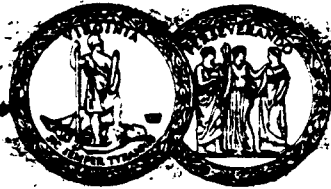


# COMMONWEALTH OF VIRGINIA



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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

April 30, 1982

ADMINISTRATIVE LETTER  
1982-5

TO: All Insurance Companies, Fraternal Benefit Societies, Prepaid Health Care Plans, Automobile Clubs, and Surplus Lines Insurance Brokers Licensed in Virginia

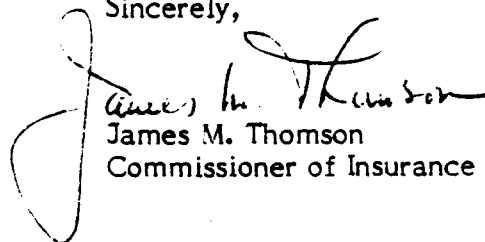
RE: 1982 Legislation by the General Assembly of Virginia

Attached are summarizations of statutes enacted or amended and reenacted by the General Assembly of Virginia during its 1982 Session. Separate letters will be forthcoming explaining some of these statutes, such as House Bill 94 (Credit Life and Credit Accident and Sickness Insurance) and House Bill 667 (Workmens Compensation Insurance Rates) in greater detail.

The effective date of these statutes is July 1, 1982 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 M. Thomson  
Commissioner of Insurance

JMT/rvt

attachment

Summary of 1982 INSURANCE LEGISLATION  
Commonwealth of Virginia  
(All Bills Effective July 1, 1982 Unless Otherwise Noted)

AGENTS

1. House Bill 914 (Chapter 264)

Surplus Lines Insurance. This amendment exempts persons issuing insurance on the rolling stock and operating properties of railroads used in interstate commerce or of any liability or other risks incidental to the ownership, maintenance or operation of such rolling stock and operating properties from the prohibition against acting as agent for an unlicensed insurer (Section 38.1-327.3). The amendment also exempts such insurance from the normal requirements of the surplus lines insurance laws (Section 38.1-327.46).

FINANCIAL REGULATION

2. Senate Bill 259 (Chapter 56), House Bill 4 (Chapter 63)

Automobile Clubs, Indemnification Services. This amendment eliminates the existing limits for indemnification services provided by automobile clubs and specifies that towing service or "emergency road service" is included within the definition of indemnification service. (Section 13.1-400.1). The amendment also eliminates the existing \$200 limit on suretyship on arrest bond certificates issued by automobile clubs (Section 38.1-644.1).

3. House Bill 394 (Chapter 430)

Credit for reinsurance against reserves. This amendment makes several changes in the laws governing unearned premium reserves and loss or claim reserves. For the purpose of determining the financial condition of a ceding insurer, credits will now be provided by statute for reinsurance of life insurance, annuity or accident and sickness insurance risk (Section 38.1-171.1.B.2). The Commission may prescribe by order or regulation the conditions under which a ceding company may be granted such credit for reinsurance placed with a foreign or alien reinsurer (Section 38.1-171.1.C).

The amendment makes conditions for allowing reinsurance credits for loss reserve and loss expense reserves the same as conditions for allowing reinsurance credits for other reserves by eliminating item (b) from Section 38.1-173.

The amendment changes the insolvency clause required in reinsurance agreements to specify the payee for reinsurance proceeds in the event of insolvency of the ceding insurer (Section 38.1-171.1.A.1.b). The amendment also requires assuming insurers to establish reserves at least equal to those required under Virginia law had the risk been insured directly with the assuming insurer (Section 38.1-171.1.D.).

The amendment permits calculation of unearned premium reserves on a daily basis as well as on a monthly or annual pro rata basis (Section 38.1-171). The amendment also eliminates the term "in force" from Section 38.1-171. This term is felt to be unnecessary in light of computer calculation of unearned premiums.

4. House Bill 957 (Chapter 393)

Insurance Companies, Power to Make Investments. This amendment allows domestic insurers (1) to enter into partnership agreements, joint ventures, or other associations with other insurers licensed in Virginia, (2) to hold assets of a joint venture nature, even if not with other licensed insurers, for up to two years (or more if the State Corporation Commission permits) where such assets are acquired through foreclosure or a proceeding in lieu of foreclosure, (3) to invest in common stocks (up to 5% of insurer assets with certain other limitations), (4) to invest in ownership interests in real property, and (5) to invest in real property used primarily for mining purposes. (Sections 38.1-189.1, 38.1-202.2 and 38.1-216).

LIFE AND HEALTH INSURANCE

5. Senate Bill 329 (Chapter 573)

Credit Union Group Life Insurance. This amendment provides that plans based on the savings of members are not subject to any limitation of coverage, while plans not based on savings are limited to coverage of \$10,000 per member. Groups may consist of more than one credit union, and premium may be paid by funds of the credit union as well as by funds of insured members. (Section 38.1-476.1).

6. Senate Bill 358 (Chapter 577)

Health Insurance, Mandated Benefits. This amendment provides that purchase of coverages first mandated after July 1, 1982 is optional with the group policy or contract holder (Sections 38.1-348.41; 38.1-818).

7. House Bill 94 (Chapter 223)

Credit Life and Credit Accident and Sickness Insurance. This amendment extensively revises the credit life insurance and credit accident and sickness insurance law. It sets new rate standards for credit life insurance. Rates are to be set under a forthcoming regulation. The maximum amount of group credit life insurance is increased from \$10,000 to \$50,000, with a deletion of the provision for franchise policies. The debtor group life statute (section 38.1-480) is made applicable to all group credit life insurance without regard to the duration of the coverage but the credit law only applies to loans of 10 years or less. The provision in the credit insurance law that no other provisions of the Insurance Code are to be applicable unless otherwise specifically provided has been deleted.

A new section setting forth reserve requirements for credit insurance has been added. Penalties for violation of the credit insurance law have been increased. Debtors now have the right to terminate their credit insurance, except where it was required as security for the loan. Creditors are now required to inform the debtor in writing of his right to furnish insurance through an existing policy or by procuring other coverage.

A number of other changes to the credit insurance law have also been made.

8. House Bills 225 and 226 (Chapters 227 and 228)

Life Insurance, Standard Valuation and Nonforfeiture Laws. House Bill 225 changes the standard valuation law, which establishes standards for calculating minimum life insurance policy and annuity reserves that must be maintained by insurance companies. House Bill 226 changes the standard nonforfeiture and cash surrender value life insurance policy provisions law, which establishes procedures for calculating minimum cash values. In both laws, interest rates used in such calculations will be defined on a dynamic rather than static basis by use of an annually recalculated economic index. New mortality tables for use in such calculations, reflecting a decline in mortality over the last several decades, have been adopted. In addition, these new tables are separate for males and females. Authority is granted to the State Corporation Commission to substitute any new mortality tables the National Association of Insurance Commissioners may adopt in the future. (Sections 38.1-456, 38.1-461, 38.1-462, 38.1-464 through 38.1-467).

9. House Bill 667 (Chapter 625)

Group Health Insurance, Conversion upon Termination of Eligibility. This amendment provides that the policyholder, rather than the insurer, has the choice as to which termination option will be included in the group contract (Section 38.1-348.11). The amendment also modifies the extended group coverage option, clarifying that premiums during the 90 day extension period are at the rate applicable to the group policy during the same period (Section 38.1-348.11(b)).

PROPERTY AND CASUALTY INSURANCE

10. Senate Bill 117 (Chapter 201)

Use of Filings Made by Rate Service Organizations. This amendment allows an insurer regulated under the "open competition" rating laws to fulfill its obligation to file rates under Section 38.1-279.34 by giving notice to the State Corporation Commission that it uses rates and rate supplementary information filed by a rate service organization of which it is a member or subscriber. After July 1, 1982, such organization filings will be automatically adopted by the insurer unless the insurer files modifications to the filings (Section 38.1-279.36).

11. Senate Bill 138 (Chapter 450)

Motor Vehicle Insurance, Required Optional Coverage. This amendment includes chiropractic services under the optional health care benefits portion of a motor vehicle liability insurance policy (Sections 38.1-380.1 and 38.1-380.2). The amendment also makes a similar change for a policy issued under the assigned risk plan (Section 46.1-497.1).

12. Senate Bill 223 (Chapter 143)

Workmen's Compensation Insurance, Deviation from Established Rates. This amendment allows workmen's compensation insurers and group self-

insurance associations to deviate downward on a uniform percentage basis from premiums produced by the rating system approved by the State Corporation Commission, provided they make written application to the Commission for permission to file and use such downward deviations (Section 38.1-255.2).

13. **House Bill 212 (Chapter 482)**

**Motor Vehicle Liability Insurance, Notice of Cancellation.** This amendment eliminates the requirement that notices of cancellation or refusal to renew policies of motor vehicle liability insurance be approved as to form by the Commission (Section 38.1-381.5(e)(1)). Instead, such notices must be in a type size authorized under Section 38.1-338.

The amendment also includes new Section 38.1-381.5(1), governing expiration of policies issued for a term of five months or less. Such a policy may expire on its expiration date if the insurer provides written manifestation to the insured of its willingness to renew the policy. The manifestation must include the name of the proposed insurer, the expiration date of the policy, the type of insurance coverage and the estimated renewal premium. The manifestation must be mailed to the insured not less than fifteen days before expiration of the policy. The insurer must retain a copy of the written manifestation for at least two years from the expiration date of any such policy not renewed.

14. **House Bill 213 (Chapter 226)**

**Rating Standards, Motor Vehicle Insurers.** This amendment permits an insurer to allow premium credits for motor vehicle insurance based upon an experience period of more than three years but prohibits an insurer from using increased or surcharged rates based upon an experience period of more than three years (Section 38.1-279.33). The amendment also allows the Division of Motor Vehicles to furnish insurers an abstract of an individual's driving record for the previous sixty months (Section 46.1-31.)

15. **House Bill 258 (Chapter 229)**

**Reporting of Medical Malpractice Claims Data.** This amendment repeals Section 38.1-389.3, which required reporting of closed medical malpractice claims to the Commission.

16. **House Bill 384**

**FAIR Plans, Qualified Property.** This amendment removes the restriction of property used for farm purposes from the definition of qualified property under Section 38.1-747.

17. **House Bill 392**

**FAIR Plans - JUA, Governing Body.** This amendment authorizes a change in the number of directors of the Virginia FAIR Plan from eleven to fifteen (Section 38.1-751).

18. **House Bill 461 (Chapter 642) (EFFECTIVE January 1, 1983)**

**Motor Vehicle Insurance, Rejection of Additional Uninsured Motorist Coverage.** This amendment requires the limit for uninsured motorist coverage to be as high as the limits for liability coverage under motor vehicle insurance policies, unless the insured rejects the additional uninsured motorist coverage within 20 days (Section 38.1-381(b)). The amendment also makes substantial changes in the mandatory notice requirements pertaining to uninsured motorist coverage (Section 38.1-380.2.B). The insurer is required to inform the insured that the uninsured motorist coverage has increased or will increase to the limits of the liability coverage, and that the increased coverage may result in an increase in the uninsured motorist coverage premium (Section 38.1-380.2.B.1.). The insurer is also required to inform the insured that the underinsured motorist coverage has increased or will increase to the limits of liability coverage (Section 38.1-380.2.B.2). The insurer is also required to inform the insured that the total premium charge for the policy may increase if the insured does not notify the insurer, or agent within 20 days of the mailing of the required notice (Section 38.1-380.2.B.3).

The amendment also provides that where the insured either rejects or within 20 days fails to reject the additional coverage, the insurer is relieved of the obligation of subsequently providing the insured with the notice required under this subsection (Section 38.1-380.2.B).

19. **House Bill 462 (Chapter 638)**

**Motor Vehicle Insurance, Uninsured Motorist Coverage.** This amendment deems uninsured motorist coverage to include underinsured motorist coverage when an insured contracts for uninsured motorist coverage limits higher than those required by law (Section 38.1-381(b)). The amendment provides that a motor vehicle will be deemed to be underinsured to the extent of the difference between the sum of the limits of bodily injury and property damage coverage on that vehicle and the applicable limits of uninsured motorist coverage carried by the injured person (Section 38.1-381(c)).

20. **House Bill 826 (Chapter 353)**

**Guaranty Fund, Deductible Amount.** This amendment eliminates the deductible for covered claims and reduces the deductible for unearned premiums from \$100 to \$50 under the Virginia Insurance Guaranty Association Act (Section 38.1-763(a)).

**OTHER INSURANCE RELATED LEGISLATION AND RESOLUTIONS**

21. **Senate Bill 28 (Chapter 129)**

**Prepaid Health Plans, Liability of Participants, Composition of Board of Directors.** This amendment provides that where two or more nonstock corporations providing health care services merge or consolidate, neither section 38.1-814 (providing for joint and several liability of plan participants) nor section 38.1-815 (providing for liability of plan participants

where membership in a plan changes) shall apply to the surviving corporation, its plan, or providers unless the corporations elect in writing to remain subject to those sections (Section 38.1-816). If no notice of election is provided, the Commission may require maintenance of contingency reserves, or that the plan become a member of the Virginia Life, Accident and Sickness Insurance Guaranty Association, or both. Also, the corporation, not the providers, are liable for the obligations of the plan where the notice is not filed. The amendment eliminates the requirement that a majority of the members of a board of directors be providers of health care services (Section 38.1-817).

22. **Senate Bill 202 (Chapter 533)**

**Health Maintenance Organizations, Open Enrollment.** This amendment repeals section 38.1-871, which required health maintenance organizations to maintain an open enrollment period.

23. **House Bill 35 (Chapter 67)**

**Motor Vehicle Laws, Cancellation of Motor Vehicle Insurance.** This amendment increases from \$150 to \$200 the fee payable by a person whose motor vehicle insurance is cancelled within six months of issuance, if the Commissioner of Motor Vehicles does not receive evidence of a valid policy or bond covering the motor vehicle (Section 46.1-513.1).

24. **House Bill 333 (Chapter 586)**

**Labor Laws, Group Health Insurance, Notification of Termination.** This amendment requires every employer who assumes at least part of the cost of providing his employees with group accident and sickness insurance or prepaid hospital and medical coverage, or who, as a self insurer, provides for health and medical care or reimbursement of medical expenses for his employees, to give written notice to all participating employees in the event of termination of coverage or upon receipt of notice of termination. Any employer who collects any part of the costs for such coverage from his employees and fails to remit the funds to the insurer is guilty of a Class 3 misdemeanor (Section 40.1-28.7:1).

25. **House Bill 393 (Chapter 132)**

**Home Protection Companies, Indemnification.** This amendment expands the definition of home protection insurance contract to include contracts or agreements providing indemnification for service, repair or replacement of covered parts as well as contracts or agreements providing service, repair or replacement directly (Section 38.1-932).

26. **House Bill 745 (Chapter 387)**

**Prepaid Legal Services, Virginia State Bar Plan.** This amendment provides for operation of a prepaid legal services plan by the Virginia State Bar. Participants in the plan would be exempt from liability on any contracts made for purposes of the plan (Section 38.1-794). The amendment authorizes the Commissioner to issue regulations to implement the

provisions of the bill and provides that the Commissioner shall require quarterly certification of compliance from all such plans (Section 38.1-793.1.4).

27. **Senate Joint Resolution 13**

This resolution provides for formation of a joint subcommittee to study the effect of wage-loss experience and competitive pricing on the workmen's compensation system in Virginia.

28. **House Joint Resolution 90**

This resolution provides for formation of a joint subcommittee to study the operation of Virginia's insurance laws on the Crippled Children's Program and the Medical Assistance (Medicaid) Program, and to study mandated health insurance benefits under Virginia's insurance laws.