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**HOUSE BILL NO. 2506**

Offered January 21, 2011

*A BILL to amend and reenact § 38.2-1802 of the Code of Virginia and to amend the Code of Virginia by adding in Chapter 35 of Title 38.2 an article numbered 6, consisting of sections numbered 38.2-3556 through 38.2-3564, relating to the offering of health benefits plans in the Commonwealth that have been approved for issuance in other states.*

Patron—Hope

Referred to Committee on Commerce and Labor

**Be it enacted by the General Assembly of Virginia:**

**1. That § 38.2-1802 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding in Chapter 35 of Title 38.2 an article numbered 6, consisting of sections numbered 38.2-3556 through 38.2-3564, as follows:**

§ 38.2-1802. Acting as agent for unlicensed insurer prohibited; penalties.

A. No person other than a licensed surplus lines broker shall sell, solicit, or negotiate contracts of insurance in this Commonwealth on behalf of any insurer which is not licensed to transact the business of insurance in this Commonwealth. Nothing in this section shall prohibit any person from obtaining insurance upon his own life or property from an unlicensed insurer.

B. Any person violating the provisions of this section shall be guilty upon conviction of a Class 1 misdemeanor and punished for each offense. In addition, any person violating this section shall be (i) liable on any claim against any unlicensed insurer that arises out of a contract or policy sold, solicited, or negotiated by the person or which the person assisted in selling, soliciting, or negotiating, or (ii) punished as provided in §§ 38.2-218 and 38.2-1831, or (iii) subject to both (i) and (ii).

C. Nothing in this section shall apply to the selling, soliciting, or negotiating of ~~contracts of~~ insurance on:

1. ~~Vessels~~ *Contracts of insurance on vessels* or craft, their cargo, freight, marine builder's risk, maritime protection and indemnity, ship repairer's legal liability, tower's liability or other risks commonly insured under ocean marine insurance policies as distinguished from inland marine insurance policies, provided that a property and casualty or limited lines property and casualty agent licensed in this Commonwealth sells, solicits, or negotiates these classes of insurance on behalf of any insurer not licensed to transact the business of insurance in this Commonwealth; or

2. ~~The~~ *Contracts of insurance on the* rolling stock and operating properties of railroads used in interstate commerce or of any liability or other risks incidental to their ownership, maintenance or operation; or

3. *Health benefits plans on behalf of an insurer that is licensed to sell, offer, or provide health benefits plans in any other state, if such foreign insurer is authorized to sell, offer, or provide the health benefits plans in the Commonwealth pursuant to Article 6 (§ 38.2-3556 et seq.) of Chapter 35.*

D. A property and casualty or limited lines property and casualty agent licensed in this Commonwealth who, pursuant to the provisions of subdivision C 1, sells, solicits, or negotiates ocean marine insurance on behalf of any insurer not licensed to transact the business of insurance in this Commonwealth shall provide a notice to the insured stating that the insurance policy is to be placed with an insurer not licensed to transact the business of insurance in the Commonwealth and stating that (i) in the event of the insolvency of the insurer, there is no protection under the Virginia Property and Casualty Insurance Guaranty Association against financial loss to claimants or policyholders because of the insolvency of an unlicensed insurer, and (ii) the insured may not be protected under the insurance laws of this Commonwealth. The notice required by this subsection shall be in a form prescribed by the Commission and shall be signed and dated by the agent and the insured. The signatures required by this subsection may be in electronic form. The agent shall keep a copy of the notice for at least three years after the effective date of the policy to which the notice pertains. A copy of the notice shall be given to the insured prior to placement of the insurance.

**Article 6.*****Offering Health Benefits Plans Approved in Other States.*****§ 38.2-3556. Definitions.**

*As used in this article, unless the context requires a different meaning:*

*"Covered person" means an individual who is entitled to health care services provided, arranged for, paid for, or reimbursed pursuant to a health benefits plan.*

*"Foreign health insurer" means an insurer licensed to sell, offer, or provide health benefits plans in*

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59 any other state.

60 "Hazardous financial condition" means that, based on its present or reasonably anticipated financial  
61 condition, a foreign health insurer is unlikely to be able to meet obligations to policyholders with  
62 respect to known claims or to any other obligations in the normal course of business.

63 "Health benefits plan" means an arrangement for the delivery of health care, to individuals or on a  
64 group basis, in which a health carrier undertakes to provide, arrange for, pay for, or reimburse any of  
65 the costs of health care services for a covered person that is offered in accordance with the laws of any  
66 state. "Health benefits plan" does not include short-term travel, accident only, limited or specified  
67 disease, or individual conversion policies or contracts, nor policies or contracts designed for issuance to  
68 persons eligible for coverage under Title XVIII of the Social Security Act, known as Medicare, or any  
69 other similar coverage under state or federal governmental plans.

70 "Health care services" means the furnishing of services to any individual for the purpose of  
71 preventing, alleviating, curing, or healing human illness, injury, or physical disability.

72 "Insurer" means any entity that is authorized to sell, offer, or provide a health benefits plan,  
73 including an entity providing a plan of health insurance, health benefits, or health services; an accident  
74 and sickness insurance company; a health maintenance organization; a corporation offering a health  
75 benefits plan; a fraternal benefit society; or other entity that provides health benefits plans subject to  
76 state insurance regulation. "Insurer" shall not include a multiple employer welfare arrangement.

77 "Licensed health insurer" means an insurer licensed to sell, offer, or provide health benefits plans in  
78 the Commonwealth.

79 "NAIC" means the National Association of Insurance Commissioners.

80 "Provider" or "health care provider" means any hospital, physician, or other person authorized by  
81 statute, licensed, or certified to furnish health care services.

82 § 38.2-3557. When foreign health insurers may offer health benefits plans in the Commonwealth.

83 A. Notwithstanding any other law, rule, or regulation to the contrary, the Commission shall approve  
84 for sale in the Commonwealth any health benefits plan that has been approved for issuance in another  
85 state where the insurer is authorized to transact insurance if the foreign health insurer:

86 1. Offers the same health benefits plan in its domiciliary state and is in compliance with all  
87 applicable laws, regulations, and other requirements of its domiciliary state; and

88 2. Obtains a certificate of registration pursuant to § 38.2-3558.

89 B. Except as provided in this article, a health benefits plan sold, offered, or provided by a foreign  
90 health insurer in the Commonwealth in accordance with the provisions of this article shall not be  
91 subject to laws of the Commonwealth applicable to the sale, offering, or provision of accident and  
92 sickness insurance, including, but not limited to, requirements imposed by Articles 1.2 (§ 32.1-137.7 et  
93 seq.) and 2.1 (§ 32.1-138.6 et seq.) of Chapter 5 of Title 32.1, §§ 38.2-232 and 38.2-316, and Chapters  
94 34 (§ 38.2-3400 et seq.), 35 (§ 38.2-3500 et seq.), 37.1 (§ 38.2-3717 et seq.), 42 (§ 38.2-4200 et seq.),  
95 43 (§ 38.2-4300 et seq.), 45 (§ 38.2-4500 et seq.), 58 (§ 38.2-5800 et seq.), and 59 (§ 38.2-5900 et seq.).

96 § 38.2-3558. Registration required.

97 A. A foreign health insurer shall not sell, offer, or provide a health benefits plan in the  
98 Commonwealth until it has registered with the Commission to do so, using a form prescribed by the  
99 Commission. The Commission shall issue a certificate of registration to the foreign health insurer unless  
100 the Commission determines that the foreign health insurer:

101 1. Will not provide a health benefits plan in compliance with the provisions of this article;

102 2. Has not complied with all financial condition requirements applicable to foreign insurers licensed  
103 to transact the business of insurance in the Commonwealth pursuant to Chapter 10 (§ 38.2-1000 et  
104 seq.), 12 (§ 38.2-1200 et seq.), 13 (§ 38.2-1300 et seq.), 14 (§ 38.2-1400 et seq.), 15 (§ 38.2-1500 et  
105 seq.), 17 (§ 38.2-1700 et seq.), 41 (§ 38.2-4100 et seq.), 42 (§ 38.2-4200 et seq.), 43 (§ 38.2-4300 et  
106 seq.), 55 (§ 38.2-5500 et seq.), 58 (§ 38.2-5800 et seq.), or 61 (§ 38.2-6100 et seq.); or

107 3. Has not adopted procedures to ensure compliance with all applicable laws governing the  
108 confidentiality of its records with respect to providers, purchasers of a health benefits plan, and covered  
109 persons.

110 B. A certificate of registration issued pursuant to this section shall be valid for three years from the  
111 date of issuance by the Commission.

112 C. The Commission shall adopt regulations establishing:

113 1. Procedures for a foreign health insurer to renew a registration, pursuant to and consistent with  
114 the provisions of this article; and

115 2. Registration fees, the amount of which shall be no greater than is reasonably necessary to enable  
116 the Commission to carry out the provisions of this article.

117 § 38.2-3559. Required disclosures.

118 A. Each health benefits plan provided by a foreign health insurer in the Commonwealth, and each  
119 application for the health benefits plan, shall disclose the differences between the health benefits plan  
120 issued by the foreign health insurer and an accident and sickness insurance policy issued by a licensed

health insurer pursuant to Chapter 34 (§ 38.2-3400 et seq.), and such related information as the Commission may prescribe by regulation.

B. Each written application for a health benefits plan sold pursuant to this article shall contain the following language in boldface type at the beginning of the document: "The benefits of this [policy/plan/contract, as applicable] may primarily be governed by the laws of a state other than the Commonwealth; therefore, all of the laws applicable to [policies/plans/contracts, as applicable] filed in the Commonwealth may not apply to this [policy/plan/contract, as applicable]. Any purchase of individual health insurance should be considered carefully since future medical conditions may make it impossible to qualify for another individual health insurance [policy/plan/contract, as applicable]."

C. Each policy sold pursuant to this article shall contain the following language in boldface type at the beginning of the document: "The benefits of this [policy/plan/contract, as applicable] providing your coverage may be governed primarily by the laws of a state other than the Commonwealth. The benefits covered may be different from other [policies/plans/contracts, as applicable] you can purchase. Please consult your insurance agent or insurer to determine which health benefits are covered under this [policy/plan/contract, as applicable]."

§ 38.2-3560. Revocation of registration.

The Commission may deny, revoke, or suspend, after notice and opportunity to be heard, a certificate of registration issued to a foreign health insurer pursuant to this article upon finding that the foreign health insurer has violated any provision of this article, including any finding by the Commission that a foreign health insurer is no longer in compliance with any of the conditions for issuance of a certificate of registration set forth in § 38.2-3558 or any regulation adopted pursuant to this article. The Commission shall provide for an appropriate and timely right of appeal for the foreign health insurer whose certificate is denied, revoked, or suspended.

§ 38.2-3561. Marketing materials.

A. The Commission shall establish fair marketing standards for marketing materials used by foreign health insurers to market health benefits plans in the Commonwealth, which standards shall be consistent with those applicable to health benefits plans offered by a licensed health insurer pursuant to Chapter 34 (§ 38.2-3400 et seq.).

B. The procedures and standards established under subsection A shall be applied on a nondiscriminatory basis so as not to place greater responsibilities on foreign health insurers than the responsibilities placed on licensed health insurers doing business in the Commonwealth.

§ 38.2-3562. Applicability of actuarial value standards and other requirements.

A. The minimum benefits provided under a health benefits plan offered pursuant to this article shall satisfy any actuarial value standards required under this title or by regulation adopted by the Commission or required under applicable federal law or regulation.

B. A foreign health insurer offering health benefits plans pursuant to this article shall comply with:

1. Provisions protecting covered persons from unfair trade practices applicable to accident and sickness insurance pursuant to Chapter 5 (§ 38.2-500 et seq.);

2. The capital and surplus requirements for licensure specified in § 38.2-1028 or 38.2-1029, as determined to be applicable to foreign health insurers by the Commission;

3. Applicable requirements of this title and Title 58.1 pertaining to taxes and assessments imposed on licensed health insurers selling individual and group health insurance policies in the Commonwealth; and

4. Applicable requirements of Title 13.1 regarding the obtaining of authority to transact business in the Commonwealth and the maintenance of a registered office and registered agent.

§ 38.2-3563. Examinations.

The Commissioner shall be authorized to conduct market conduct and solvency examinations of all out-of-state companies seeking to offer health benefits plans in the Commonwealth or who have been given approval to offer health benefits plans in the Commonwealth. Such examinations shall be conducted in the same manner and under the same terms and conditions as for domestic insurers licensed to sell health benefits plans in the Commonwealth.

§ 38.2-3564. Regulations.

A. The Commissioner shall adopt rules and regulations necessary to implement this article, which shall include, but shall not be limited to, standard forms for the disclosure of benefits.

B. Any dispute resolution mechanism or provision for notice and hearing in this title shall apply to insurers issuing and delivering policies pursuant to this article.

C. Regulations adopted under this section shall not:

1. Directly or indirectly require a foreign health insurer to, directly or indirectly, modify coverage or benefit requirements, or restrict underwriting requirements or premium ratings, in any way that conflicts with the insurer's domiciliary state's laws or regulations;

2. Provide for regulatory requirements that are more stringent than those applicable to carriers that

**182** *are licensed by the Commissioner to provide health benefits plans in the Commonwealth; or*  
**183** *3. Require any health benefits plan issued by the foreign health insurer to be countersigned by an*  
**184** *insurance agent or broker residing in the Commonwealth.*