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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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1978-2

TO: ALL COMPANIES LICENSED TO WRITE INSURANCE
IN VIRGINIA

RE: 1978 Acts of the General Assembly of Virginia

During its 1978 Session, the General Assembly enacted several pieces of legislation affecting insurance companies which will become effective July 1, 1978. The most important of these new laws are summarized in the attached memorandum. Notice of these laws should be directed to the proper person(s) to insure that appropriate action is taken by your company to comply with the new requirements.

Sincerely,

John G. Day
Commissioner

JGD:dj
Attachment

1978 INSURANCE LEGISLATION
Commonwealth of Virginia

General

1. Chapter 441 (House Bill 312)

This law requires insurance companies to disclose the reasons for making an adverse underwriting decision upon request by the person who was the subject of that adverse decision. Also, insurance companies are required to allow individuals to see and copy the information concerning the individual used by the company as the basis for an adverse underwriting decision. Procedures must be established by insurance companies for correcting erroneous information in their underwriting files. In addition, the law prohibits insurance companies from making adverse underwriting decisions solely for the reason that an individual was denied insurance by another company or for the reason that the individual once obtained insurance through the assigned risk plan or FAIR plan.

2. Chapter 4 (House Bill 479)

This law changes the expiration date for licenses issued to insurance companies, prepaid health plans, underwriters' agencies and burial societies from April 30 to June 30. Because agents' licenses expire at the same time company licenses expire, the expiration date for agents' licenses is now also June 30. The due date for agent license fees is changed from March 15 to August 1. Fees must be paid for all agents licensed as of July 1 of that year. The due date for company annual license taxes and the annual assessment for Bureau expenses is moved up from April 15 to March 1. Companies paying premium license taxes in excess of \$5,000 are now required to pay on a quarterly basis. Previously, companies were required to pay quarterly if the taxes were in excess of \$500. The licensing of salesmen for subscription contracts for prepaid health plans is amended to conform with general insurance agent licensing provisions.

Property and Casualty

3. Chapter 550 (House Bill 386)

This law increases the minimum financial responsibility requirements from \$5,000 to \$10,000 for property damage liability coverage effective January 1, 1979. The minimum property damage limit for uninsured

motorists coverage will also be increased to \$10,000 at that time.

4. Chapter 56 (Senate Bill 29)

This law prohibits an insurance company from failing to issue or renew an automobile liability insurance policy on the basis of the age of the motor vehicle to be insured.

5. Chapter 314 (Senate Bill 69)

This law directs the Secretary of the Administration and Finance to establish a self-insurance plan for state motor vehicles. The plan must be approved by the Governor prior to implementation.

6. Chapter 829 (House Bill 928)

This law expands those persons entitled to inspect traffic accident reports to include insurers to which a person involved in the accident has applied for issuance or renewal of an automobile insurance policy.

7. Chapter 753 (House Bill 935)

The Secretary of Administration and Finance is authorized by this law to develop and initiate a blanket surety bond program for all state employees and a group workers compensation program for all state employees provided that the Secretary shall first determine that such programs will be less costly.

8. Chapter 685 (House Bill 401)

This law provides that any bank or lender maintaining escrow accounts to pay taxes and insurance premiums shall be liable for any late charges assessed and for any loss as a result of the property being uninsured for nonpayment.

9. Chapter 707 (Senate Bill 514)

This law exempts a licensed physician who directs emergency medical services through a communications device from liability for civil damages resulting from the emergency care unless the physician was guilty of gross negligence or wilful misconduct.

10. Chapter 561 (House Bill 642)

This law exempts physicians from liability for reporting the physical disabilities of a pilot to aircraft licensing authorities except when such reporting was done with malice. Physicians are also exempted from liability for testifying in any proceeding regarding the issuance, renewal, revocation or suspension of a pilot's license regardless of whether the pilot is, or has been, a patient of the physician.

11. Chapter 262 (House Bill 182)

This law expands the application of procedures requiring arbitration of medical malpractice claims to cases where notice was given prior to expiration of any statute of limitations and the action arose prior to July 1, 1976.

12. Chapter 766 (House Bill 664)

This law exempts insurance companies from paying the motor vehicles sales and use tax when the company acquired the auto for the sole purpose of disposition after payment of a total loss claim.

Life and Health

13. Chapter 349 (Senate Bill 502)

This law requires that all accident and sickness insurance policies providing coverage on an expense-incurred basis and all prepaid medical service contracts covering a family member of the insured or subscriber provide inpatient coverage for mental, emotional and nervous disorders with limits that are not more restrictive than any other illness except that benefits may be limited to 30 days of treatment in any policy year. Mental, emotional and nervous disorders are defined to include incapacitation by or dependance upon drugs or alcohol. The law also requires that insurance companies and prepaid health plans make available certain additional coverages for treatment of mental, emotional and nervous disorders on an out-patient basis.

14. Chapter 496 (House Bill 78)

This law prohibits insurance companies and prepaid health plans from excluding or reducing payment of

benefits under a group accident and sickness policy because benefits have been paid or are payable under an individual accident and sickness policy.

15. Chapter 632 (House Bill 120)

This law provides that a patient, who has requested a mental health professional to submit a bill to a third party payor, is deemed to have consented to limited disclosure concerning the treatment received by the patient. The law further prohibits disclosure of the information received from the mental health professional by the third-party payor without consent of the patient except in limited circumstances. A patient is also given the right to receive a statement from the third-party payor as to the substance of the information received from the mental health professional concerning the patient.

16. Chapter 375 (House Bill 757)

This law requires that insurance companies and prepaid health plans make available certain optional coverages for obstetrical services that are not less favorable than for physical illness generally.

17. Chapter 16 (Senate Bill 258)

This law allows prepaid health plans to include coverage for optometric services as well as dental services.

18. Chapter 824 (House Bill 159)

This law prohibits the operation of a home health agency without a license issued by the State Health Commissioner. Standards for obtaining and maintaining a license to operate a home health agency are also set forth.

19. Chapter 757 (Senate Bill 259)

This law creates the Virginia Health Services Cost Review Commission. This Commission is directed to collect financial data from health care institutions regarding revenues, expenses and related statistics and to make public summaries of the data in the interest of promoting the most efficient and effective use of health care institution services.

Financial Condition

20. Chapter 696 (House Bill 851)

This law makes provision for development of a plan by the receiver or by the Commission to distribute assets of an insolvent domestic insurance company to the Virginia Insurance Guaranty Association. Priorities for payment of the insolvent company's obligations are established.

21. Chapter 20 (House Bill 530)

This law removes the requirement that a foreign company be actively engaged in transacting business in its home state as a prerequisite for obtaining a license in Virginia. Also, it clarifies the powers of the Commission with regard to companies in hazardous financial condition and permits the Commission to prevent a foreign company from writing new business in Virginia if the company is impaired. The requirements that must be met by an insurance company in order to renew its license to do business in Virginia are amended to conform to the requirements for the initial issuance of that license.

22. Chapter 156 (Senate Bill 278)

This law now provides that the stock of both property and casualty insurance companies and life insurance companies shall be valued at not to exceed market value as determined by the Commission.

23. Chapter 701 (House Bill 1024)

This law allows an insurance company to make a loan to an officer who is not a director of the company in connection with the relocation of the place of employment of the officer for the purchase of property to serve as a personal residence. The loan may not exceed the fair market value of the residential property. An insurance company is allowed to acquire real property that has served as the residence of an employee other than a director or trustee in connection with the relocation of the place of employment of the employee; however, the real estate must be disposed of within two years after acquisition by the insurer.

Miscellaneous

24. Chapter 658 (Senate Bill 452)

This law prohibits the operation of a prepaid plan for the provision of legal services without a license

issued by the State Corporation Commission. The law also sets forth requirements for obtaining and maintaining a license to operate a plan, requirements for composition of the Plan Board of Directors and other related matters.

Resolutions

1. House Joint Resolution No. 72

This resolution directs the Virginia State Office of Minority Business Enterprise and the appropriate unit of the State Corporation Commission to determine whether or not the Small Business Administration is improving its services to Virginia businesses and to encourage agents licensed to procure surety bonds to participate in the SBA's surety bond program. A report is due prior to December 1, 1978.

2. House Joint Resolution No. 184

This resolution directs the Committees on Finance of the House of Delegates and Senate to study ways of providing incentives to families who care for elderly relatives in their homes. The Department of Taxation and the Commissioner of Insurance are directed to assist the Committees. A report is due December 1, 1978.

3. Senate Joint Resolution No. 5

This resolution appoints a commission to study alternative methods to contain health care costs in Virginia. Direct government regulation of health institution charges and third-party payor premiums are specifically designated for study along with other matters related to the cost of health care and health insurance. An interim report is due December 1, 1978. A final report is due December 1, 1979.

4. House Joint Resolution No. 82

House Joint Resolution No. 82 appoints a subcommittee to study the advisability and feasibility of a state self-insurance plan for all law enforcement officers of the Commonwealth. A subcommittee report is due on December 1, 1978.

5. House Joint Resolution No. 84

This resolution provides for a joint legislative subcommittee to study the changes needed in state laws and regulations to establish hospices in Virginia. Insurance laws are mentioned as one area where study is needed. A report is due for the 1979 Session of the General Assembly.

6. House Joint Resolution No. 150

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This resolution directs the joint legislative subcommittee's study on the Commonwealth's insurance coverage to continue. The focus of this year's work is to include the method of purchasing property and casualty insurance for state-owned property.

7. House Joint Resolution No. 176

This resolution directs that a joint legislative study be conducted regarding the problems of localities in obtaining insurance coverages. The joint subcommittee will study the feasibility of the formation of multijurisdictional or statewide pools and other alternatives to self-insurance. A report is due December 1, 1978.

8. House Joint Resolution No. 177

This resolution directs that the study of insurance problems of the handicapped continue with special emphasis on adverse underwriting decisions involving handicapped people and the problems encountered by handicapped people in obtaining all types of insurance, including life and health insurance.

9. Senate Joint Resolution No. 41

ME
This resolution directs that the Virginia Advisory Legislative Council continue its study of fire insurance policies to determine what changes need to be implemented to make such policies more equitable to all concerned. A report is due on November 1, 1978.