

COMMONWEALTH OF VIRGINIA



JAMES W. NEWMAN, JR.
COMMISSIONER OF INSURANCE

W. G. FLOURNOY
FIRST DEPUTY COMMISSIONER

BOX 1157
RICHMOND, VA. 23204
TELEPHONE (804) 786-3

STATE CORPORATION COMMISSION BUREAU OF INSURANCE

May 1, 1981

ADMINISTRATIVE LETTER 1981-3

TO: All Insurance Companies, Fraternal Benefit Societies and
Prepaid Health Care Plans Licensed in Virginia

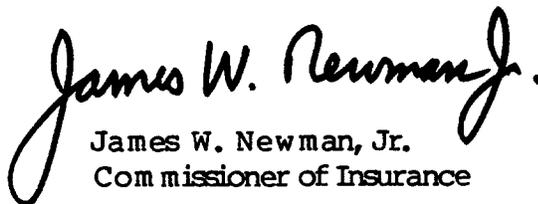
RE: 1981 Legislation by the General Assembly of Virginia

Attached are summarizations of statutes enacted or amended
and reenacted by the General Assembly of Virginia during its 1981 Session.

The effective date of these statutes is July 1, 1981 EXCEPT as
otherwise indicated in the attachment.

Each organization to which this letter is being sent should
review the attachment carefully and see that notice of these laws is
directed to the proper persons (including its licensed representatives) to
insure that appropriate action is taken to effect compliance with these new
legal requirements.

Sincerely,


James W. Newman, Jr.
Commissioner of Insurance

WGF:gg

attachment

Summary of 1981 INSURANCE LEGISLATION
Commonwealth of Virginia
(All Bills Effective July 1, 1981 Unless Otherwise Noted)

AGENTS

1. Senate Bill 645 (Chapter 604)

Nonresidents; Qualification of Agent Placing Coverage in Residual Plan. This amendment to the laws pertaining to the licensing of insurance agents, (1) clarifies the definition of a nonresident individual as one who is not both domiciled and residing in Virginia; and (2) requires that a person placing coverage with a residual market mechanism such as the Assigned Risk Plan, FAIR Plan or Workmen's Compensation Assigned Risk Plan must be the holder of a valid Virginia license to transact the kind of insurance involved. (Section 38.1-327.1 et al)

FINANCIAL REGULATION

2. Senate Bill 499 (Chapter 10)

Automobile Clubs. This amendment eliminates any monetary limit on the allowable expense for rendering "emergency road service" or "towing service". (Section 13.1-400.1)

3. Senate Bill 646 (Chapter 208)

Insurance Company Deposit, Lien Against, Notice to Commissioner. This amendment provides that the Commissioner of Insurance shall be served with a copy of any bill filed in the Circuit Court of the City of Richmond by the holder of a lien given as a consequence of the insurer becoming insolvent or bankrupt, or making an assignment for the benefit of its creditors. (Section 38.1-110)

4. Senate Bill 647 (Chapter 362)

Sale of Stock in New, Unlicensed Insurance Companies. This amendment repeals Article 9 of Chapter 2 of Title 38.1 of the Code of Virginia with the result that the sale of stock in an insurance company in the process of formation is under the jurisdiction of the Securities Division of the State Corporation Commission and not that of the Bureau of Insurance. (Sections 38.1-123 through 38.1-125)

5. Senate Bill 648 (Chapter 209)

Mortgage Guaranty Insurance Reserves. This amendment authorizes the State Corporation Commission, after notice and hearing, to issue rules and regulations requiring mortgage guaranty insurers to establish greater reserves on loans secured by liens other than first liens than on loans secured by first liens. (Section 38.1-173.1)

6. Senate Bill 649 (Chapter 605)

Assessment on Insurance Companies for Administration of Insurance Laws; Non-refundable License Application Fee. This amendment increases the minimum assessment for funding the Bureau of Insurance's operation from \$20 to \$300. It also requires that every application by an insurance company for a license to transact insurance in this State must be accompanied by a non-refundable license application fee of \$500. (Sections 38.1-44 and 38.1-85)

7. Senate Bill 813 (Chapter 171)

Mutual Aid Associations, Certain Exempt from Insurance Regulation. This law provides that certain associations established prior to 1935 by churches for the protection of their own members only are not subject to the insurance laws. (Section 38.1-42.1)

8. House Bill 1024 (Chapter 107)

Premium Finance Companies. This amendment sets the maximum interest at 1% per month charged in advance on the entire amount advanced to be repaid in installments and the maximum service charge at \$15 deemed fully earned upon its receipt. The interest rate and the service charge are subject to future change by the State Corporation Commission after notice and hearing. The amendment also permits a default charge on an installment delinquent over 7 days at a rate not to exceed 5¢ for each \$1 of the installment, the charge being permitted only once on any installment. Also permitted is a fee not in excess of \$5 on a check returned unpaid by the bank because the drawer had no account or insufficient funds in the payor bank. (Section 38.1-736 et al)

9. House Bill 1416 (Chapter 530)

Home Protection Company Act. This Bill provides for the regulation of home protection companies issuing home protection insurance contracts. Each such company must apply for a license and have its rates and forms approved prior to use. Home protection contracts may be recommended, solicited, negotiated or sold only by persons who are licensed in this State to transact property and casualty insurance in Virginia or to sell real estate. (Section 38.1-931 et seq)

10. House Bill 1459 (Chapter 25)

Investments of Domestic Insurers. This amendment adds to permissible investments by a life insurer loans to any solvent company incorporated under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, upon pledge of an assignment of the cash value of a life insurance policy issued by such life insurer, subject to such loan at no time exceeding 100% of the cash value of such life insurance policy. (Section 38.1-203 B.)

11. House Bill 1483 (Chapter 494)

Captive Insurance Company Act. This amendment makes it clear that "governmental units or agencies" are authorized to form an Association captive insurance company. (Section 38.1-917)

12. House Bill 1719 (Chapter 317)

Health Maintenance Organizations. This amendment deletes the requirement that a "certificate of public need" be filed with the State Corporation Commission in connection with an application for license as a health maintenance organization. (Section 38.1-865)

13. House Bill 1832 (Chapter 272)

Loans to Officers of Insurance Companies, Real Estate. This amendment permits, in connection with the relocation of the place of employment of an insurance company officer, the insurer to make a mortgage loan to its officer in an amount not to exceed 90% of the fair market value of the property, on real property owned by such officer and improved with a dwelling which is to serve as his residence, or to acquire the residence of such officer at not more than the average fair market value thereof. (Sections 38.1-35 and 38.1-208)

LIFE AND HEALTH INSURANCE

14. Senate Bill 750 (Chapter 322) (Effective March 18, 1981)

Deductibles and Coinsurance; Accident and Sickness Insurance and Prepaid Hospital, Medical and Surgical Service Plans. This Bill repeals Section 38.1-348.12 and enacts Section 38.1-348.12:1. Section 38.1-348.12:1 does not apply to prepaid dental or optometric service plans as was the case with Section 38.1-348.12. Further, Section 38.1-348.12.1 contains the same three required options as in the previous Section, but adds a fourth option permitting the offering of greater deductible, coinsurance or cost-sharing provisions which are not inconsistent with the standards established pursuant to Section 38.1-362.14 as set forth in Insurance Regulation No. 19 which became effective on January 1, 1981. THIS BILL BECAME EFFECTIVE ON MARCH 18, 1981. (Section 38.1-348.12:1)

15. Senate Bill 767 (Chapter 575)

Medicare Supplement Policies and Contracts - Loss Ratios, Free Look, Pre-existing Conditions. This Bill, for the purpose of complying with the requirements of the Baucus Amendment (1980) to Title XVIII of the Social Security Act, sets expected minimum loss ratio under group medicare policies delivered or issued for delivery in Virginia, with certain exceptions, at 75%; under policies issued as a result of solicitation of

individuals through the mails or by mass media advertising at 60%; and under policies sold on an individual rather than a group basis at 60%. A "Free Look" period of 30 days must be given all purchasers of medicare supplement policies issued pursuant to a direct response solicitation. With regard to "pre-existing conditions", no insurer or prepaid service plan may deny a claim for losses incurred more than 6 months from the effective date of coverage on the grounds that a condition existed prior to the effective date of coverage. The above provisions relating to a "Free Look" and to "pre-existing conditions" apply to medicare supplement contracts issued by prepaid hospital, medical and surgical service plans on and after July 1, 1982. (Sections 38.1-362.8:1, 2, 3; 38.1-362.13; 38.1-362.15; 38.1-362.17; 38.1-818; and 38.1-818.1)

16. House Bill 634 (Chapter 42)

"Accident" or "Accidental Injury" Benefits Include Benefits for Pregnancy Following an Act of Rape. All individual and group hospital, medical, surgical or major medical expense or hospital confinement indemnity insurance policies and individual and group service or indemnity type contracts issued by prepaid hospital, medical and surgical plans or health maintenance organizations which provide benefits as a result of "accident" or "accidental injury" are to be construed to include benefits for pregnancy following an act of rape.

17. House Bill 1535 (Chapter 46)

Life Insurance Policy Loan Interest Rates. This Bill repeals Section 38.1-397 and enacts Section 38.1-397.1. New Section 38.1-397.1 relates to such policies issued after July 1, 1981 and permits the continued use of a specified rate not in excess of 8% per annum as in the present statute or a variable rate not in excess of the higher of the Published Monthly Average (Moody's Corporate Bond Yield Average) or the rate used to compute cash surrender values under the policy plus 1% per annum. (Section 38.1-397.1)

PROPERTY AND CASUALTY INSURANCE

18. House Bill 1489 (Chapter 241) (Effective January 1, 1982)

Surplus Lines Insurance Affidavits. This amendment terminates the requirement that the insured execute an affidavit following the procurement of an insurance policy in an unlicensed insurer under the Surplus Lines procedure; however, it requires delivery to such an insured of a notice in a form prescribed by the State Corporation Commission including, but not limited to, statements that the policy is in an insurer not licensed or regulated by the State Corporation Commission and that there is no protection under the Virginia Insurance Guaranty Act against financial loss to claimants or policyholders because of the insolvency of the unlicensed insurance company. (Section 38.1-327.52)

19. Senate Bill 818 (Chapter 172)

Motor Vehicle Insurance; Provisions More Favorable than Approved Standard Form. This amendment authorizes approval by the State Corporation Commission of additional provisions other than those provided in the existing approved standard forms for auto insurance if it is found that such additional provisions or more favorable coverages are not in conflict or inconsistent with the standard form or the laws of this State or any rules or regulations lawfully made pursuant thereto. (Sections 38.1-384; 38.1-387; 38.1-387.1)

20. House Bill 1520 (Chapter 243)

Motor Vehicle Liability Insurance; Points Under Safe Driver Insurance Plan. This Bill takes existing language that prohibits an insurer charging points under the Safe Driver Insurance Plan to its insured as a result of a motor vehicle accident unless the accident was caused in whole or in part by the fault of its insured and puts it into a section by itself. (Section 38.1-279.33.1)

21. House Bill 1559 (Chapter 245) (Effective January 1, 1982)

Motor Vehicle Liability Insurance; Additional Uninsured Motorist Coverage.

This Bill requires that a revised notice in boldfaced type regarding the availability of additional uninsured motorist coverage be imprinted on or attached to every original or renewal premium notice issued on and after January 1, 1982. (Section 38.1-380B)

GENERAL

22. Senate Bill 252 (Chapter 389) (Effective January 1, 1982)

Insurance Information and Privacy Protection Act effective January 1, 1982

This is virtually identical to the NAIC Insurance Information and Privacy Protection Model Act. Its purpose is to strike a reasonable balance between (1) the legitimate needs of the insurance industry for information and (2) the public's need for fairness and insurance information practices and protection of personal privacy.

The Act establishes standards for the collection, use and disclosure by insurance institutions, insurance agents, and insurance support organizations of personal information gathered in connection with an insurance transaction. It establishes a regulatory mechanism that enables individuals to ascertain what personal information is being or has been collected about them and to have access to such information for the purpose of verifying and disputing its accuracy. Also, it limits the disclosure of information about individuals and enables them to obtain the reasons for any adverse underwriting decision.

The portion of the Virginia Unfair Trade Practices Act regarding adverse underwriting decisions has been deleted because this is included in the Insurance Information and Privacy Protection Act. (Sections 38.1-57.2 et seq.)

OTHER INSURANCE-RELATED LEGISLATION AND RESOLUTIONS

23. Senate Bill 571 (Chapter 247)

Workmen's Compensation; Compensation to Dependents of Employee Killed.

This amendment increases burial expense from an amount not exceeding \$1,000 to an amount not exceeding \$2,000; and reasonable transportation expenses for the deceased from an amount not exceeding \$300 to an amount not exceeding \$500. (Section 65.1-65 and 65.1-70)

24. House Bill 1727 (Chapter 47)

Disposition of Unclaimed Property; Insurance Corporation. This Bill amends the existing statute to set forth its applicability to an "Insurance corporation" - meaning any person, association or corporation within this State and any other organization licensed with the State Corporation Commission under Title 38.1 of the Code of Virginia transacting the business of insurance on the lives of persons or insurance pertaining thereto, including, but not by way of limitation, endowments and annuities - instead of to a "Life insurance corporation". Detailed information will be provided by, or can be obtained from Department of the Treasury, Commonwealth of Virginia, Unclaimed Property Act Administration, Richmond, Virginia 23219. (Sections 55-210.2 et al)

25. House Bill 1829 (Chapter 193)

Motor Vehicle Laws; Uninsured Motor Vehicle Fee Increased to \$200.

This Bill increases the fee for registering an uninsured motor vehicle from \$150 to \$200. (Section 46.1-167.1)

Senate Joint Resolution No. 145

This Resolution requests the Department of Health, in conjunction with the Hospice Advisory Committee, to continue the evaluative study of hospice programs in Virginia. Report is to be made to the Governor and the 1983 Session of the General Assembly.

House Joint Resolution No. 245

This Resolution requests that the House Committee on Labor and Commerce and the Senate Committee on Commerce and Labor establish a joint subcommittee to study whether the Commonwealth should change its laws which relate to the payment of workmen's compensation benefits to victims of brown lung disease. The joint subcommittee is requested to complete its study not later than November 1, 1981, and to introduce any legislation it deems appropriate. The cost of conducting the study is not to exceed \$4,000.

House Joint Resolution No. 318

This Resolution requests that the House of Delegates Committee on Corporations, Insurance and Banking and the Senate Committee on Commerce and Labor establish a joint subcommittee to study (i) the present statistical reporting practices of the insurance companies in the Commonwealth writing property or casualty insurance; (ii) the feasibility of requiring those companies to submit a special loss and expense experience report annually; (iii) the degree to which the information contained in a loss and expense experience report would be a duplication of the types of information already being received by the State Bureau of Insurance; and (iv) whether the subcommittee's recommendations would require additional staff in the Bureau of Insurance. The joint subcommittee is requested to complete its study by November 1, 1981 and to recommend any legislation it deems appropriate. The cost of conducting the study is not to exceed \$4,400.

House Joint Resolution No. 322

This Resolution requests that the Bureau of Insurance study a proposal permitting exclusion of coverage for certain named drivers under motor vehicle insurance policies approved for use in the Commonwealth. The findings and recommendations are to be reported to the House Committee on Corporations, Insurance and Banking and to the Senate Committee on Commerce and Labor by November 1, 1981.