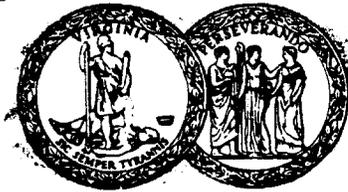


COMMONWEALTH OF VIRGINIA



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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

April 8, 1983

ADMINISTRATIVE LETTER
1983 - 3

TO: All Insurance Companies, Fraternal Benefit Societies, Life and Casualty Cooperative or Assessment Companies, Burial Societies and Prepaid Health Care Plans Licensed in Virginia

RE: 1983 Legislation by the General Assembly of Virginia

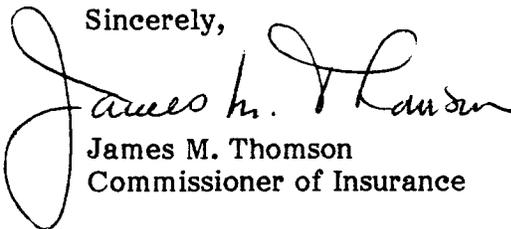
Attached are summaries of statutes enacted or amended and reenacted by the General Assembly of Virginia during its 1983 Session.

The effective date of these statutes is July 1, 1983 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.

Two other bills, House Bill 356 (Insurance Information and Privacy Protection Act) and House Bill 796 (Title insurance - regulation of rates) were withdrawn by their sponsors with the understanding that the Bureau would study those areas and prepare recommendations for the 1984 Session of the General Assembly.

Sincerely,



James M. Thomson
Commissioner of Insurance

JMT:cb
Attachments

Summary of 1983 INSURANCE LEGISLATION
Commonwealth of Virginia
(All Bills Effective July 1, 1983 Unless Otherwise Noted)

AGENTS

1. **House Bill 232 (Chapter 480)**

Acting as agent for unlicensed company - penalties. This amendment defines soliciting and procuring to include placement of life and health insurance for residents of Virginia (§38.1-327.1). This change allows the Bureau to regulate persons who directly or indirectly place business for out-of-state group insurance trusts. This amendment also provides a civil penalty (fine and revocation or suspension of license) in addition to the criminal penalty for any person acting as an agent for an unlicensed company (§38.1-327.3).

2. **House Bill 419 (Chapter 185)**

Certification of insurance agents and brokers. This amendment adds the requirement that prospective life and health insurance agents complete an SCC approved forty-five hour life and health insurance study course. (§38.1-327.24) The amendment eliminates the ninety classroom hours of property and casualty insurance instruction for prospective property and casualty agents while retaining an approved forty-five hour study course requirement (§38.1-327.16). The amendment provides authority for the SCC to grant an exemption from the study course requirements to persons meeting certain minimum experience qualifications.

FINANCIAL REGULATION

3. **House Bill 154 (Chapter 441)**

Redomestication of insurers. This amendment permits redomestication of insurers, whereby a foreign insurer admitted to transact business in Virginia can become a domestic insurer (§38.1-949). The insurer would have to meet the requirements for formation of a domestic company as of the date of redomestication. This amendment also permits a domestic insurer to transfer its domicile to another state in which it is admitted to transact business (§38.1-950) and provides for a foreign insurer to be recognized as transferring its domicile to another foreign state (§38.1-951).

4. **House Bill 495 Chapter 457)**

Investments. This amendment extensively revises the law regulating the investments of domestic insurers. Permitted investments are divided into two categories: Category 1, those supporting minimum capital and surplus, reserves, and other liabilities, and Category 2, those supporting excess capital and surplus. Insurers may invest assets supporting excess capital and surplus in anything other than prohibited investments.

This amendment allows insurers to enter into joint ventures with non-insurers (§38.1-217.12). It allows insurers to invest in common stocks (listed or traded over the counter) and in mutual funds, subject to a unified 5% of admitted

assets limitation (§§38.1-217.45 and 38.1-217.52.A.6). It allows insurers to write exchange-traded, covered call options. Various other options and futures are allowed when used strictly for hedging purposes in connection with securities owned by the insurer (§§38.1-217.45 and 38.1-217.46).

The amendment raises the loan-to-value ratios for mortgages held by insurers from 75% to 80% (from 66 2/3 % to 75% for leasehold mortgages) (§38.1-217.55). The exemption from the loan-to-value ratio limit under existing law for FHA and VA insured mortgages has been expanded to include mortgages covered by private mortgage guaranty insurance (§38.1-217.55). Insurers are also allowed to invest up to 2% of their admitted assets in "wrap-around" mortgages (§§38.1-217.53 and 38.1-217.32.A.11) and up to another 2% in construction loans (§§38.1-217.52.(3) and 38.1-217.32.A.10). The amendment clarifies the authority of insurers to participate in mortgages with other lenders and imposes a limit of 10% of admitted assets (§§38.1-217.54 and 38.1-217.32.A.12).

The amendment sets an overall limit of 25% of the insurer's admitted assets for investments in real estate, including home office real estate. The 25% limit includes a sublimit of 5% on hotels (§§38.1-217.59 and 38.1-217.32.A.14). The amendment allows insurers, with certain restrictions, to invest in personal property for the purpose of leasing (§38.1-217.58). It allows insurers to lend securities they own if they receive a reasonable fee for the loan, obtain sufficient collateral, and comply with certain other requirements (§38.1-217.47).

The amendment rewords the pension fund separate account provisions for clarity. Variable life insurance separate account investments are still restricted to the same kinds of investments that are permitted for investments supporting reserves, but the percentage of total admitted assets limits for these kinds of investments are no longer applicable to variable life insurance separate account investments (§§38.1-217.80 and 38.1-217.81).

LIFE AND HEALTH

5. House Bill 335 (Chapter 94)

Burial Societies. This amendment corrects an erroneous cross reference in §38.1-563. The proper cross reference indicates the section (§38.1-561) which lists the acceptable beneficiaries for burial societies.

6. House Bill 341 (Chapter 182)

Debtor group life insurance. This amendment makes all of any class or classes of debtors eligible for group life insurance. Previously, the policy had to include all debtors of the creditor (§38.1-480).

7. House Bill 484 (Chapter 417)

Jurisdiction over providers of coverage of health care services. This amendment establishes a presumption of jurisdiction by the Commission over entities or persons (Multiple Employer Trusts - METs) providing coverage of health care services, unless the MET can demonstrate that it is subject to the

jurisdiction of another agency of the Commonwealth or of the federal government (§38.1-43.7). The amendment establishes procedures for a MET to show that it is subject to the jurisdiction of another agency (§38.1-43.8), and provides for examination by the Commission where the MET is unable to make such a showing (§38.1-43.9). The amendment provides that a MET unable to show that it is under the jurisdiction of another agency of the Commonwealth or of the federal government shall be subject to the insurance laws (§38.1-43.10), and provides for disclosure of the lack of insurance coverage of plans offered by such METs (§38.1-43.11).

8. **House Bill 671 (Chapter 143)**

Life and casualty cooperative or assessment companies. This amendment provides that life and casualty cooperative or assessment companies must comply with the provisions of Title 38.1 relating to insurance companies generally, other than those requirements specifically stated in Chapter 11.

9. **Senate Bill 110 (Chapter 464)**

Preferred provider organizations. The amendment adds §38.1-347.3, which provides that insurers may offer health benefit programs that limit, within certain guidelines, the numbers and types of providers eligible for payment as preferred providers. The amendment also adds §38.1-813.4, which provides that a prepaid health care plan may offer health benefit programs without being required to act as an agent for providers of health care services. Prepaid health care plans are also allowed to offer subscription contracts that limit the numbers and types of providers eligible for payment as preferred providers under such contracts.

10. **Senate Bill 115 (Chapter 151)**

Prepaid health care plans - geographical restrictions. This amendment repeals §38.1-822.1 which restricts the geographical area that a prepaid hospital, medical and surgical plan is allowed to serve.

11. **Senate Bill 259 (Chapter 160)** (EFFECTIVE from passage)

Burial Associations - group life policies. This amendment adds §38.1-471.1, which provides for group life insurance policies to be issued to burial associations. Section 38.1-327.24 was amended to provide for the obtaining of a license to sell group life insurance in amounts of \$5,000 or less provided to members of burial associations without taking an examination.

PROPERTY AND CASUALTY

12. **House Bill 153 (Chapter 125)**

Cancellation of motor vehicle insurance. This amendment allows an insurance company to cancel a motor vehicle liability policy at any time during a renewal policy period if the driver's license of the named insured, of an operator member of the named insured's household, or of another person who customarily operates the insured vehicle is suspended or revoked during the policy renewal period or during the 90 days immediately preceding the last anniversary of the effective date (§38.1-381.5).

Discrimination in issuance of automobile insurance. This amendment subjects agents, as well as insurers, to the prohibition against discrimination in issuance of automobile liability insurance based on age, sex, residence, race, color, creed, and other specified criteria (§38.1-381.6). The amendment also subjects agents, as well as insurers, to the prohibition against refusal to issue or renew a motor vehicle liability insurance policy solely because of the age of the motor vehicle to be insured (§38.1-381.8).

14. House Bill 245 (Chapter 448)

Medical payments coverage, chiropractic expenses. This amendment requires inclusion of chiropractic expenses under the optional medical payments coverage that an insurer may offer under policies of motor vehicle liability insurance or aircraft liability insurance (§38.1-21).

15. House Bill 347 (Chapter 486)

Virginia Insurance Guaranty Association - covered claims. This amendment increases the period during which the Virginia Insurance Guaranty Association is obligated to pay covered claims occurring after the determination of insolvency from thirty days to ninety days (§38.1-763).

16. House Bill 351 (Chapter 370)

Medical payments, medical expense and loss of income coverages - insured's failure to provide timely notice. This amendment provides that medical payments, medical expense and loss of income coverages are payable notwithstanding the insured's failure or refusal to provide notice of the accident giving rise to a claim for such coverage unless the failure or refusal prejudices the insurer in establishing the validity of the claim (§38.1-380.1).

17. House Bill 361 (Chapter 371)

Cancellation of fire or automobile insurance - notice to lienholder. This amendment requires an insurer issuing a notice of cancellation or of refusal to renew under the provisions of a policy of fire insurance only, of fire insurance in combination with other coverages, or of motor vehicle insurance policies requiring the notification of lienholders of the cancellation or refusal to renew to retain a copy of any such notification of cancellation or refusal to renew endorsed in the required manner as proof of compliance (§§38.1-371.1, 38.1-371.2, 38.1-381.1 and 38.1-381.5).

18. House Bill 718 (Chapter 197)

Automobile insurance - stacking of medical expense and loss of income coverages. This amendment provides for the "stacking" of medical expense and loss of income coverages under a personal motor vehicle liability insurance policy covering not more than four vehicles (§38.1-380.1).

19. Senate Bill 45 (Chapter 353)

Insurance for punitive damages. This amendment states that it is not against public policy for any person to purchase insurance providing coverage for punitive damages arising out of the death or injury of any person as the result of negligence, including willful and wanton negligence, but excluding intentional acts (§38.1-42.2).