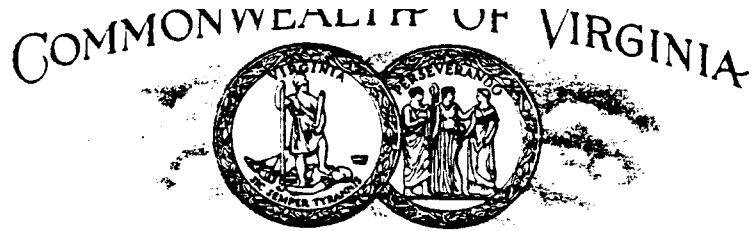


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**STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

April 27, 1984

**ADMINISTRATIVE LETTER
1984-1**

TO: All Insurance Companies, Fraternal Benefit Societies, Life and Casualty Cooperative or Assessment Companies, Burial Societies, Premium Finance Companies, Prepaid Health Care Plans and Surplus Lines Brokers Licensed In Virginia.

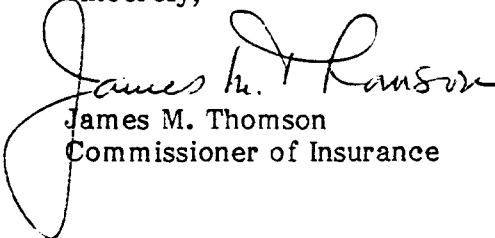
RE: 1984 Legislation by the General Assembly of Virginia

Attached are summaries of statutes enacted or amended and reenacted by the General Assembly of Virginia during its 1984 Session.

The effective date of these statutes is July 1, 1984 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:cb
Attachment

LIFE AND HEALTH INSURANCE

House Bill 70

Group life insurance coverage of children and dependent handicapped children. This bill amends §38.1-472.1 to provide that group life insurance policies issued or renewed after July 1, 1984 that offer coverage for children:

1. May extend coverage to any child who is under age 19 or who is a dependent and full-time student under age 25;
2. Must extend coverage to dependent mentally retarded or physically handicapped children regardless of age but the insurer may charge for such extended coverage at the insurer's then customary rate applicable to such group policy; and
3. Must entitle a child whose group coverage terminates to have an individual policy issued, without evidence of individual insurability, at the insurer's then customary rate applicable to: the form and amount of the individual policy; the class of risk to which such person then belongs; and to the child's age at the effective date of the individual policy.

This conversion privilege is available to a child who reaches the limiting age for coverage, to a surviving dependent at the death of the group member for the coverage under the group policy that terminates because of the group member's death, and to a dependent of the group member whose coverage terminates while the group member remains insured under the group policy because the dependent ceases to be a qualified family member under the policy.

House Bill 241

Conversion of group accident and sickness insurance policies. This bill adds §38.1-348.10:1 and amends §38.1-348.11 to require that before an insurer issues or renews any group hospital policy or group medical and surgical policy or group major medical policy of accident and sickness insurance, the insurer shall be required to be able to offer, without evidence of individual insurability, nongroup accident and sickness insurance policies to residents of this Commonwealth whose eligibility for coverage under the group policy may terminate for reasons other than termination of the group policy. A non-group policy is not able to be offered until it has been filed with and approved by the Commission. Such non-group policies are subject to Virginia requirements governing readability and minimum standards. The bill also provides an exception for group policies in effect prior to January 1, 1985, but the insurer would be required to continue coverage under the existing group policy without evidence of insurability at the insurer's then present rate applicable to the group policy.

House Bill 297

Uniform Distribution of Unclaimed Property Act. This bill amends the Uniform Disposition of Unclaimed Property Act. The new §55-210.4:01, Funds Owing Under Life Insurance Policies, provides for three substantive changes.

1. The bill provides that funds owed under a matured or terminated life or endowment policy or annuity contract are presumed abandoned if unclaimed for more than five years, or two years under certain circumstances.
2. It also provides that if the company learns of the death of the insured or annuitant and the beneficiary has not communicated with the insurer within four months of the death, the company shall take reasonable steps to locate the beneficiary and pay him the proceeds.
3. Finally, the bill provides that after July 1, 1986, every change of beneficiary form must request the name, address and relationship of each beneficiary to the insured.

House Bill 780

Assignability of rights to Blue Cross medical plan benefits. This bill amends §38.1-818 to provide that a person may not be denied the right to assign his rights to prepaid hospital, medical or surgical plan benefits except if the benefit is eighty percent of covered charges or greater.

House Bill 860 (Effective April 8, 1984)

Credit insurance for variable interest rate transactions. This bill adds a new section, §38.1-482.4:1, to allow single premium credit insurance to be sold on variable interest rate loans under certain conditions. The bill provides that a refund of premium shall be paid or credited promptly following the satisfaction of the credit contract if variations in interest rates result in a net reduction in the amount of indebtedness as compared to the amount of credit insurance purchased. The bill also provides that an additional premium may be added to the final payment to match the insurance to the actual indebtedness if variations in interest rates result in a net increase in the amount of indebtedness. The additional premium must be calculated on a rate that does not exceed the rate on which the premium was originally calculated. If the insured debtor dies before the final due date under the credit contract, the additional premium may not be charged to the debtor's estate or beneficiary.

PROPERTY AND CASUALTY INSURANCE

House Bill 185 (Effective March 11, 1984)

Financial responsibility for ultralight aircraft. This bill amends §5.1-38.2. It introduces differences in proof of financial responsibility requirements for aircraft as defined in §5.1-1 and ultralight aircraft as defined by the Federal Aviation Administration. Proof of financial responsibility for an ultralight aircraft owner will be met with a \$100,000 single limit insurance policy. Under previous law, ultralight aircraft were required to meet the

\$50,000/\$100,000/\$25,000 split limit of the \$200,000 single limit applicable to other aircraft.

House Bill 300

Home Protection Company Act. This bill modifies certain requirements of the Virginia Home Protection Company Act.

Section 38.1-934 is amended to require a home protection company to accept requests for heating, electrical and plumbing services 24 hours per day, 7 days per week. Under current law, home protection companies must accept requests for any covered service 24 hours per day, 7 days per week.

Section 38.1-938 is amended to clarify the fact that a home protection company may require that a written claim form be completed prior to the completion of covered services. However, services must still be initiated upon telephonic request.

Section 38.1-938 is also amended to modify the time requirements for the initiation of services. Current law requires that services be initiated within 48 hours of the request. House Bill 300 changes this requirement to 72 hours. The requirement that services for heating system malfunctions be initiated immediately during the winter months is not affected by this amendment.

Section 38.1-939 is expanded to allow the builder of homes to sell home protection contracts on those homes without having a property and casualty insurance agent's license.

House Bill 364

Stacking of medical payments coverage. This bill amends §38.1-21 to allow the stacking of the medical payments coverages provision in a motor vehicle insurance policy which covers more than one but not more than four vehicles. The maximum liability of the insurer under this bill will be the total of the stated amounts of medical payments coverage of all vehicles insured under the policy. A similar bill was enacted in 1983 to allow the stacking of medical expense coverages.

House Bill 420

Clarification of reference to uninsured motorist coverage. This bill amends subsection (e1) of §38.1-381. The amendment clarifies the language in the subsection so that it clearly refers to the uninsured or underinsured motorist coverage contained in a Virginia motor vehicle liability insurance policy. This bill does not constitute a substantive change in law.

House Bill 494

No medical expense or payments offset in liability claims. Under this bill, a new §38.1-381.9 is added so that any bodily injury liability policy that contains any representation to pay medical expenses, incurred for bodily injuries caused by

accident to the insured or other person shall not contain any provision reducing the amount of damages covered under the uninsured motorist provisions or liability provisions of the insured's policy because the insurer has made payments under the medical expense or other medical payments provisions of the policy.

House Bill 579

Inclusion of chiropractic services. Under this bill, a new section 38.1-380.3 is added so that any service that may be legally performed by a licensed chiropractor is reimbursable under any liability insurance policy providing bodily injury coverage.

House Bill 649 (Effective January 1, 1985)

Automobile insurance rate reductions for people 55 and older. Under this bill, a new section 38.1-381.9 is added so that an appropriate reduction in rates is required in any automobile insurance policy insuring persons 55 years of age and older upon the successful completion of a motor vehicle accident prevention course approved by the Division of Motor Vehicles. No specific rate reduction is set forth in the bill. Each insurer is to determine the appropriate reduction. The qualification for reduced premiums is good for three years following the completion of the accident prevention course. The bill also permits an appropriate reduction in rates based solely on age to an insured person over 55 years of age.

House Bill 719

Cancellation of Motor Vehicle Insurance. This bill amends §38.1-381.5 (f)(2) to allow an insured's duly constituted attorney-in-fact to cancel, on behalf of the insured, the insured's policy of automobile insurance. The effect is that a request from a premium finance company under the insured's power of attorney is the same as the request of the insured for cancellation and is, therefore, not subject to the fifteen day statutory cancellation notice provisions of paragraph (2) of subsection (e) of §38.1-381.5.

House Bill 803

Surplus lines insurance law. This bill makes a radical revision to the laws governing the placement of surplus lines insurance. The most significant of these changes are:

1. The prohibition against procuring surplus lines coverage for the purpose of securing advantages as to premium rate or terms of the insurance contract is removed (§38.1-327.52). Further, the law states that the declination may be obtained if the surplus lines broker was unable, after diligent effort, to procure in a form and at a premium acceptable to the insured the amount of such insurance from an insurer licensed in Virginia to transact insurance business of that kind and class. In other words, placement into the surplus lines market may be made because of price and form competition.
2. The affidavit that insurance is not procurable from licensed insurers must be filed within 30 days after the end of the calendar month in which the

coverage was procured within 15 days after the insurance is procured. Also, a combined affidavit covering all policies placed in a month may be used (§38.1-327.52).

3. The terms "kind and class of insurance" and "diligent effort" are defined in the new law (§38.1-327.52).
4. The entire amount of desired coverage may be placed in the surplus lines market if that amount can not be placed in the admitted market (§38.1-327.52). Current law requires that only the amount in excess of that procurable from licensed insurers be placed in the surplus lines market.
5. The financial criteria for placing a surplus lines insurer on the Bureau's approved list is detailed (§38.1-327.56). The detailed criteria are very similar to those of the NAIC Model Bill. In no event may a surplus lines broker procure insurance from an insurer not licensed in Virginia unless that insurer is then currently approved by the Bureau.
6. The requirement that the surplus lines broker make a diligent investigation of the reputation, integrity and financial stability of a surplus lines insurer before procuring insurance from that surplus lines insurer is removed (§38.1-327.56). However, surplus lines brokers are urged to use considerable caution in placing surplus lines business as the insureds have no protection from the Guaranty Fund.
7. Under the State Corporation Commission's interpretation of present law, the Commission is obligated to adopt a formal regulation in order to enforce the provisions of the surplus lines law. This obligation becomes permissive under this bill by changing the word "shall" to "may" (§38.1-327.58).

House Bill 930

Uninsured motor vehicle fees. This bill amends §§46.1-167.1, 46.1-167.3, 46.1-167.4 and 46.1-513.1 of the Motor Vehicle Code.

1. The uninsured motor vehicle fee is increased from \$200 to \$300.
2. The fine for operating an uninsured vehicle when the fee has not been paid or for giving false information that a vehicle is insured was changed from a maximum \$100 fine to a maximum \$500 fine.
3. The reinstatement fee for all licenses, plates and registrations is increased from \$200 to \$300.
4. The fee payable when an automobile liability policy is canceled within six months of the date written and the person who was insured does not provide information to verify that the insurance on the motor vehicle was replaced or that the vehicle was otherwise disposed of is increased from \$200 to \$300.

AGENTS LICENSING

Senate Bill 339

Agents licensure with affiliated companies. This bill amends §38.1-327.36 to authorize a licensed agent to act as an agent for the licensed insurance affiliates of a company, as defined in §38.1-57.5, that write the same classification of coverages that the company appointing him is authorized to write. The insurance affiliate must have an agent licensed within 60 days of accepting that agent's business pursuant to §38.1-327.33. The bill provides that the agent be allowed to receive commissions for the business placed with the affiliate before the license is received. This bill also exempts business placed with an affiliate from §38.1-327.34, which provides for penalties for the submission of business to a company for which an agent does not hold a valid license.