

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 41

BY BUSINESS COMMITTEE

AN ACT

1 RELATING TO THE INDIVIDUAL ACCIDENT AND HEALTH INSURANCE
2 POLICIES; AMENDING SECTION 41-4201, IDAHO CODE, TO INCLUDE
3 GROUP SUPPLEMENTAL DISABILITY INSURANCE POLICIES WITHIN THE
4 PURPOSE OF THE ACT AND TO REVISE TERMINOLOGY; AMENDING
5 SECTION 41-4202, IDAHO CODE, TO REVISE DEFINITIONS AND TO REVISE
6 TERMINOLOGY; AMENDING SECTION 41-4203, IDAHO CODE, TO PROVIDE
7 FOR STANDARDS FOR POLICY PROVISIONS FOR GROUP SUPPLEMENTAL
8 POLICIES OF DISABILITY INSURANCE, TO REVISE TERMINOLOGY, TO
9 CORRECT CODIFIER'S ERRORS AND TO MAKE TECHNICAL CORRECTIONS;
10 AMENDING SECTION 41-4204, IDAHO CODE, TO PROVIDE FOR GROUP
11 SUPPLEMENTAL POLICY MINIMUM STANDARDS FOR BENEFITS, TO REVISE
12 COVERAGES SUBJECT TO MINIMUM STANDARDS FOR BENEFITS AND TO
13 REVISE TERMINOLOGY; AMENDING SECTION 41-4205, IDAHO CODE, TO
14 PROVIDE OUTLINE OF COVERAGE FOR GROUP SUPPLEMENTAL DISABILITY
15 INSURANCE POLICIES, TO PROVIDE LIMITATIONS WHEN SPECIFIED POLICIES
16 SHALL BE OFFERED, CONTINUED OR RENEWED, TO REVISE THE STATEMENT
17 INCLUDED IN OUTLINE OF COVERAGE, TO REVISE TERMINOLOGY, TO
18 CORRECT CODIFIER'S ERRORS AND TO MAKE TECHNICAL CORRECTIONS;
19 AND REPEALING SECTION 41-4206, IDAHO CODE, RELATING TO PREEXISTING
20 CONDITIONS.
21

22 Be It Enacted by the Legislature of the State of Idaho:

23 SECTION 1. That Section 41-4201, Idaho Code, be, and the same is hereby amended to
24 read as follows:

25 41-4201. PURPOSE. The purpose of this act shall be to provide reasonable
26 standardization and simplification of terms and coverages of individual disability insurance
27 policies, group supplemental disability insurance policies, nongroup subscriber contracts of
28 nonprofit hospitals, medical and dental service associations, and nongroup subscriber contracts
29 of ~~health maintenance~~ managed care organizations to facilitate public understanding and
30 comparison, to eliminate provisions contained in individual disability insurance policies,
31 group supplemental disability insurance policies, nongroup subscriber contracts of nonprofit
32 hospital, medical and dental service associations, and nongroup subscriber contracts of ~~health~~
33 ~~maintenance~~ managed care organizations which may be misleading or unreasonably confusing
34 in connection either with the purchase of such coverages or with the settlement of claims, and
35 to provide for full disclosure in the sale of disability coverages.

36 SECTION 2. That Section 41-4202, Idaho Code, be, and the same is hereby amended to
37 read as follows:

1 41-4202. DEFINITIONS. (1) "Form" includes but is not limited to policies, contracts,
 2 certificates, riders, endorsements, and applications as provided in sections 41-1812, ~~and~~
 3 41-3419 and 41-3915, Idaho Code.

4 (2) "Disability Insurance" means insurance written under chapter 21, title 41, Idaho
 5 Code, supplemental disability insurance written under chapter 22, title 41, Idaho Code,
 6 coverages written under chapter 34, title 41, Idaho Code, and coverages written under chapter
 7 39, ~~of~~ title 41, Idaho Code. For purposes of this act, nonprofit hospital, medical and dental
 8 service associations, and ~~health maintenance~~ managed care organizations shall be deemed to be
 9 engaged in the business of insurance.

10 (3) "Policy" means the entire contract between the insurer and the insured, including
 11 the policy, certificates, riders, endorsements, and the application, if attached, and also includes
 12 nongroup subscriber contracts issued by nonprofit hospital, medical and dental service
 13 associations, and nongroup subscriber contracts issued by ~~health maintenance~~ managed care
 14 organizations.

15 SECTION 3. That Section 41-4203, Idaho Code, be, and the same is hereby amended to
 16 read as follows:

17 41-4203. STANDARDS FOR POLICY PROVISIONS. (1) The director shall issue
 18 rules, ~~and regulations~~, subject to chapter 52, title 67, Idaho Code, to establish specific standards,
 19 including standards of full and fair disclosure, that set forth the manner, content, and required
 20 disclosure for the sale of individual policies of disability insurance, ~~and~~ group supplemental
 21 policies of disability insurance, nongroup subscriber contracts of nonprofit hospital, medical and
 22 dental service associations and nongroup subscriber contracts of ~~health maintenance~~ managed
 23 care organizations which shall be in addition to and in accordance with applicable laws of this
 24 state, which may cover but shall not be limited to:

- 25 (a) ~~Terms or renewability;~~
- 26 (b) ~~Initial and subsequent conditions of eligibility;~~
- 27 (c) ~~Nonduplication of coverage provisions;~~
- 28 (d) ~~Coverage of dependents;~~
- 29 (e) ~~Pre-existing conditions;~~
- 30 (f) ~~Termination of insurance;~~
- 31 (g) ~~Probationary periods;~~
- 32 (h) ~~Limitations;~~
- 33 (i) ~~Exceptions;~~
- 34 (j) ~~Reductions;~~
- 35 (k) ~~Elimination periods;~~
- 36 (l) ~~Requirements for replacement;~~
- 37 (m) ~~Recurrent conditions;~~ and
- 38 (n) ~~The~~ definition of terms including but not limited to the following: hospital, accident,
 39 sickness, injury, physician, accidental means, total disability, partial disability, nervous
 40 disorder, guaranteed renewable and ~~noncancelable~~ noncancelable.

41 (2) The director may issue rules ~~and regulations~~ that specify prohibited policy provisions
 42 not otherwise specifically authorized by statute which in the opinion of the director are unjust,
 43 unfair, or unfairly discriminatory to the ~~policy holder~~ policyholder, any person insured under
 44 the policy, or beneficiary.

1 SECTION 4. That Section 41-4204, Idaho Code, be, and the same is hereby amended to
2 read as follows:

3 41-4204. MINIMUM STANDARDS FOR BENEFITS. (1) The director shall issue
4 rules, ~~and regulations~~, subject to chapter 52, title 67, Idaho Code, to establish minimum
5 standards for benefits under each of the following categories of coverage in individual policies,
6 group supplemental policies, nongroup subscriber contracts of nonprofit hospital, medical and
7 dental service associations, and nongroup subscriber contracts of ~~health maintenance managed~~
8 care organizations other than conversion policies issued pursuant to a contractual conversion
9 privilege under a group policy of disability insurance:

- 10 (a) Basic hospital expense coverage;
11 (b) Basic medical-surgical and dental expense coverage;
12 (c) Hospital confinement indemnity coverage;
13 (d) Major medical expense coverage;
14 (e) Disability income protection coverage;
15 (f) Accident only coverage; and
16 (g) Specified disease, ~~or specified accident coverage~~.

17 (2) Nothing in this section shall preclude the issuance of any policy or contract which
18 combines two (2) or more of the categories of coverage enumerated in paragraphs (a) through
19 (g) of subsection (1) of this section.

20 (3) No policy or contract shall be delivered or issued for delivery in this state which does
21 not meet the prescribed minimum standards for the categories of coverage listed in paragraphs
22 (a) through (g) of subsection (1) of this section, which are contained within the policy or
23 contract unless the director finds such policy or contract will be in the public interest and such
24 policy or contract meets the requirements set forth in section 41-1813, Idaho Code.

25 (4) The director shall prescribe the method of identification of policies and contracts
26 based upon coverages provided.

27 SECTION 5. That Section 41-4205, Idaho Code, be, and the same is hereby amended to
28 read as follows:

29 41-4205. OUTLINE OF COVERAGE. (1) In order to provide for full and fair
30 disclosure in the sale of individual disability insurance policies, ~~or group supplemental~~
31 disability insurance policies, nongroup subscriber contracts of a nonprofit hospital, medical or
32 dental service association, or nongroup subscriber contracts of ~~health maintenance managed~~
33 care organizations, no such policy or contract shall be offered, delivered, ~~or~~ issued for delivery,
34 continued or renewed in this state unless:

- 35 (a) ~~In~~ the case of a direct response insurance product, the outline of coverage described
36 in subsection (2) of this section accompanies the policy;
37 (b) ~~In~~ all other cases, the outline of coverage described in subsection (2) of this section
38 is delivered to the applicant at the time application is made and an acknowledgment
39 of receipt of certificate of delivery of such outline is provided the insurer with the
40 application. In the event the policy is issued on a basis other than that applied for, the
41 outline of coverage properly describing the policy or contract must accompany the policy
42 or contract when it is delivered and clearly state that it is not the policy or contract for
43 which application was made.

1 (2) The director shall prescribe the format and content of the outline of coverage required
2 by subsection (1) of this section. "Format" means style, arrangement, and overall appearance,
3 including such items as the size, color, and prominence of type and the arrangement of text and
4 captions. Such outline of coverage shall include:

5 (a) A statement identifying the applicable category or categories of coverage provided by
6 the policy or contract as prescribed in section 41-4204, ~~of this act~~ Idaho Code;

7 (b) A description of the principal benefits and coverage provided in the policy or
8 contract;

9 (c) A statement of the exceptions, reductions and limitations contained in the policy or
10 contract;

11 (d) A statement of the renewal provisions including any reservation by the insurer, ~~or~~
12 nonprofit hospital, medical or dental service association, ~~or health maintenance managed~~
13 care organization of a right to change premiums;

14 (e) A statement that the outline is a summary of the policy, certificate or contract issued
15 or applied for and that the policy, certificate or contract should be consulted to determine
16 governing contractual provisions.

17 SECTION 6. That Section 41-4206, Idaho Code, be, and the same is hereby repealed.