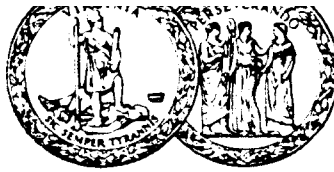


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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

September 27, 1979

Administrative Letter 1979-24

TO: The President of Each Life and Health
Insurance Company Licensed in Virginia

During the 1979 Session the Virginia General Assembly adopted House Joint Resolution 247 directing the Commissioner of Insurance to "actively encourage insurance companies doing business in Virginia to develop and issue more readable insurance policies". This letter is my response to the General Assembly's directive.

In recent years the interest of State legislators, insurance regulators, and the general public in simplified, readable insurance policies has increased significantly. This trend is well known and needs no further elaboration.

A number of life and health insurance companies have developed new insurance policy forms intended to be more readable and understandable than insurance policy forms presently in use. While some of these new policies are better than others, all represent a step in the right direction. Unfortunately, many companies have been hesitant or unwilling to develop more readable policies.

The approach of the Virginia General Assembly and the Bureau of Insurance has been to permit experimentation with more readable policies rather than mandating that all companies use policies meeting certain quantitative readability standards. It was anticipated that within a reasonable period of time, most life and health insurance companies would begin using more readable policies on a voluntary basis.

While this is still the preferred approach in Virginia, the General Assembly did adopt a new law (Chapter 47, Acts of Assembly) during the 1979 Session giving the State Corporation Commission the authority to establish rules and regulations for simplified and readable accident and sickness insurance policy forms. The authority extends to policy forms for individuals and groups with ten or fewer members. I anticipate that the Bureau will begin working on this regulation soon.

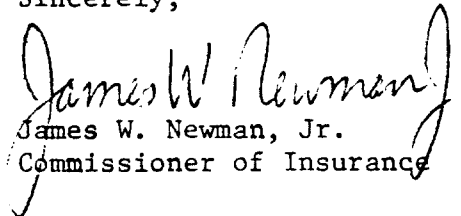
The accident and sickness readability regulation will have somewhat more significance than it might appear to have because, once

this regulation is promulgated, the Bureau will use it to evaluate the readability of all insurance policy forms. Therefore, your company may want to follow the Bureau's efforts to develop the accident and sickness readability regulation even if it does not sell individual accident and sickness insurance policies.

In conclusion, I am hopeful that the Bureau of Insurance and the life and health insurance companies doing business in Virginia will make considerable progress in the next couple of years toward making more readable policies available to the insurance-buying public. I will be monitoring closely the responsiveness of the life and health insurance companies in this regard. A positive approach on a voluntary basis with respect to life insurance policies and annuities will avoid the necessity of legislation expanding the Commission's authority to require the use of more readable insurance policies in Virginia.

I welcome comments and suggestions regarding the matters discussed in this letter.

Sincerely,


James W. Newman, Jr.
Commissioner of Insurance

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