

Adopted	Rejected
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COMMITTEE REPORT

YES:	11
NO:	0

MR. SPEAKER:

*Your Committee on Insurance, Corporations and Small Business, to which was referred Senate Bill 289, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill **be amended** as follows:*

- 1 Page 3, after line 37 begin a new paragraph and insert:
- 2 "SECTION 3. IC 27-8-5-2 IS AMENDED TO READ AS
- 3 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 2. (a) No individual
- 4 policy of accident and sickness insurance shall be delivered or issued
- 5 for delivery to any person in this state unless **it complies with each of**
- 6 **the following:**
- 7 (1) The entire money and other considerations ~~therefor~~ **for the**
- 8 **policy** are expressed ~~therein~~; **in the policy.**
- 9 (2) The time at which the insurance takes effect and terminates is
- 10 expressed ~~therein~~; **in the policy.**
- 11 (3) ~~it~~ **The policy** purports to insure only one (1) person, except
- 12 that a policy may insure, originally or by subsequent amendment,
- 13 upon the application of any member of a family who shall be
- 14 deemed the policyholder and who is at least eighteen (18) years

- 1 of age, any two (2) or more eligible members of that family,
2 including husband, wife, dependent children or any children
3 under a specified age, which shall not exceed nineteen (19) years,
4 and any other person dependent upon the policyholder.
- 5 (4) The style, arrangement, and overall appearance of the policy
6 give no undue prominence to any portion of the text, and unless
7 every printed portion of the text of the policy and of any
8 ~~indorsements~~ **endorsements** or attached papers is plainly printed
9 in ~~light-faced~~ **lightface** type of a style in general use, the size of
10 which shall be uniform and not less than ten point with a
11 lower-case unspaced alphabet length not less than one hundred
12 and twenty point (the "text" shall include all printed matter except
13 the name and address of the insurer, name or title of the policy,
14 the brief description if any, and captions and subcaptions).
- 15 (5) The exceptions and reductions of indemnity are set forth in the
16 policy and, except those which are set forth in section 3 of this
17 chapter, are printed, at the insurer's option, either included with
18 the benefit provision to which they apply, or under an appropriate
19 caption such as "EXCEPTIONS", or "EXCEPTIONS AND
20 REDUCTIONS", provided that if an exception or reduction
21 specifically applies only to a particular benefit of the policy, a
22 statement of such exception or reduction shall be included with
23 the benefit provision to which it applies.
- 24 (6) Each such form **of the policy**, including riders and
25 ~~indorsements~~, **endorsements**, shall be identified by a form
26 number in the lower left-hand corner of the first page ~~thereof~~, **of**
27 **the policy**.
- 28 (7) ~~it~~ **The policy** contains no provision purporting to make any
29 portion of the charter, rules, constitution, or bylaws of the insurer
30 a part of the policy unless such portion is set forth in full in the
31 policy, except in the case of the incorporation of or reference to
32 a statement of rates or classification of risks, or short-rate table
33 filed with the commissioner. ~~and~~
- 34 (8) If an individual accident and sickness insurance policy or
35 hospital service plan contract or medical service plan contract
36 provides that hospital or medical expense coverage of a
37 dependent child terminates upon attainment of the limiting age for
38 dependent children specified in such policy or contract, the policy

1 or contract must also provide that attainment of such limiting age
 2 does not operate to terminate the hospital and medical coverage
 3 of such child while the child is and continues to be both:

- 4 (a) (A) incapable of self-sustaining employment by reason of
 5 mental retardation **or mental** or physical disability; and
 6 (b) (B) chiefly dependent upon the policyholder for support
 7 and maintenance.

8 Proof of such incapacity and dependency must be furnished to the
 9 insurer by the policyholder within thirty-one (31) days of the child's
 10 attainment of the limiting age. The insurer may require at reasonable
 11 intervals during the two (2) years following the child's attainment of the
 12 limiting age subsequent proof of the child's disability and dependency.
 13 After such two (2) year period, the insurer may require subsequent
 14 proof not more than once each year. The foregoing provision shall not
 15 require an insurer to insure a dependent who is a mentally retarded **or**
 16 **mentally** or physically disabled child where such dependent does not
 17 satisfy the conditions of the policy provisions as may be stated in the
 18 policy or contract required for coverage thereunder to take effect. In
 19 any such case the terms of the policy or contract shall apply with regard
 20 to the coverage or exclusion from coverage of such dependent.

21 This subsection applies only to policies or contracts delivered or
 22 issued for delivery in this state more than one hundred twenty (120)
 23 days after August 18, 1969.

24 (b) If any policy is issued by an insurer domiciled in this state for
 25 delivery to a person residing in another state, and if the official having
 26 responsibility for the administration of the insurance laws of such other
 27 state shall have advised the commissioner that any such policy is not
 28 subject to approval or disapproval by such official, the commissioner
 29 may by ruling require that such policy meet the standards set forth in
 30 subsection (a) ~~of this section~~ and in section 3 of this chapter.

31 SECTION 4. IC 27-8-5-19 IS AMENDED TO READ AS
 32 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 19. (a) As used in this
 33 chapter, "late enrollee" has the meaning set forth in 26 U.S.C.
 34 9801(b)(3).

35 (b) A policy of group accident and sickness insurance may not be
 36 issued to a group that has a legal situs in Indiana unless it contains in
 37 substance:

- 38 (1) the provisions described in subsection (c); or

1 (2) provisions that, in the opinion of the commissioner, are:
2 (A) more favorable to the persons insured; or
3 (B) at least as favorable to the persons insured and more
4 favorable to the policyholder;
5 than the provisions set forth in subsection (c).

6 (c) The provisions referred to in subsection (b)(1) are as follows:

7 (1) A provision that the policyholder is entitled to a grace period
8 of thirty-one (31) days for the payment of any premium due
9 except the first, during which grace period the policy will
10 continue in force, unless the policyholder has given the insurer
11 written notice of discontinuance in advance of the date of
12 discontinuance and in accordance with the terms of the policy.
13 The policy may provide that the policyholder is liable to the
14 insurer for the payment of a pro rata premium for the time the
15 policy was in force during the grace period. A provision under
16 this subdivision may provide that the insurer is not obligated to
17 pay claims incurred during the grace period until the premium
18 due is received.

19 (2) A provision that the validity of the policy may not be
20 contested, except for nonpayment of premiums, after the policy
21 has been in force for two (2) years after its date of issue, and that
22 no statement made by a person covered under the policy relating
23 to the person's insurability may be used in contesting the validity
24 of the insurance with respect to which the statement was made,
25 unless:

26 (A) the insurance has not been in force for a period of two (2)
27 years or longer during the person's lifetime; or

28 (B) the statement is contained in a written instrument signed
29 by the insured person.

30 However, a provision under this subdivision may not preclude the
31 assertion at any time of defenses based upon a person's
32 ineligibility for coverage under the policy or based upon other
33 provisions in the policy.

34 (3) A provision that a copy of the application, if there is one, of
35 the policyholder must be attached to the policy when issued, that
36 all statements made by the policyholder or by the persons insured
37 are to be deemed representations and not warranties, and that no
38 statement made by any person insured may be used in any contest

- 1 unless a copy of the instrument containing the statement is or has
 2 been furnished to the insured person or, in the event of death or
 3 incapacity of the insured person, to the insured person's
 4 beneficiary or personal representative.
- 5 (4) A provision setting forth the conditions, if any, under which
 6 the insurer reserves the right to require a person eligible for
 7 insurance to furnish evidence of individual insurability
 8 satisfactory to the insurer as a condition to part or all of the
 9 person's coverage.
- 10 (5) A provision specifying any additional exclusions or limitations
 11 applicable under the policy with respect to a disease or physical
 12 condition of a person that existed before the effective date of the
 13 person's coverage under the policy and that is not otherwise
 14 excluded from the person's coverage by name or specific
 15 description effective on the date of the person's loss. An exclusion
 16 or limitation that must be specified in a provision under this
 17 subdivision:
- 18 (A) may apply only to a disease or physical condition for
 19 which medical advice, diagnosis, care, or treatment was
 20 received by the person, or recommended to the person, during
 21 the six (6) months before the enrollment date of the person's
 22 coverage; and
- 23 (B) may not apply to a loss incurred or disability beginning
 24 after the earlier of:
- 25 (i) the end of a continuous period of twelve (12) months
 26 beginning on or after the enrollment date of the person's
 27 coverage; or
- 28 (ii) the end of a continuous period of eighteen (18) months
 29 beginning on the enrollment date of the person's coverage if
 30 the person is a late enrollee.
- 31 (6) If premiums or benefits under the policy vary according to a
 32 person's age, a provision specifying an equitable adjustment of:
- 33 (A) premiums;
- 34 (B) benefits; or
- 35 (C) both premiums and benefits;
- 36 to be made if the age of a covered person has been misstated. A
 37 provision under this subdivision must contain a clear statement of
 38 the method of adjustment to be used.

- 1 (7) A provision that the insurer will issue to the policyholder, for
2 delivery to each person insured, a certificate setting forth a
3 statement that:
- 4 (A) explains the insurance protection to which the person
5 insured is entitled;
 - 6 (B) indicates to whom the insurance benefits are payable; and
 - 7 (C) explains any family member's or dependent's coverage
8 under the policy.
- 9 (8) A provision stating that written notice of a claim must be
10 given to the insurer within twenty (20) days after the occurrence
11 or commencement of any loss covered by the policy, but that a
12 failure to give notice within the twenty (20) day period does not
13 invalidate or reduce any claim if it can be shown that it was not
14 reasonably possible to give notice within that period and that
15 notice was given as soon as was reasonably possible.
- 16 (9) A provision stating that:
- 17 (A) the insurer will furnish to the person making a claim, or to
18 the policyholder for delivery to the person making a claim,
19 forms usually furnished by the insurer for filing proof of loss;
20 and
 - 21 (B) if the forms are not furnished within fifteen (15) days after
22 the insurer received notice of a claim, the person making the
23 claim will be deemed to have complied with the requirements
24 of the policy as to proof of loss upon submitting, within the
25 time fixed in the policy for filing proof of loss, written proof
26 covering the occurrence, character, and extent of the loss for
27 which the claim is made.
- 28 (10) A provision stating that:
- 29 (A) in the case of a claim for loss of time for disability, written
30 proof of the loss must be furnished to the insurer within ninety
31 (90) days after the commencement of the period for which the
32 insurer is liable, and that subsequent written proofs of the
33 continuance of the disability must be furnished to the insurer
34 at reasonable intervals as may be required by the insurer;
 - 35 (B) in the case of a claim for any other loss, written proof of
36 the loss must be furnished to the insurer within ninety (90)
37 days after the date of the loss; and
 - 38 (C) the failure to furnish proof within the time required under

1 clause (A) or (B) does not invalidate or reduce any claim if it
2 was not reasonably possible to furnish proof within that time,
3 and if proof is furnished as soon as reasonably possible but
4 (except in case of the absence of legal capacity of the
5 claimant) no later than one (1) year from the time proof is
6 otherwise required under the policy.

7 (11) A provision that:

8 (A) all benefits payable under the policy (other than benefits
9 for loss of time) will be paid within forty-five (45) days after
10 the insurer receives all information required to determine
11 liability under the terms of the policy; and

12 (B) subject to due proof of loss, all accrued benefits under the
13 policy for loss of time will be paid not less frequently than
14 monthly during the continuance of the period for which the
15 insurer is liable, and any balance remaining unpaid at the
16 termination of the period for which the insurer is liable will be
17 paid as soon as possible after receipt of the proof of loss.

18 (12) A provision that benefits for loss of life of the person insured
19 are payable to the beneficiary designated by the person insured.
20 However, if the policy contains conditions pertaining to family
21 status, the beneficiary may be the family member specified by the
22 policy terms. In either case, payment of benefits for loss of life is
23 subject to the provisions of the policy if no designated or
24 specified beneficiary is living at the death of the person insured.
25 All other benefits of the policy are payable to the person insured.
26 The policy may also provide that if any benefit is payable to the
27 estate of a person, or to a person who is a minor or otherwise not
28 competent to give a valid release, the insurer may pay the benefit,
29 up to an amount of five thousand dollars (\$5,000), to any relative
30 by blood or connection by marriage of the person who is deemed
31 by the insurer to be equitably entitled to the benefit.

32 (13) A provision that the insurer has the right and must be
33 allowed the opportunity to:

34 (A) examine the person of the individual for whom a claim is
35 made under the policy when and as often as the insurer
36 reasonably requires during the pendency of the claim; and

37 (B) conduct an autopsy in case of death if it is not prohibited
38 by law.

1 (14) A provision that no action at law or in equity may be brought
 2 to recover on the policy less than sixty (60) days after proof of
 3 loss is filed in accordance with the requirements of the policy, and
 4 that no action may be brought at all more than three (3) years after
 5 the expiration of the time within which proof of loss is required
 6 by the policy.

7 (15) In the case of a policy insuring debtors, a provision that the
 8 insurer will furnish to the policyholder, for delivery to each debtor
 9 insured under the policy, a certificate of insurance describing the
 10 coverage and specifying that the benefits payable will first be
 11 applied to reduce or extinguish the indebtedness.

12 (16) If the policy provides that hospital or medical expense
 13 coverage of a dependent child of a group member terminates upon
 14 the child's attainment of the limiting age for dependent children
 15 set forth in the policy, a provision that the child's attainment of the
 16 limiting age does not terminate the hospital and medical coverage
 17 of the child while the child is:

- 18 (A) incapable of self-sustaining employment because of
- 19 mental retardation **or mental** or a physical disability; and
- 20 (B) chiefly dependent upon the group member for support and
- 21 maintenance.

22 A provision under this subdivision may require that proof of the
 23 child's incapacity and dependency be furnished to the insurer by
 24 the group member within one hundred twenty (120) days of the
 25 child's attainment of the limiting age and, subsequently, at
 26 reasonable intervals during the two (2) years following the child's
 27 attainment of the limiting age. The policy may not require proof
 28 more than once per year in the time more than two (2) years after
 29 the child's attainment of the limiting age. This subdivision does
 30 not require an insurer to provide coverage to a mentally retarded
 31 **or mentally** or physically disabled child who does not satisfy the
 32 requirements of the group policy as to evidence of insurability or
 33 other requirements for coverage under the policy to take effect. In
 34 any case, the terms of the policy apply with regard to the coverage
 35 or exclusion from coverage of the child.

36 (17) A provision that complies with the group portability and
 37 guaranteed renewability provisions of the federal Health
 38 Insurance Portability and Accountability Act of 1996

1 (P.L.104-191).

2 (d) Subsection (c)(5), (c)(7), and (c)(12) do not apply to policies
3 insuring the lives of debtors. The standard provisions required under
4 section 3(a) of this chapter for individual accident and sickness
5 insurance policies do not apply to group accident and sickness
6 insurance policies.

7 (e) If any policy provision required under subsection (c) is in whole
8 or in part inapplicable to or inconsistent with the coverage provided by
9 an insurer under a particular form of policy, the insurer, with the
10 approval of the commissioner, shall delete the provision from the
11 policy or modify the provision in such a manner as to make it
12 consistent with the coverage provided by the policy.

13 SECTION 5. IC 27-8-10-5.1 IS AMENDED TO READ AS
14 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 5.1. (a) Except as
15 provided in subsections (b) and (c), a person is not eligible for an
16 association policy if, at the effective date of coverage, the person has
17 or is eligible for coverage under any insurance plan that equals or
18 exceeds the minimum requirements for accident and sickness insurance
19 policies issued in Indiana as set forth in IC 27. Coverage under any
20 association policy is in excess of, and may not duplicate, coverage
21 under any other form of health insurance.

22 (b) Except as provided in IC 27-13-16-4, a person is eligible for an
23 association policy upon a showing that:

24 (1) the person has been rejected by one (1) carrier for coverage
25 under any insurance plan that equals or exceeds the minimum
26 requirements for accident and sickness insurance policies issued
27 in Indiana, as set forth in IC 27, without material underwriting
28 restrictions;

29 (2) an insurer has refused to issue insurance except at a rate
30 exceeding the association plan rate; or

31 (3) the person is a federally eligible individual.

32 For the purposes of this subsection, eligibility for Medicare coverage
33 does not disqualify a person who is less than sixty-five (65) years of
34 age from eligibility for an association policy.

35 (c) The board of directors may establish procedures that would
36 permit:

37 (1) an association policy to be issued to persons who are covered
38 by a group insurance arrangement when that person or a

1 dependent's health condition is such that the group's coverage is
2 in jeopardy of termination or material rate increases because of
3 that person's or dependent's medical claims experience; and

4 (2) an association policy to be issued without any limitation on
5 preexisting conditions to a person who is covered by a health
6 insurance arrangement when that person's coverage is scheduled
7 to terminate for any reason beyond the person's control.

8 (d) An association policy must provide that coverage of a dependent
9 unmarried child terminates when the child becomes nineteen (19) years
10 of age (or twenty-five (25) years of age if the child is enrolled full-time
11 in an accredited educational institution). The policy must also provide
12 in substance that attainment of the limiting age does not operate to
13 terminate a dependent unmarried child's coverage while the dependent
14 is and continues to be both:

15 (1) incapable of self-sustaining employment by reason of mental
16 retardation **or mental** or physical disability; and

17 (2) chiefly dependent upon the person in whose name the contract
18 is issued for support and maintenance.

19 However, proof of such incapacity and dependency must be furnished
20 to the carrier within one hundred twenty (120) days of the child's
21 attainment of the limiting age, and subsequently as may be required by
22 the carrier, but not more frequently than annually after the two (2) year
23 period following the child's attainment of the limiting age.

24 (e) An association policy that provides coverage for a family
25 member of the person in whose name the contract is issued must, as to
26 the family member's coverage, also provide that the health insurance
27 benefits applicable for children are payable with respect to a newly
28 born child of the person in whose name the contract is issued from the
29 moment of birth. The coverage for newly born children must consist of
30 coverage of injury or illness, including the necessary care and treatment
31 of medically diagnosed congenital defects and birth abnormalities. If
32 payment of a specific premium is required to provide coverage for the
33 child, the contract may require that notification of the birth of a child
34 and payment of the required premium must be furnished to the carrier
35 within thirty-one (31) days after the date of birth in order to have the
36 coverage continued beyond the thirty-one (31) day period.

37 (f) Except as provided in subsection (g), an association policy may
38 contain provisions under which coverage is excluded during a period

1 of three (3) months following the effective date of coverage as to a
2 given covered individual for preexisting conditions, as long as medical
3 advice or treatment was recommended or received within a period of
4 three (3) months before the effective date of coverage.

5 This subsection may not be construed to prohibit preexisting condition
6 provisions in an insurance policy that are more favorable to the insured.

7 (g) If a person applies for an association policy within six (6)
8 months after termination of the person's coverage under a health
9 insurance arrangement and the person meets the eligibility
10 requirements of subsection (b), then an association policy may not
11 contain provisions under which:

12 (1) coverage as to a given individual is delayed to a date after the
13 effective date or excluded from the policy; or

14 (2) coverage as to a given condition is denied;
15 on the basis of a preexisting health condition. This subsection may not
16 be construed to prohibit preexisting condition provisions in an
17 insurance policy that are more favorable to the insured.

18 (h) For purposes of this section, coverage under a health insurance
19 arrangement includes, but is not limited to, coverage pursuant to the
20 Consolidated Omnibus Budget Reconciliation Act of 1985."

(Reference is to SB 289 as printed February 26, 1999.)

and when so amended that said bill do pass.

Representative Fry