

31 (II) NOTICE WAS GIVEN AS SOON AS WAS REASONABLY POSSIBLE.

32 (d) (1) Each policy of group health insurance shall contain a provision that
33 the insurer will provide to the policyholder for delivery to each employee or member of
34 the insured group, a statement that summarizes the essential features of the
35 insurance coverage of the employee or member and that indicates to whom benefits
36 under the policy are payable.

37 (2) If dependents are included in the coverage, only one statement need
38 be issued for each family unit.

1 (e) Each policy of group health insurance shall contain a provision that
2 eligible new employees, members, or dependents may be added periodically to the
3 group originally insured in accordance with the terms of the policy.

4 (F) (1) EACH POLICY OF GROUP HEALTH INSURANCE SHALL REQUIRE THE
5 INSURER TO PROVIDE TO EACH POLICYHOLDER FORMS FOR FILING PROOF OF LOSS.

6 (2) IF THE INSURER DOES NOT PROVIDE THE FORMS WITHIN 15 DAYS
7 AFTER NOTICE OF SICKNESS OR INJURY IS GIVEN, THE CLAIMANT IS DEEMED TO
8 HAVE COMPLIED WITH THE REQUIREMENTS OF THE POLICY ON PROOF OF LOSS IF
9 THE CLAIMANT SUBMITS, WITHIN THE TIME FIXED IN THE POLICY FOR FILING
10 PROOF OF LOSS, WRITTEN PROOF OF THE OCCURRENCE, CHARACTER, AND EXTENT
11 OF THE LOSS FOR WHICH THE CLAIM IS MADE.

12 (G) (1) EACH POLICY OF GROUP HEALTH INSURANCE SHALL CONTAIN A
13 PROVISION THAT:

14 (I) IF A CLAIM IS FOR LOSS OF TIME BECAUSE OF DISABILITY,
15 WRITTEN PROOF OF LOSS MUST BE SUBMITTED TO THE INSURER WITHIN 30 DAYS
16 AFTER THE BEGINNING OF THE PERIOD FOR WHICH THE INSURER IS LIABLE, AND
17 SUBSEQUENT WRITTEN PROOF THAT THE DISABILITY CONTINUES MUST BE
18 SUBMITTED TO THE INSURER AT THE INTERVALS THAT THE INSURER REASONABLY
19 REQUIRES; AND

20 (II) IF A CLAIM IS FOR A LOSS OTHER THAN LOSS OF TIME BECAUSE
21 OF DISABILITY, WRITTEN PROOF OF LOSS MUST BE SUBMITTED TO THE INSURER
22 WITHIN 90 DAYS AFTER THE DATE OF THE LOSS.

23 (2) FAILURE TO SUBMIT PROOF OF LOSS WITHIN THE TIME REQUIRED
24 DOES NOT INVALIDATE OR REDUCE A CLAIM IF IT IS SHOWN THAT:

25 (I) IT WAS NOT REASONABLY POSSIBLE TO SUBMIT THE PROOF OF
26 LOSS WITHIN THE TIME REQUIRED; AND

27 (II) PROOF OF LOSS WAS SUBMITTED AS SOON AS WAS
28 REASONABLY POSSIBLE.

29 (H) EACH POLICY OF GROUP HEALTH INSURANCE SHALL CONTAIN A
30 PROVISION THAT:

31 (1) BENEFITS PAYABLE UNDER THE POLICY, OTHER THAN BENEFITS
32 FOR LOSS OF TIME, ARE PAYABLE IMMEDIATELY ON THE INSURER'S RECEIPT OF
33 WRITTEN PROOF OF LOSS; AND

34 (2) SUBJECT TO PROOF OF LOSS:

35 (I) ACCRUED BENEFITS PAYABLE UNDER THE POLICY FOR LOSS
36 OF TIME ARE PAYABLE NO LATER THAN AT THE END OF EACH PERIOD OF 30 DAYS
37 DURING THE PERIOD FOR WHICH THE INSURER IS LIABLE; AND

1 (II) ANY BALANCE REMAINING UNPAID AT THE END OF THAT
2 PERIOD IS PAYABLE IMMEDIATELY ON THE INSURER'S RECEIPT OF PROOF OF LOSS.

3 (I) EACH POLICY OF GROUP HEALTH INSURANCE SHALL CONTAIN A
4 PROVISION THAT, AT ITS OWN EXPENSE, AN INSURER MAY:

5 (1) EXAMINE THE PERSON OF THE INSURED WHEN AND AS OFTEN AS
6 THE INSURER MAY REASONABLY REQUIRE DURING THE PENDENCY OF A CLAIM
7 UNDER THE POLICY; AND

8 (2) MAKE AN AUTOPSY OF THE INSURED IF NOT PROHIBITED BY LAW.

9 (J) EACH POLICY OF GROUP HEALTH INSURANCE SHALL CONTAIN A
10 PROVISION THAT AN ACTION AT LAW OR IN EQUITY MAY NOT BE BROUGHT TO
11 RECOVER UNDER THE POLICY:

12 (1) EARLIER THAN 60 DAYS AFTER WRITTEN PROOF OF LOSS IS
13 SUBMITTED IN ACCORDANCE WITH THE REQUIREMENTS OF THE POLICY; OR

14 (2) LATER THAN 3 YEARS AFTER THE TIME WRITTEN PROOF OF LOSS IS
15 REQUIRED TO BE SUBMITTED.

16 15-303.1.

17 (A) (1) EACH POLICY OF GROUP HEALTH INSURANCE SHALL CONTAIN A
18 PROVISION THAT STATES:

19 "GRACE PERIOD: A GRACE PERIOD OF 31 DAYS WILL BE GRANTED FOR PAYMENT
20 OF EACH PREMIUM DUE AFTER THE FIRST PREMIUM, UNLESS THE INSURER
21 DOES NOT INTEND TO RENEW THE POLICY BEYOND THE PERIOD FOR WHICH
22 PREMIUM HAS BEEN ACCEPTED AND NOTICE OF THE INTENTION NOT TO
23 RENEW IS DELIVERED TO THE POLICYHOLDER AT LEAST 45 DAYS BEFORE THE
24 PREMIUM IS DUE. DURING THE GRACE PERIOD THE POLICY SHALL CONTINUE
25 IN FORCE."

26 (2) ANY ADDITIONAL PROVISIONS RELATED TO THE GRACE PERIOD
27 SHALL BE EXPRESSLY STATED IN THE POLICY SUBJECT TO THE FOLLOWING
28 LIMITATIONS:

29 (I) UNLESS AN INSURER RECEIVES A NOTICE OF THE
30 POLICYHOLDER'S INTENTION TO TERMINATE THE POLICY, THE INSURER MAY
31 COLLECT PREMIUM FOR THE 31-DAY GRACE PERIOD;

32 (II) IF AN INSURER RECEIVES A NOTICE OF INTENTION TO
33 TERMINATE THE POLICY, THE INSURER MAY COLLECT PREMIUM FOR THE PERIOD
34 BEGINNING ON THE FIRST DAY OF THE GRACE PERIOD UNTIL THE DATE ON WHICH
35 NOTICE IS RECEIVED OR THE DATE OF TERMINATION STATED IN THE NOTICE,
36 WHICHEVER IS LATER;

1 (III) IF PREMIUM FOR THE 31-DAY GRACE PERIOD IS PAID AFTER
2 THE GRACE PERIOD ENDS, AN INSURER MAY CHARGE INTEREST FOR THE PREMIUM;
3 AND

4 (IV) INTEREST MAY NOT BEGIN TO ACCRUE DURING THE 31-DAY
5 GRACE PERIOD.

6 (B) AN INSURER MAY SUBSTITUTE A CORRESPONDING PROVISION WITH
7 WORDING DIFFERENT FROM THAT OF A PROVISION SET FORTH IN THIS SECTION IF
8 THE CORRESPONDING PROVISION IS:

9 (1) APPROVED BY THE COMMISSIONER; AND

10 (2) AT LEAST AS FAVORABLE TO THE INSURED OR BENEFICIARY.

11 15-303.2.

12 (A) (1) A POLICY OF GROUP HEALTH INSURANCE MAY CONTAIN THE
13 FOLLOWING PROVISION:

14 "ILLEGAL OCCUPATION: THE INSURER SHALL NOT BE LIABLE FOR ANY LOSS TO
15 WHICH A CONTRIBUTING CAUSE WAS THE INSURED'S COMMISSION OF OR
16 ATTEMPT TO COMMIT A FELONY OR TO WHICH A CONTRIBUTING CAUSE WAS
17 THE INSURED'S BEING ENGAGED IN AN ILLEGAL OCCUPATION."

18 (2) A POLICY OF GROUP HEALTH INSURANCE MAY CONTAIN THE
19 FOLLOWING PROVISION:

20 "INTOXICANTS AND NARCOTICS: THE INSURER SHALL NOT BE LIABLE FOR ANY
21 LOSS SUSTAINED OR CONTRACTED IN CONSEQUENCE OF THE INSURED'S BEING
22 INTOXICATED OR UNDER THE INFLUENCE OF ANY NARCOTIC UNLESS
23 ADMINISTERED ON THE ADVICE OF A PHYSICIAN."

24 (B) AN INSURER MAY SUBSTITUTE A CORRESPONDING PROVISION WITH
25 WORDING DIFFERENT FROM THAT OF A PROVISION SET FORTH IN THIS SECTION IF
26 THE CORRESPONDING PROVISION IS:

27 (1) APPROVED BY THE COMMISSIONER; AND

28 (2) AT LEAST AS FAVORABLE TO THE INSURED OR BENEFICIARY.

29 15-307.

30 (a) Each policy of blanket health insurance shall contain provisions that in the
31 opinion of the Commissioner are at least as favorable to the policyholder and insured
32 as the provisions of this section.

33 (b) Each policy of blanket health insurance shall contain a provision that:

34 (1) the policy and application constitute the entire contract between the
35 parties;

1 (2) absent fraud, each statement made by the policyholder is considered
2 to be a representation and not a warranty; and

3 (3) a statement made by the policyholder may not be used in defense to a
4 claim under the policy unless the statement is contained in a written application.

5 (c) (1) Each policy of blanket health insurance shall contain a provision that
6 written notice of sickness or injury must be given to the insurer within 20 days after
7 the date on which the sickness or injury occurred.

8 (2) Failure to give notice within the 20-day period does not invalidate or
9 reduce a claim if it is shown that it was not reasonably possible to give notice within
10 the time required, and that notice was given as soon as was reasonably possible.

11 (d) (1) Each policy of blanket health insurance shall contain a provision that
12 the insurer shall provide to the policyholder forms for filing proof of loss.

13 (2) If the insurer does not provide the forms within 15 days after notice
14 of sickness or injury is given, the claimant is deemed to have complied with the
15 requirements of the policy on proof of loss if the claimant submits, within the time
16 fixed in the policy for filing proof of loss, written proof of the occurrence, character,
17 and extent of the loss for which the claim is made.

18 (e) (1) Each policy of blanket health insurance shall contain a provision
19 that:

20 (i) if a claim is for loss of time because of disability, written proof of
21 loss must be submitted to the insurer within 30 days after the beginning of the period
22 for which the insurer is liable, and subsequent written proofs that the disability
23 continues must be submitted to the insurer at the intervals that the insurer
24 reasonably requires; and

25 (ii) if a claim is for a loss other than loss of time because of
26 disability, written proof of loss must be submitted to the insurer within 90 days after
27 the date of the loss.

28 (2) Failure to submit proof of loss within the time required does not
29 invalidate or reduce a claim if it is shown that it was not reasonably possible to
30 submit the proof of loss within the time required, and that proof of loss was submitted
31 as soon as was reasonably possible.

32 (f) Each policy of blanket health insurance shall contain a provision that:

33 (1) benefits payable under the policy, other than benefits for loss of time,
34 are payable immediately on the insurer's receipt of written proof of loss; and

35 (2) subject to proof of loss:

1 (i) accrued benefits payable under the policy for loss of time are
2 payable no later than at the end of each period of 30 days during the period for which
3 the insurer is liable; and

4 (ii) any balance remaining unpaid at the end of that period is
5 payable immediately on the insurer's receipt of proof of loss.

6 (g) Each policy of blanket health insurance shall contain a provision that at its
7 own expense, the insurer may examine the person of the insured when and as often as
8 the insurer may reasonably require during the pendency of a claim under the policy
9 and may make an autopsy of the insured if not prohibited by law.

10 (h) Each policy of blanket health insurance shall contain a provision that an
11 action at law or in equity may not be brought to recover under the policy:

12 (1) earlier than 60 days after written proof of loss is submitted in
13 accordance with the requirements of the policy; or

14 (2) later than 3 years after the time written proof of loss is required to be
15 submitted.

16 15-307.1.

17 (A) EACH POLICY OF BLANKET HEALTH INSURANCE SHALL CONTAIN THE
18 FOLLOWING PROVISION:

19 "GRACE PERIOD: IF NOT LESS THAN 30 DAYS BEFORE THE PREMIUM DUE DATE,
20 THE INSURER HAS DELIVERED TO THE POLICYHOLDER WRITTEN NOTICE OF
21 ITS INTENTION NOT TO RENEW THE POLICY BEYOND THE PERIOD FOR WHICH
22 THE PREMIUM HAS BEEN ACCEPTED, A GRACE PERIOD OF 31 DAYS WILL BE
23 GRANTED FOR THE PAYMENT OF EACH PREMIUM FALLING DUE AFTER THE
24 FIRST PREMIUM. DURING THE GRACE PERIOD, THIS POLICY SHALL CONTINUE
25 IN FORCE. THE POLICYHOLDER WILL BE LIABLE FOR THE PREMIUM FOR THE
26 PERIOD THE POLICY REMAINS IN FORCE DURING THE GRACE PERIOD."

27 (B) ANY ADDITIONAL PROVISIONS RELATED TO A GRACE PERIOD SHALL BE
28 EXPRESSLY STATED IN THE POLICY SUBJECT TO THE FOLLOWING LIMITATIONS:

29 (1) UNLESS AN INSURER RECEIVES NOTICE OF THE POLICYHOLDER'S
30 INTENTION TO TERMINATE A POLICY, THE INSURER MAY COLLECT PREMIUM FOR
31 THE 31-DAY GRACE PERIOD;

32 (2) IF THE INSURER RECEIVES A NOTICE OF INTENTION TO TERMINATE
33 A POLICY, THE INSURER MAY COLLECT PREMIUM FROM THE FIRST DAY OF THE
34 GRACE PERIOD UNTIL THE LATER OF:

35 (I) THE DAY NOTICE IS RECEIVED; OR

36 (II) THE DATE OF TERMINATION STATED IN THE NOTICE;

1 (3) IF PREMIUM FOR THE 31-DAY GRACE PERIOD IS PAID AFTER THE
2 GRACE PERIOD ENDS, THE INSURER MAY CHARGE INTEREST ON THE PREMIUM; AND

3 (4) INTEREST MAY NOT BEGIN TO ACCRUE DURING THE 31-DAY GRACE
4 PERIOD.

5 (C) AN INSURER MAY SUBSTITUTE A CORRESPONDING PROVISION WITH
6 WORDING DIFFERENT FROM THAT OF A PROVISION SET FORTH IN THIS SECTION IF
7 THE CORRESPONDING PROVISION IS:

8 (1) APPROVED BY THE COMMISSIONER; AND

9 (2) AT LEAST AS FAVORABLE TO THE INSURED OR BENEFICIARY.

10 15-307.2.

11 (A) A POLICY OF BLANKET HEALTH INSURANCE MAY CONTAIN THE
12 FOLLOWING PROVISION:

13 "ILLEGAL OCCUPATION: THE INSURER SHALL NOT BE LIABLE FOR ANY LOSS TO
14 WHICH A CONTRIBUTING CAUSE WAS THE INSURED'S COMMISSION OF OR
15 ATTEMPT TO COMMIT A FELONY OR TO WHICH A CONTRIBUTING CAUSE WAS
16 THE INSURED'S BEING ENGAGED IN AN ILLEGAL OCCUPATION."

17 (B) A POLICY OF BLANKET HEALTH INSURANCE MAY CONTAIN THE
18 FOLLOWING PROVISION:

19 "INTOXICANTS AND NARCOTICS: THE INSURER SHALL NOT BE LIABLE FOR ANY
20 LOSS SUSTAINED OR CONTRACTED IN CONSEQUENCE OF THE INSURED'S BEING
21 INTOXICATED OR UNDER THE INFLUENCE OF ANY NARCOTIC UNLESS
22 ADMINISTERED ON THE ADVICE OF A PHYSICIAN."

23 (C) AN INSURER MAY SUBSTITUTE A CORRESPONDING PROVISION WITH
24 WORDING DIFFERENT FROM THAT OF A PROVISION SET FORTH IN THIS SECTION IF
25 THE CORRESPONDING PROVISION IS:

26 (1) APPROVED BY THE COMMISSIONER; AND

27 (2) AT LEAST AS FAVORABLE TO THE INSURED OR BENEFICIARY.

28 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
29 October 1, 1999.