



MES W. NEWMAN, JR.
COMMISSIONER OF INSURANCE
W. G. FLOURNOY
FIRST DEPUTY COMMISSIONER

BOX 1157
RICHMOND, VA. 232
TELEPHONE (804) 786 -

STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

November 17, 1980

Administrative Letter 1980-13

TO: INSURANCE COMPANIES AND FRATERNAL BENEFIT SOCIETIES
LICENSED TO TRANSACT ACCIDENT AND SICKNESS INSURANCE
IN VIRGINIA - AND

PREPAID HOSPITAL, MEDICAL, SURGICAL, DENTAL AND
OPTOMETRIC PLANS LICENSED IN VIRGINIA

SUBJECT: DEDUCTIBLES AND COINSURANCE OPTIONS REQUIRED -
ACCIDENT AND SICKNESS INSURANCE AND PREPAID HOSPITAL
MEDICAL, SURGICAL, DENTAL OR OPTOMETRIC SERVICE PLANS
(Virginia Senate Bill 184 - 1980)

Since notice of the enactment of Virginia Senate Bill 184 was sent to all insurers concerned and to prepaid health care plans on May 9, 1980, we have received a number of inquiries about and requests for clarification of portions of the statute, now identified as Section 38.1-348.12 of the Code of Virginia. The inquiries and requests for clarification are responded to below.

1 - Policies and Contracts to Which the Statute Applies

Section 38.1-348.12 applies to:

- a) individual and group accident and sickness policies issued by insurance companies providing coverage on an expense-incurred basis; and
- b) individual and group service or indemnity type contracts issued by prepaid health care plans.

2 - Notice of Availability in Amount and Limit Specified in Section Required

There is no exception authorized in Section 38.1-348.12 to making deductibles and coinsurance available in the amounts specified because of an insurer offering deductibles and coinsurance in other amounts or limits.

This section, however, does not limit in any way the ability of an insurer or prepaid plan to also make available deductibles and/or coinsurance provisions in other amounts.

3 - Time Period to Which Deductibles and Coinsurance Applicable

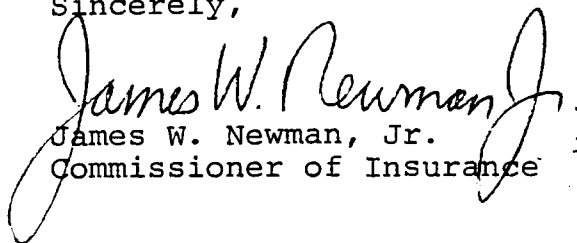
The "twelve-month period" to which deductibles and coinsurance pertain means a period of twelve consecutive months whether calendar year, policy year or a period beginning the first day the insured becomes entitled to benefits under the coverage as a result of sickness or accident, whichever is set forth in the policy, certificate or contract under which benefits are sought.

4 - Implementation

The insurer or prepaid service plan is required to disseminate information concerning the options and to make such options available to potential insureds or contract holders in the same manner as the insurer or prepaid service plan disseminates information concerning other contracts and coverage options available. While this may be done, for example, in advertisements complying with existing rules or in approved application forms, it should be borne in mind that an insurer or prepaid service plan must be able to establish that the required dissemination was made.

A copy of Section 38.1-348.12 of the Code of Virginia is attached hereto.

Sincerely,


James W. Newman, Jr.
Commissioner of Insurance

JWNjr/WGF:gg

enclosure: 1

§ 38.1-348.12. Deductibles and coinsurance options required. — A. An insurer or offeror of a prepaid hospital, medical, surgical, dental or optometric service plan shall, before issuing a policy of accident and sickness insurance providing coverage on an expense incurred basis or a service or indemnity type contract, make available to the potential insured or contract holder three options under which the individual insured or group certificate holder pays for:

1. The first one hundred dollars of the cost of the services covered or benefits payable by the policy or contract during a twelve-month period;

2. Twenty per centum of the first one thousand dollars of the cost of the services covered or benefits payable by the policy or contract during a twelve-month period; or

3. The first one hundred dollars and twenty per centum of the next one thousand dollars of the cost of the services covered or benefits payable by the policy or contract during a twelve-month period.

B. For the purposes of this section "make available" means that the insurer or prepaid service plan shall disseminate information concerning the options described in subsection A of this section and make such options available to potential insureds or contract holders in the same manner as the insurer or prepaid service plan disseminates information concerning other contracts and coverage options and makes other contracts and coverage options available.

C. This section shall apply to policies or contracts delivered or issued for delivery in this State on or after September one, nineteen hundred eighty, and to group policies or contracts issued prior to September one, nineteen hundred eighty, at the first renewal thereof on or after September one, nineteen hundred eighty; but shall not apply to short-term travel, accident only, limited or specified disease, or individual conversion policies or contracts, to policies or contracts with an annual premium of ten dollars or less, nor to policies or contracts designed for issuance to persons eligible for coverage under Title XVIII of the United States Social Security Act or any other similar coverage under State or federal government plans. (1980, c. 719.)