Unofficial Copy C3 1999 Regular Session 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
- between nonprofit health service plans and their subscribers; requiring certain
- 5 provisions to be included in certain group and blanket health insurance policies
- 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 2 3	Section 15-307 Annotated Code of Maryland (1997 Volume and 1998 Supplement)
4	SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:
6	Article - Insurance
7	14-102.
10 1	A corporation without capital stock organized for the purpose of establishing, maintaining, and operating a nonprofit health service plan through which health care providers provide health care services to subscribers to the plan under contracts that entitle each subscriber to certain health care services shall be governed and regulated by:
1.	(1) this subtitle;
14 13	(2) Title 2, Subtitle 2 of this article and §§ 1-206, 3-127, and 12-210 of this article;
10	(3) Title 2, Subtitle 5 of this article;
1′	(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;
2	(8) Title 10, Subtitle 1 of this article;
2	(9) Title 27 of this article; [and]
2.2	(10) §§ 15-207 THROUGH 15-221, 15-225 THROUGH 15-228, 15-303, 15-303.1, 15-303.2, 15-307.1, AND 15-307.2 OF THIS ARTICLE; AND
2:	(11) any other provision of this article that:
20	(i) is expressly referred to in this subtitle;
2	(ii) expressly refers to this subtitle; or
25	(iii) expressly refers to nonprofit health service plans or persons 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) 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.

30 PROVISION THAT:

(1)

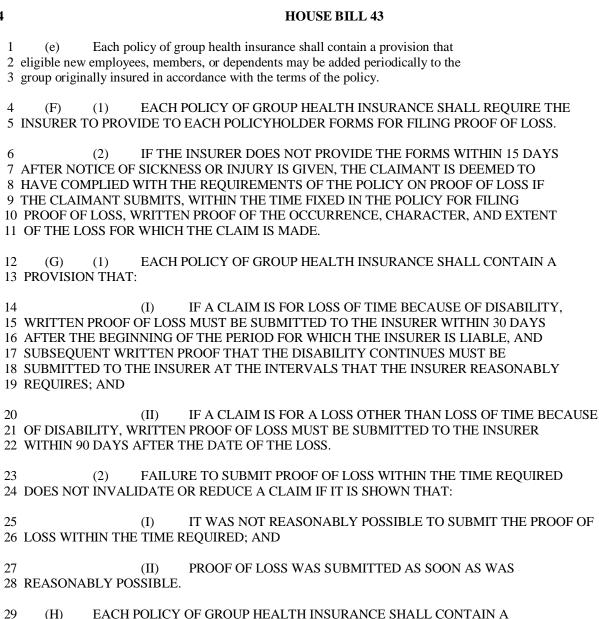
(2)

33 WRITTEN PROOF OF LOSS: AND

(I)

31

34



BENEFITS PAYABLE UNDER THE POLICY, OTHER THAN BENEFITS

ACCRUED BENEFITS PAYABLE UNDER THE POLICY FOR LOSS

32 FOR LOSS OF TIME, ARE PAYABLE IMMEDIATELY ON THE INSURER'S RECEIPT OF

36 OF TIME ARE PAYABLE NO LATER THAN AT THE END OF EACH PERIOD OF 30 DAYS

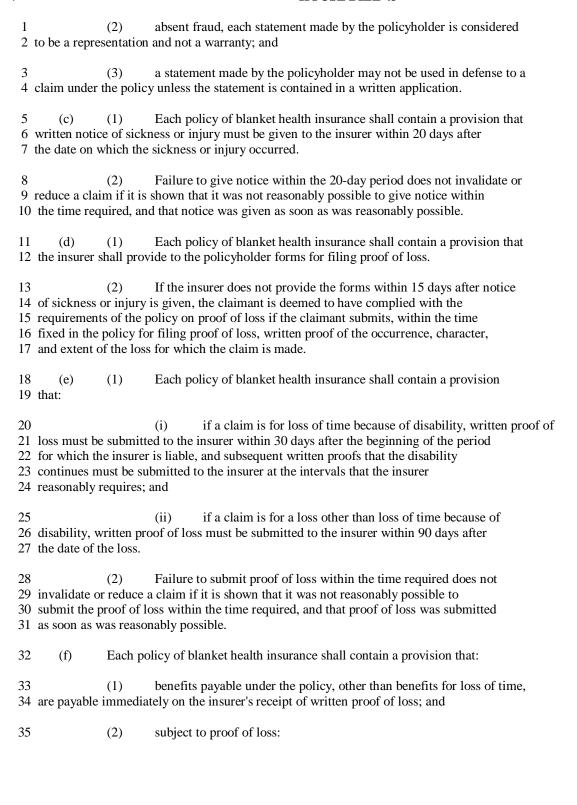
SUBJECT TO PROOF OF LOSS:

37 DURING THE PERIOD FOR WHICH THE INSURER IS LIABLE; AND

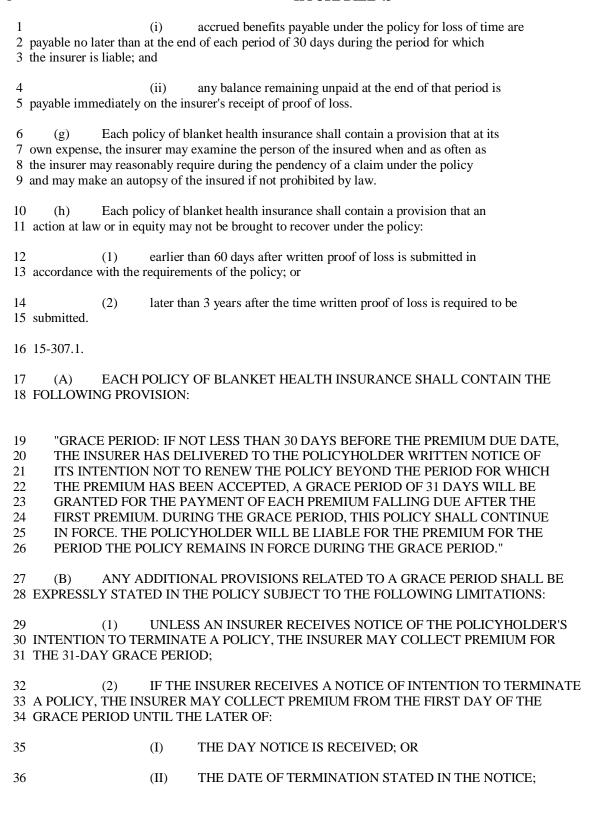
- 1 (II) ANY BALANCE REMAINING UNPAID AT THE END OF THAT 2 PERIOD IS PAYABLE IMMEDIATELY ON THE INSURER'S RECEIPT OF PROOF OF LOSS.
- 3 (I) EACH POLICY OF GROUP HEALTH INSURANCE SHALL CONTAIN A 4 PROVISION THAT, AT ITS OWN EXPENSE, AN INSURER MAY:
- 5 (1) EXAMINE THE PERSON OF THE INSURED WHEN AND AS 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 AN INSURER MAY SUBSTITUTE A CORRESPONDING PROVISION WITH (B) 7 WORDING DIFFERENT FROM THAT OF A PROVISION SET FORTH IN THIS SECTION IF 8 THE CORRESPONDING PROVISION IS: APPROVED BY THE COMMISSIONER; AND 9 (1) 10 (2) AT LEAST AS FAVORABLE TO THE INSURED OR BENEFICIARY. 11 15-303.2. 12 (A) A POLICY OF GROUP HEALTH INSURANCE MAY CONTAIN THE (1) 13 FOLLOWING PROVISION: 14 "ILLEGAL OCCUPATION: THE INSURER SHALL NOT BE LIABLE FOR ANY LOSS TO 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 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 APPROVED BY THE COMMISSIONER; AND (1) AT LEAST AS FAVORABLE TO THE INSURED OR BENEFICIARY. 28 (2) 29 15-307. 30 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 the policy and application constitute the entire contract between the (1) 35 parties;

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- 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.