



SENATE BILL 496: DOI Omnibus Bill.

2021-2022 General Assembly

Committee:	House Insurance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	October 20, 2021
Introduced by:	Sens. Johnson, Edwards, McInnis	Prepared by:	Kristen L. Harris
Analysis of:	PCS to Second Edition S496-CSTU-19		Jeremy Ray Committee Co-Counsel

OVERVIEW: *The Proposed Committee Substitute for Senate Bill 496 would make various changes to North Carolina's insurance laws, as recommended by the Department of Insurance (DOI), including:*

- *Remove personal delivery as a delivery option for certain DOI forms.*
- *Expand quality limitations to include certain obligations held by subsidiaries and affiliated corporations.*
- *Discontinue certain notification requirements to the Commissioner of Insurance (Commissioner) from licensed professional employer organizations.*
- *Extend certain requirements applicable to Prepaid Health Plans (PHP) to Health Maintenance Organizations (HMO).*
- *Clarify continuation of health care service requirements for PHPs when impacted by insolvency.*
- *Require public educational entities to annually report to the Commissioner certain insured property information.*
- *Conform penalties related to manufactured housing standards with federal law.*
- *Update contact information for the Seniors' Health Insurance Information Program.*
- *Prevent businesses with a revoked or suspended license in North Carolina from offering insurance products to North Carolina residents through another state's licensure.*
- *Modify state of disaster provisions as to property and casualty insurance companies and premium finance companies.*
- *Expand enhancements that may be offered by insurers to consumers.*
- *Provide additional notice to consumers regarding exclusions contained in travel insurance.*

BILL ANALYSIS:

PART I. HOLDING COMPANY ACT FORM FILING CHANGES

SECTION 1. Would eliminate personal delivery as a delivery option for certain documents that are required to be filed with the Commissioner under Article 19 of Chapter 58 (Insurance Holding Companies). Delivery by mail would remain available.

PART II. STANDARDIZE QUALITY LIMITATIONS FOR OBLIGATIONS

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SECTION 2. Would expand quality limitations imposed on obligations held by insurers that are considered medium to lower quality, to include subsidiaries or affiliated corporations. Currently, these quality limitations do not apply to medium to lower quality obligations held by subsidiaries or affiliated corporations.

PART III. CHANGE PEO NOTIFICATION REQUIREMENTS

SECTION 3. Would discontinue certain notification requirements made to the Commissioner from licensed professional employer organizations (PEOs). PEOs offer professional employer services, including, staff leasing. Under current law, licensed PEOs must notify the Commissioner within 30 or 10 (in certain circumstances) days of an initiation or termination with a client company.

PART IV. UPDATE OTHER LAWS APPLICABLE TO HMOS

SECTION 4. Would extend four statutes currently applicable to PHPs under G.S. 58-93-120, to HMOs under G.S. 58-67-171. These would include:

- G.S. 58-7-21 – Credit allowed a domestic ceding insurer
- G.S. 58-7-26 – Asset or reduction from liability for reinsurance ceded by a domestic insurer to an assuming insurer not meeting the requirements of G.S. 58-7-21
- G.S. 58-7-30 – Insolvent ceding insurer
- G.S. 58-7-31 – Life and health reinsurance agreements

This would treat HMOs the same as PHPs for reinsurance purposes.

PART V. PREPAID HEALTH PLAN LICENSING CLARIFYING CHANGE

SECTION 5. Would clarify the continuation of health care service requirements for Medicaid prepaid health plans (PHPs) when impacted by insolvency by replacing the phrase “enrollees whose enrollment in a PHP is not voluntary” with a citation to G.S. 108D-40, which identifies those enrollees. Currently, the Commissioner requires that each PHP have a plan for handling insolvency. The plan must allow for health care services to be provided to its enrollees until the specified enrollees of the PHP are enrolled in another PHP. This modification would require the PHP to plan for the continuation of health care services to all of its enrollees until the PHP's capitated contract is terminated by DHHS and all specified enrollees are transitioned to another PHP.

PART VI. PUBLIC SCHOOL INSURANCE REPORTING CHANGES

SECTION 6. Under current law, local school administrative units and community colleges are required to insure buildings against property and flood (if located in a flood zone) damage. To accommodate this requirement, effective July 1, 2020 under S.L. 2019-176, the Commissioner is authorized to operate a system of insurance available for purchase for public education property. Section 6. would require those public education entities to provide to the Commissioner a list of all of its insurable buildings, the equipment and contents of those buildings, and their uninsurable values by October 1 of each year. It would also require those same entities to provide copies of insurance policies when purchasing insurance from an authorized insurance company.

PART VII. NORTH CAROLINA MANUFACTURED HOUSING BOARD CHANGES.

SECTION 7. Would codify the definition for "qualifier" currently found in administrative rules under 11 NCAC 08 .0912. It would specify the name of engineering standards adopted by the Commissioner as "State of North Carolina Regulations for Manufactured Homes." It would also conform penalties for

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violations related to manufactured housing standards under Chapter 143 of the General Statutes with federal law.

PART VIII. LONG TERM CARE INSURANCE TECHNICAL CHANGE UPDATING PHONE NUMBER

SECTION 8. Would update the contact information (telephone number) for the Seniors' Health Insurance Information Program under G.S. 58-55-60(7).

PART IX. CLARIFY EXCEPTION TO UNAUTHORIZED INSURER PROHIBITION

SECTION 9. Under current law, it is unlawful for any company to enter into a contract for insurance as an insurer or to transact insurance business in the State without a license issued by the Commissioner, unless an exception applies. However, certain insurance transactions may be allowed in this State if the master policy was lawfully issued and delivered in another state where the company was authorized to transact business. Section 9. would prohibit a company from offering insurance products to North Carolina residents with a revoked or suspended license in North Carolina regardless if that company is authorized to transact business by another state.

PART X. AMEND STATE OF DISASTER PROVISIONS

SECTION 10. Under current law, the requirement to file a "proof of loss" under a property and casualty insurance policy is automatically stayed under certain state of disaster situations, and insureds are given the option to defer payment of their premiums. Section 10. would create additional guidelines for property and casualty insurance companies, premium finance companies, and collection agencies to follow during deferral periods that become effective as the result of a declared state of disaster or a public health emergency requiring individuals to stay at home.

These standards would set limitations on what actions an insurance company, premium finance company, or collection agency may be authorized to collect before, during, or after a deferral period becomes effective. This would include actions taken on insurance policies in arrears and policy cancellations and nonrenewals.

PART XI. EXPANSION OF PROGRAM ENHANCEMENTS

SECTION 11. Under current law, companies that write private passenger automobile or homeowners' insurance may incorporate optional enhancements not otherwise provided for under Chapter 58 of the General Statutes, if approved by the Commissioner. Section 11. would expand that list of optional enhancements to include dwelling, and residential private flood insurance products if approved by the Commissioner.

PART XII. TRAVEL INSURANCE EXCLUSIONS NOTICE

SECTION 12. Would require additional notice to be given to consumers regarding exclusions contained in travel insurance policies.

EFFECTIVE DATE: This act would become effective when it becomes law.