

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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SENATE BILL 85
Commerce and Insurance Committee Substitute Adopted 4/15/21

Short Title: Allow Vision Service Plans.

(Public)

Sponsors:

Referred to:

February 15, 2021

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW VISION SERVICE PLANS AND TO MAKE TECHNICAL AND
3 CONFORMING CHANGES TO CHAPTER 58 OF THE GENERAL STATUTES.
4 The General Assembly of North Carolina enacts:

5
6 **PART I. ALLOW VISION SERVICE PLANS**

7 **SECTION 1.** Part 1 of Article 65 of Chapter 58 of the General Statutes reads as
8 rewritten:

9 "Article 65.

10 "~~Hospital, Medical and Dental Hospital~~ Service Corporations.

11 "Part 1. In General.

12 **"§ 58-65-1. Regulation and definitions; application of other laws; profit and foreign**
13 **corporations prohibited.**

14 (a) Any corporation organized under the general corporation laws of the State of North
15 Carolina for the purpose of maintaining and operating a nonprofit ~~hospital or medical or dental~~
16 dental, health care, medical, or vision service plan whereby ~~hospital care or medical or dental~~
17 service-dental, health care, medical, or vision care or services may be provided in whole or in
18 part by the corporation or by hospitals, physicians, optometrists, or dentists participating in the
19 plan, or plans, shall be governed by this Article and Article 66 of this Chapter and shall be exempt
20 from all other provisions of the insurance laws of this State, unless otherwise provided.

21 ~~The term "hospital service plan" as used in this Article includes the contracting for certain~~
22 ~~fees for, or furnishing of, hospital care, laboratory facilities, X-ray facilities, drugs, appliances,~~
23 ~~anesthesia, nursing care, operating and obstetrical equipment, accommodations or any other~~
24 ~~services authorized or permitted to be furnished by a hospital under the laws of the State of North~~
25 ~~Carolina and approved by the North Carolina Hospital Association or the American Medical~~
26 ~~Association.~~

27 ~~The term "medical service plan" as used in this Article includes the contracting for the~~
28 ~~payment of fees toward, or furnishing of, medical, obstetrical, surgical or any other professional~~
29 ~~services authorized or permitted to be furnished by a duly licensed physician or other provider~~
30 ~~listed in G.S. 58-50-30. The term "medical services plan" also includes the contracting for the~~
31 ~~payment of fees toward, or furnishing of, professional medical services authorized or permitted~~
32 ~~to be furnished by a duly licensed provider of health services licensed under Chapter 90 of the~~
33 ~~General Statutes.~~

34 ~~The term "dental service plan" as used in this Article includes contracting for the payment of~~
35 ~~fees toward, or furnishing of dental or any other professional services authorized or permitted to~~
36 ~~be furnished by a duly licensed dentist.~~



1 The term "hospital service corporation" as used in this Article is intended to mean any
2 nonprofit corporation operating a hospital or medical or dental service plan, as defined in this
3 section. Any corporation organized and subject to the provisions of this Article, the certificate of
4 incorporation of which authorizes the operation of either a hospital or medical or dental service
5 plan, or any or all of them, may, with the approval of the Commissioner, issue subscribers'
6 contracts or certificates approved by the Commissioner of Insurance, for the payment of either
7 hospital or medical or dental fees, or the furnishing of such services, or any or all of them, and
8 may enter into contracts with hospitals for physicians or dentists, or any or all of them, for the
9 furnishing of fees or services respectively under a hospital or medical or dental service plan, or
10 any or all of them.

11 The term "preferred provider" as used in this Article with respect to contracts, organizations,
12 policies or otherwise means a health care service provider who has agreed to accept, from a
13 corporation organized for the purposes authorized by this Article or other applicable law, special
14 reimbursement terms in exchange for providing services to beneficiaries of a plan administered
15 pursuant to this Article.

16 The term "full service corporation" as used in this Article means any corporation organized
17 under the provisions of this Article that offers a medical service plan or a hospital service plan.

18 The term "single service corporation" as used in this Article means any corporation organized
19 under the provisions of this Article that offers only a dental service plan.

20 (a1) With the approval of the Commissioner, any corporation organized and subject to the
21 provisions of this Article, the certificate of authority of which authorizes the operation of either
22 a dental, health care, medical, or vision service plan, or any combination of those plans, may do
23 both of the following:

24 (1) Issue subscribers' contracts or certificates for the provision of, or the payment
25 of fees for, dental, health care, medical, or vision service or care, or any or all
26 of those services or care as applicable.

27 (2) Enter into contracts with hospitals, physicians, dentists, optometrists, or any
28 or all of those health care providers, for the provision of, or the payment of
29 fees for, services or care under a dental, health care, medical, or vision service
30 plan, or any combination of those plans.

31 (b) through (c) Repealed by Session Laws 2001-297.

32 (d) No foreign or alien hospital or medical or dental service corporation as herein defined
33 shall be authorized to do business in this State.

34 **"§ 58-65-1.1. Definitions applicable to this Article.**

35 The following definitions apply in this Article:

36 (1) Dental service plan. – A contract for the provision of, or the payment of fees
37 for, dental care or dental services, including any other professional services
38 authorized or permitted to be provided by a duly licensed dentist.

39 (2) Full-service corporation. – Any corporation organized under the provisions of
40 this Article that offers a medical service plan or a health care service plan.

41 (3) Health care service plan. – Any contract for the provision of, or the payment
42 of fees for, hospital care, laboratory facilities, X-ray facilities, drugs, health
43 care appliances, anesthesia, nursing care, operating and obstetrical equipment,
44 or health care accommodations, including any other services permitted to be
45 provided by a hospital under the laws of this State and approved by the North
46 Carolina Hospital Association or the American Medical Association.

47 (4) Hospital service corporation. – Any nonprofit corporation that operates one or
48 any combination of the following:

49 a. Dental service plan.

50 b. Health care service plan.

51 c. Medical service plan.

- 1 d. Vision service plan.
- 2 (5) Medical service plan. – Any contract for the furnishing of, or the payment of
- 3 fees for, any of the following:
- 4 a. Medical, obstetrical, surgical, or any other professional services
- 5 authorized or permitted to be provided by a duly licensed physician or
- 6 other provider listed in G.S. 58-50-30.
- 7 b. Professional medical services authorized or permitted to be provided
- 8 by a health care provider licensed under Chapter 90 of the General
- 9 Statutes.
- 10 (6) Preferred provider. – A health care provider who has agreed to accept, from a
- 11 corporation organized for the purposes authorized by this Article, special
- 12 reimbursement terms in exchange for providing services to beneficiaries of a
- 13 plan administered pursuant to this Article.
- 14 (7) Single-service corporation. – Any corporation organized under the provisions
- 15 of this Article that offers any of the following:
- 16 a. Only a dental service plan.
- 17 b. Only a vision service plan.
- 18 c. Both a dental service plan and a vision service plan, but no other plans.
- 19 (8) Vision service plan. – Any contract for the provision of, or the payment of
- 20 fees for, vision care or vision services, including any other professional
- 21 services permitted to be provided by a duly licensed optometrist or
- 22 ophthalmologist.

23 **"§ 58-65-2. Other laws applicable to all service corporations.**

24 The following provisions of this Chapter are applicable to hospital service corporations that

25 are subject to this Article:

- 26 G.S. 58-2-125..... Authority over all insurance companies; no exemptions from
- 27 license.
- 28 ...
- 29 G.S. 58-50-290..... Health benefit plans or insurers contracting for the provision of
- 30 dental services; no limitation on fees for noncovered services.
- 31 G.S. 58-50-300..... Health benefit plans or insurers contracting for the provision of
- 32 vision services or materials; no limitation on fees for noncovered
- 33 services or materials.
- 34 G.S. 58-51-15(a)(2)b..... Accident and health policy provisions.
- 35 G.S. 58-51-17..... Portability for accident and health insurance.
- 36 G.S. 58-51-25..... Policy coverage to continue as to children with an intellectual or
- 37 physical disability or dependent students on medically necessary
- 38 leave of absence.
- 39 G.S. 58-51-95(h),(i),(j).... Approval by Commissioner of forms, classification and rates;
- 40 hearings; exceptions.

41 **"§ 58-65-5. Contract for joint assumption or underwriting of risks.**

42 Any hospital service corporation organized or regulated by the provisions of this Article and

43 Article 66 of this Chapter is authorized to enter into ~~such~~ contracts with any other firm or

44 corporation for joint assumption or underwriting of any ~~part or all-part~~, or all, of any risks

45 undertaken upon ~~such~~ terms and conditions ~~as that~~ are approved by the Commissioner of

46 Insurance.

47 **"§ 58-65-10. Premium or dues ~~paid by employer, employee, principal or agent or jointly~~**

48 **and severally paid.**

49 (a) Any premium or dues charged by a corporation regulated under the provisions of this

50 Article and Article 66 of this Chapter may be paid by the employer, employee, principal, or ~~agent,~~

51 ~~or jointly and severally.~~ agent. The term "employer" as used ~~herein~~ in this section includes

1 counties, municipal corporations, and all departments or subdivisions of the State, county,
2 municipal corporation, and official boards including city and county boards of alcoholic control,
3 together with all others occupying the status of employer and employee, principal and agent.

4 (b) Any premium or dues charged by a corporation regulated under the provisions of this
5 Article and Article 66 of this Chapter may be paid jointly and severally.

6 ...

7 **"§ 58-65-25. Hospital, ~~physician and dentist~~ physician, dentist, and optometrist contracts.**

8 (a) Any full-service corporation organized under this Article may enter into contracts for
9 the rendering of hospital service to any of its subscribers by hospitals approved by the American
10 Medical Association ~~and/or or the North Carolina Hospital Association, and Association.~~

11 (a1) Any hospital service corporation may enter into contracts for the furnishing-provision
12 of, or the payment in whole or in part for, ~~medical and/or dental~~ medical, dental, or vision services
13 rendered to any of its subscribers by duly licensed ~~physicians and/or dentists.~~ physicians, dentists,
14 or optometrists in accordance with this Article.

15 (a2) All obligations arising under contracts issued by ~~such corporations~~ a hospital service
16 corporation to its subscribers shall be satisfied by payments made (i) directly to the hospitals or
17 ~~hospitals and/or physicians and/or dentists~~ physicians, dentists, or optometrists rendering ~~such~~
18 ~~the service, or direct~~ (ii) directly to the subscriber or his, her, or ~~their~~ the subscriber's legal
19 representatives upon the receipt by the corporation from the subscriber of a statement marked
20 paid by the ~~hospital(s) and/or physician(s) and/or dentist(s) or both~~ hospitals, physicians, dentists,
21 or optometrists rendering ~~such service, and all such payments heretofore made are hereby~~
22 ~~ratified.~~ the applicable service. Nothing in this section shall be construed to discriminate against
23 hospitals conducted by other schools of medical practice.

24 (b) All certificates, plans or contracts issued to subscribers or other persons by ~~hospital~~
25 ~~and medical and/or dental service~~ hospital service corporations operating under this Article shall
26 contain in substance a provision as follows: "After two years from the date of issue of this
27 certificate, contract or plan no misstatements, except fraudulent misstatements made by the
28 applicant in the application for such certificate, contract or plan, shall be used to void said
29 certificate, contract or plan, or to deny a claim for loss incurred or disability (as therein defined)
30 commencing after the expiration of such two-year period."

31 ...

32 **"§ 58-65-50. Application for certificate of authority or license.**

33 No corporation subject to the provisions of this Article and Article 66 of this Chapter shall
34 issue contracts for the rendering of ~~hospital or medical and/or dental~~ dental, health care, medical,
35 or vision service to subscribers, until the Commissioner of Insurance has, by formal certificate
36 or license, authorized it to do so. Application for ~~such a~~ certificate of authority or license shall
37 be made on forms to be supplied by the Commissioner of ~~Insurance, Insurance and~~ containing
38 ~~such any~~ information as ~~he shall deem necessary.~~ required by the Commissioner. Each
39 application for ~~such a~~ certificate of authority or license, as a part thereof shall be ~~accompanied~~
40 ~~by license~~ shall include duplicate copies of the following documents duly certified by at least
41 two of the executive officers of ~~such the~~ corporation:

- 42 (1) Certificate of ~~incorporation with all amendments thereto.~~ incorporation,
43 including any amendments.
- 44 (2) ~~Bylaws with all amendments thereto.~~ Bylaws, including any amendments.
- 45 (3) Each contract executed or proposed to be executed by and between the
46 corporation and any participating ~~hospital, and/or physicians~~ hospital or
47 physician, dentist, or optometrist under the terms of which ~~hospital and/or~~
48 ~~medical and/or dental~~ dental, health care, medical, or vision service is to be
49 furnished to subscribers to the plan.
- 50 (4) Each form of contract, application, rider, and endorsement, issued or proposed
51 to be issued to subscribers to the plan, or in renewal of any of contracts with

1 subscribers to the plan, together with a table of rates charged or proposed to
2 be charged to subscribers for each form of ~~such~~the contract.

- 3 (5) Financial statement of the corporation which shall include the amounts of each
4 contribution paid or agreed to be paid to the corporation for working capital,
5 the name or names of each ~~contributor~~contributor, and the terms ~~or~~of each
6 contribution.

7 **"§ 58-65-55. Issuance and continuation of license.**

8 (a) Every corporation subject to this Article shall pay to the Commissioner a fee of two
9 hundred fifty dollars (\$250.00) for filing an application for a license. Fee payment shall be
10 contemporaneous with the filing. Before issuing or continuing any ~~such~~ license or certificate
11 under this Article, the Commissioner may make ~~such~~an examination or investigation as the
12 Commissioner deems expedient. The Commissioner shall issue a license upon the payment of a
13 fee of one thousand five hundred dollars (\$1,500) for a ~~single service~~single-service corporation
14 or two thousand five hundred dollars (\$2,500) for a ~~full service~~full-service corporation and upon
15 being satisfied on the following points:

- 16 (1) The applicant is established as a bona fide nonprofit hospital service
17 corporation as defined by this Article and Article 66 of this Chapter.
18 (2) The rates charged and benefits to be provided are fair and reasonable.
19 (3) The amounts provided as working capital of the corporation are repayable
20 only out of earned income in excess of amounts paid and payable for operating
21 expenses and ~~hospital and medical and/or dental expenses and such reserve as~~
22 the Department deems adequate, as provided hereinafter, dental, health care,
23 medical, or vision expenses, and the reserve is deemed adequate by the
24 Department.
25 (4) ~~That the~~The amount of money actually available for working capital ~~be~~is
26 sufficient to carry all acquisition costs and operating expenses for a reasonable
27 period of time from the date of the issuance of the certificate.

28 (b) The license shall continue in full force and effect, subject to payment of an annual
29 license continuation fee of one thousand five hundred dollars (\$1,500) for a ~~single service~~
30 single-service corporation or two thousand five hundred dollars ~~(\$2,500),~~(\$2,500) for a
31 full-service corporation, subject to all other provisions of subsection (a) of this section and
32 subject to any other applicable provisions of the insurance laws of this State.

33 **"§ 58-65-60. Subscribers' contracts; required and prohibited provisions.**

34 ...

35 (c) Every contract entered into by any ~~such~~ corporation subject to the provisions of this
36 Article and Article 66 of this Chapter with any subscriber ~~thereof~~of the corporation shall be in
37 writing and a certificate stating the terms and conditions ~~thereof~~of the contract shall be furnished
38 to the subscriber to be kept by ~~him~~the subscriber. No such certificate form, other than to group
39 subscribers of groups of 10 or more certificate holders or those issued pursuant to a master group
40 contract covering 10 or more certificate holders shall be made, issued or delivered in this State
41 unless it contains the following provisions, provided, however, groups between five and 10
42 certificate holders complying with and maintaining eligibility status under regulations approved
43 by the Commissioner of Insurance for group enrollment may be cancelled if ~~such~~the group
44 participation falls below the minimum participation of five certificate holders; or if the group
45 takes other group hospital, medical or surgical coverage:

- 46 (1) A statement of the amount payable to the corporation by the subscriber and
47 the times at which and manner in which ~~such~~the required amount is to be
48 paid; this provision may be inserted in the application rather than in the
49 certificate. ~~Application~~The application need not be attached to the certificate.
50 (2) A statement of the nature of the benefits to be furnished and the period during
51 which they will be furnished.

- 1 (3) A statement of the terms and conditions, if any, upon which the contract may
 2 be cancelled or otherwise terminated at the option of either party. The
 3 statement shall be in the following language:
- 4 a. ~~"Renewability":~~ Renewability. – Any contract subject to the
 5 provisions of this subdivision is renewable at the option of the
 6 subscriber unless sufficient notice in writing of nonrenewal is mailed
 7 to the subscriber by the corporation addressed to the last address
 8 recorded with the corporation.
- 9 b. ~~"Sufficient notice"~~ Sufficient notice. – The notice required shall be as
 10 follows:
- 11 1. During the first year of any ~~such~~ contract, or during the first
 12 year following any lapse and reinstatement, or reenrollment, a
 13 period of 30 days.
- 14 2. During the second and subsequent years of continuous
 15 coverage, a number of full calendar months most nearly
 16 equivalent to one fourth the number of months of continuous
 17 coverage from the first anniversary of the date of issue or
 18 reinstatement or reenrollment, whichever date is more recent,
 19 to the date of mailing of ~~such~~ the 30-day notice.
- 20 3. No period of required notice shall exceed two years, and no
 21 renewal hereunder shall renew any ~~such~~ contract for any period
 22 beyond the required period of notice except by written
 23 agreement of the subscriber and corporation.
- 24 c. Modifications, terminations, and cancellations. – The contract may be
 25 modified, terminated or cancelled by the corporation at any time at its
 26 option, ~~upon:~~ upon any of the following:
- 27 a. 1. Nonpayment by the subscriber of fees or dues as required.
- 28 b. 2. Failure or refusal by the subscriber to comply with rate or
 29 benefit changes approved by the Commissioner under
 30 G.S. 58-65-45.
- 31 e. 3. Failure or refusal by the subscriber after 30 days' written notice
 32 to subscriber to transfer into ~~hospital, medical, or dental~~ a
 33 dental, health care, medical, or vision service plan serving the
 34 area to which the subscriber has changed residence and is
 35 eligible for or to which corporation is required to transfer by
 36 interplan agreement of transfer.
- 37 (4) A statement that the contract includes the endorsement thereon and attached
 38 papers, if any, and together with the applications contains the entire contract.
- 39 (5) A statement that if the subscriber defaults in making any ~~payment,~~ payment
 40 under the contract, then the subsequent acceptance of a payment by the
 41 corporation at its home office shall reinstate the contract, but with respect to
 42 sickness and injury, only to cover such sickness as may be first manifested
 43 more than 10 days after the date of ~~such acceptance.~~ acceptance of the
 44 payment.

45 ...

46 **"§ 58-65-65. Coverage for active medical treatment in tax-supported institutions.**

47 (a) No ~~hospital or medical or dental~~ dental, health care, medical, or vision service plan,
 48 contract, or certificate governed by this Article and Article 66 of this Chapter shall be delivered,
 49 issued, executed, or renewed in this State, or approved for issuance or renewal in this State, unless
 50 it provides for the payment of benefits for charges made for medical care rendered by duly
 51 licensed State tax-supported institutions on a basis no less favorable than the basis that would

1 apply had the medical care been rendered by any other public or private institution or provider.
 2 The term "State tax-supported institutions" includes community mental health centers and other
 3 health clinics ~~which that~~ are certified as Medicaid providers.

4 ...
 5 **"§ 58-65-70. Contracts to cover any person possessing the sickle cell trait or hemoglobin C**
 6 **trait.**

7 No ~~hospital, medical, dental, or any health~~ hospital service corporation governed by this
 8 Article and Article 66 of this Chapter shall ~~refuse~~ do either of the following:

9 (1) Refuse to issue or deliver any individual or group hospital, dental, medical,
 10 vision, or health service contract in this State which it is currently issuing for
 11 delivery in this State, and which affords that provides benefits or coverage for
 12 any medical health care treatment or service authorized or permitted to be
 13 furnished provided by a hospital, clinic, family health clinic, neighborhood
 14 health clinic, health maintenance organization, physician, physician's
 15 assistant, nurse practitioner or any medical service facility or health care
 16 facility, or health care personnel, on account of the fact that the person who is
 17 to be insured possesses sickle cell trait or hemoglobin C trait; nor shall any
 18 such policy issued and delivered in this State carry trait.

19 (2) Issue and deliver a policy that has a higher premium rate or charge on account
 20 of the fact that the person who is to be insured possesses sickle cell trait.

21 ...
 22 **"§ 58-65-95. Investments and reserves.**

23 (a) Corporations subject to this Article shall invest in or hold only those assets permitted
 24 by Article 7 of this Chapter for life and health insurance companies.

25 (b) Every such corporation shall accumulate and maintain, in addition to proper reserves
 26 for current administrative liabilities and whatever reserves are deemed to be adequate and proper
 27 by the Commissioner for unpaid ~~hospital, medical, or dental~~ dental, health care, medical, or
 28 vision bills and unearned membership dues, a special contingent surplus or reserve at the
 29 following rates annually of its gross annual collections from membership dues, exclusive of
 30 receipts from cost plus plans, until the reserve equals an amount that is three times its average
 31 monthly expenditures for claims and administrative and selling expenses:

32 (1)	First \$200,000	4%
33 (2)	Next \$200,000	2%
34 (3)	All above \$400,000	1%

35 (c) Any ~~such~~ corporation subject to this Article may accumulate and maintain a
 36 contingent reserve in excess of the reserve required in subsection (b) of this section, not to exceed
 37 an amount equal to six times the average monthly expenditures for claims and administrative and
 38 selling expenses.

39 (d) If the Commissioner finds that special conditions exist warranting an increase or
 40 decrease in the reserves or schedule of reserves in subsection (b) of this section, the
 41 Commissioner may modify them accordingly. Provided, however, when special conditions exist
 42 warranting an increase in the schedule of reserves, the schedule shall not be increased by the
 43 Commissioner until a reasonable length of time has elapsed after the Commissioner gives notice
 44 of the increase.

45 ...
 46 **"§ 58-65-110. Expenses.**

47 All acquisition expenses in connection with the solicitation of subscribers to ~~such hospital~~
 48 ~~and/or medical and/or dental~~ a dental, health care, medical, or vision service plan and
 49 administration costs including salaries paid to officers of the corporations, if any, shall at all times
 50 be subject to inspection by the Commissioner of Insurance.

51 ...

1 **"§ 58-65-120. ~~Medical, dental and hospital~~ Dental, health care, medical, and vision service**
 2 **associations and agent to transact business through licensed agents only.**

3 No ~~medical and/or dental or hospital~~ dental, health care, medical, or vision service
 4 ~~association; association,~~ nor any agent of ~~any association~~ the association, shall on behalf of ~~such~~
 5 the association or agent, ~~agent~~ knowingly permit any person not licensed as an agent as ~~provided~~
 6 required by law, to solicit, negotiate for, collect or transmit a premium for a new contract of
 7 ~~medical and/or dental or hospital~~ dental, health care, medical, or vision service certificate or to
 8 act in any way in the negotiation for any contract or ~~policy; provided, no policy.~~ No license shall
 9 be required of any of the following:

- 10 (1) Persons designated by the association or subscriber to collect or deduct or
 11 transmit premiums or other charges for ~~medical and/or dental care or hospital~~
 12 dental, health care, medical, or vision contracts, or to perform ~~such any~~ acts
 13 as may be required for providing coverage for additional persons who are
 14 eligible under a master contract.
- 15 (2) An agency office employee acting in the confines of the agent's office, under
 16 the direction and supervision of the duly licensed agent and within the scope
 17 of ~~such that~~ agent's license, in the acceptance of request for insurance and
 18 payment of premiums, and the performance of clerical, stenographic, and
 19 similar office duties.

20 ...

21 **"§ 58-65-131. Findings; definitions; conversion plan.**

22 (a) Intent and Findings. – It is the intent of the General Assembly by the enactment of
 23 this section, G.S. 58-65-132, and G.S. 58-65-133 to create a procedure for a ~~medical, hospital, or~~
 24 ~~dental hospital~~ service corporation to convert to a stock accident and health insurance company
 25 or stock life insurance company that is subject to the applicable provisions of Articles 1 through
 26 64 of this Chapter. Except as provided ~~herein, in this section,~~ it is not the intent of the General
 27 Assembly to supplant, modify, or repeal other provisions of this Article and Article 66 of this
 28 Chapter or the provisions of Chapter 55A of the General ~~Statutes (the Statutes, the Nonprofit~~
 29 ~~Corporation Act) Act,~~ that govern other transactions and the procedures relating to ~~such those~~
 30 transactions that apply to corporations governed by the provisions of this Article and Article 66
 31 of this Chapter.

32 The General Assembly recognizes the substantial and recent changes in market and health
 33 care conditions that are affecting these corporations and the benefit of equal regulatory treatment
 34 and competitive equality for health care insurers. The General Assembly finds that a procedure
 35 for conversion is in the best interest of policyholders because it will provide greater financial
 36 stability for these corporations and a greater opportunity for the corporations to remain
 37 financially independent. The General Assembly also finds that if a ~~medical, hospital, or dental~~
 38 hospital service corporation converts to a stock accident and health insurance company or stock
 39 life insurance company, the conversion plan must provide a benefit to the people of North
 40 Carolina equal to one hundred percent (100%) of the fair market value of the corporation.

41 (b) Definitions. – ~~As used in~~ The following definitions apply in this section,
 42 G.S. 58-65-132, and G.S. 58-65-133:

- 43 (1) ~~"Certificate holder" includes an~~ Certificate holder. – An enrollee, as defined
 44 in Article 67 of this Chapter, in a health maintenance plan provided by the
 45 corporation or a subsidiary or by the new corporation or a subsidiary.
- 46 (2) ~~"Code" means Code.~~ – Title 26 of the United States Code, the United States
 47 Internal Revenue Code of 1986, as amended.
- 48 (3) ~~"Conversion" means the~~ Conversion. – The conversion of a ~~hospital, medical,~~
 49 ~~or dental hospital~~ service corporation to a stock accident and health insurance
 50 company or stock life insurance company subject to the applicable provisions
 51 of Articles 1 through 64 of this Chapter.

- 1 (4) ~~"Corporation" means a Corporation. – A hospital, medical, or dental hospital~~
 2 service corporation governed by this Article that files or is required to file a
 3 plan of conversion with the Commissioner under subsection (d) of this section
 4 to convert from a ~~hospital, medical, or dental hospital~~ service corporation to a
 5 stock accident and health insurance company or stock life insurance company.
 6 (5) ~~"Foundation" means a Foundation. – A newly formed tax-exempt charitable~~
 7 social welfare organization formed and operating under section 501(c)(4) of
 8 the Code and Chapter 55A of the General Statutes.
 9 (6) ~~"New corporation" means a New corporation. – A corporation originally~~
 10 governed by this Article that has had its plan of conversion approved by the
 11 Commissioner under G.S. 58-65-132 and that has converted to a stock
 12 accident and health insurance company or stock life insurance company.
 13

14 **"§ 58-65-132. Review and approval of conversion plan; new corporation.**

15 (a) Approval of Plan of Conversion. – The Commissioner shall approve the plan of
 16 conversion and issue a certificate of authority to the new corporation to transact business in this
 17 State only if the Commissioner finds all of the following:

- 18 (1) The plan of conversion meets the requirements of G.S. 58-65-131, this
 19 section, and G.S. 58-65-133.
 20 (2) Upon conversion, the new corporation will meet the applicable standards and
 21 conditions under this Chapter, including applicable minimum capital and
 22 surplus requirements.
 23 (3) The plan of conversion adequately protects the existing contractual rights of
 24 the corporation's subscribers and certificate holders to ~~medical or hospital~~
 25 dental, health care, medical, or vision services and payment of claims for
 26 reimbursement for those services.
 27

28 (b) New Corporation. – After issuance of the certificate of authority as provided in
 29 subsection (a) of this section, the new corporation shall no longer be subject to this Article and
 30 Article 66 of this Chapter but shall be subject to and comply with all applicable laws and
 31 regulations applicable to domestic insurers and Chapter 55 of the General Statutes, except that
 32 Articles 9 and 9A of Chapter 55 shall not apply to the new corporation. The new corporation
 33 shall file its articles of incorporation, as amended and certified by the Commissioner, with the
 34 North Carolina Secretary of State. The legal existence of the corporation does not terminate, and
 35 the new corporation is a continuation of the corporation. The conversion shall only be a change
 36 in identity and form of organization. Except as provided in subdivision (a)(7) of this subsection,
 37 all property, assets, rights, liabilities, obligations, interests, and relations of whatever kind of the
 38 corporation shall continue and remain in the new corporation. All actions and legal proceedings
 39 to which the corporation was a party prior to conversion shall be unaffected by the conversion.

40 (c) Final Decision and Order; Procedures. – The Commissioner's final decision and order
 41 regarding the plan of conversion shall include findings of fact and conclusions of law. Findings
 42 of fact shall be based upon and supported by substantial evidence, including evidence submitted
 43 with the plan by the corporation and evidence obtained at hearings held by the Commissioner. A
 44 person aggrieved by a final decision of the Commissioner approving or disapproving a
 45 conversion may petition the Superior Court of Wake County within 30 days thereafter for judicial
 46 review. An appeal from a final decision and order of the Commissioner under this section shall
 47 be conducted pursuant to G.S. 58-2-75. Chapter 150B of the General Statutes does not apply to
 48 the procedures of G.S. 58-65-131, this section, and G.S. 58-65-133. This subsection does not
 49 apply to appeal of an order of the Commissioner issued pursuant to G.S. 58-65-131(c).

50 (d) Attorney General's Enforcement Authority; Legal Action on Validity of Plan of
 51 Conversion. –

- 1 (1) Nothing in this Chapter limits the power of the Attorney General to seek a
 2 declaratory judgment or to take other legal action to protect or enforce the
 3 rights of the public in the corporation.
 4 (2) Any legal action with respect to the conversion must be filed in the Superior
 5 Court of Wake County.
 6

7 **"§ 58-65-135. Cost plus plans.**

8 (a) Any corporation organized under the provisions of this Article and Article 66 of this
 9 Chapter shall be authorized as agent of any other corporation, firm, group, partnership, or
 10 association, or any subsidiary or subsidiaries thereof, municipal corporation, State, federal
 11 government, or any agency thereof, to administer on behalf of such corporation, firm, group,
 12 partnership, or association, or any subsidiary or subsidiaries thereof, municipal corporation,
 13 State, federal government, or any agency thereof, any group ~~hospitalization or medical and/or~~
 14 ~~dental-dental, health care, medical, or vision~~ service plan, promulgated by ~~such the~~ corporation,
 15 firm, group, partnership, or association, or any subsidiary or subsidiaries thereof, municipal
 16 corporation, State, federal government, or any agency thereof, on a cost plus administrative
 17 expense basis, ~~provided said~~ only if all of the following apply:

- 18 (1) The other corporation, firm, group, partnership, or association, or any
 19 subsidiary or subsidiaries thereof, municipal corporation, State, federal
 20 government, or any agency thereof shall have had an active existence for at
 21 least one year preceding the establishment of ~~such the~~ plan, and was formed
 22 for purposes other than procuring ~~such the~~ group ~~hospitalization and/or~~
 23 ~~medical and/or dental-dental, health care, medical, or vision~~ service coverage
 24 in a cost plus administrative expense basis, ~~and provided only that~~
 25 administrative basis.
 26 (2) Administrative costs of ~~such a the~~ cost plus plan administered by a corporation
 27 organized under the provisions of this Article and Article 66 of this Chapter,
 28 acting as an agent as ~~herein provided, provided by this section,~~ shall not
 29 exceed the remuneration ~~received therefor, and provided further that the~~
 30 received.
 31 (3) The corporation organized under this Article and Article 66 of this Chapter
 32 administering ~~such a the~~ cost plus plan shall have no liability to the subscribers
 33 or to the hospitals or health care providers for the success or failure,
 34 liquidation or dissolution of ~~such the~~ group ~~hospitalization or medical and/or~~
 35 ~~dental-dental, health care, medical, or vision~~ service plan ~~and provided further,~~
 36 that nothing herein contained plan.

37 (b) Nothing in this section shall be construed to require ~~of said that~~ a corporation, firm,
 38 group, partnership, or association, or any subsidiary or subsidiaries thereof, municipal
 39 corporation, State, federal government, or any agency thereof, ~~e conformity conform~~ to the
 40 provisions of this Article and Article 66 of this Chapter if ~~such a~~ group hospitalization service
 41 plan is administered by a corporation organized under this Article and Article 66 of this Chapter,
 42 on a cost plus expense basis.

43 (c) The administration of any cost plus plans as ~~herein provided as provided for by this~~
 44 section shall not be subject to regulation or supervision by the Commissioner of Insurance.
 45

46 **"§ 58-65-150. Construction of Chapter as to single employer plans; associations exempt.**

47 (a) Nothing in this Article and Article 66 of this Chapter shall be construed to affect or
 48 apply to ~~hospital or medical and/or dental-dental, health care, medical, or vision~~ service plans
 49 which limit their membership to employees and the immediate members of the families of the
 50 employees of a single employer or his or its subsidiary or subsidiaries and which plans are
 51 operated by such employer of such limited group of the ~~employees; nor shall~~ employees.

1 (b) Nothing in this Article and Article 66 of this Chapter be construed to affect or apply
2 to any nonstock, nonprofit medical service association which was, on January 1, 1943, organized
3 solely for the purpose of, and actually engaged in, the administration of any medical service plan
4 in this State upon contracts and participating agreements with physicians, surgeons, or medical
5 societies, whereby such physicians or surgeons societies that underwrite such the medical service
6 plan by contributing their services to members of such the association upon agreement with such
7 the association as to the schedule of fees to apply and the rate and method of payment by the
8 association from the common fund paid in periodically by the members for medical, surgical and
9 obstetrical care; and such hospital care.

10 (c) All service plans, plans described in subsection (a) of this section and such all medical
11 service associations as are herein specifically described, described in subsection (b) of this
12 section are hereby exempt from the provisions of this Article and Article 66 of this Chapter.

13 (d) The Commissioner of Insurance may require from any such hospital service
14 full-service or single-service plan or medical service association such any information as will
15 necessary to enable him the Commissioner to determine whether such hospital the service plan
16 or medical service association is exempt from the provisions of this Article and Article 66 of this
17 Chapter.

18 **"§ 58-65-155. Merger or consolidation, proceedings for.**

19 (a) Mergers and Consolidations Allowed. – Any two or more hospital and/or medical
20 and/or dental service corporations organized under and/or or subject to the provisions of this
21 Article and Article 66 of this Chapter Chapter, as determined by the Commissioner of Insurance
22 may, as shall be specified in the agreement hereinafter required, Insurance may be (i) merged
23 into one of such the constituent corporations, herein designated as the surviving corporation, or
24 may be (ii) consolidated into a new corporation to be formed by the means of such consolidation
25 of the constituent corporations, which new corporation is herein designated as the resulting or
26 consolidated corporation, and the directors and/or directors, the trustees, or a majority of them,
27 directors or trustees, of such the merging or consolidating corporations as desire to consolidate
28 or merge, may enter into an agreement signed by them and under the corporate seals of the
29 respective corporations, prescribing the corporations.

30 (b) Written Agreement Required. – The terms of any merger or consolidation allowed
31 under this section shall be contained in a written agreement. All written agreements shall contain
32 the following:

33 (1) The terms and conditions of the consolidation or merger, the merger.

34 (2) The mode of carrying the same consolidation or merger into effect and stating
35 such other effect.

36 (3) Any facts as can be stated in the case of a consolidation or merger, stated in
37 such altered form as the circumstances of the case require, and with such and
38 other details as to conversion of certificates of the subscribers as are deemed
39 necessary and/or or proper.

40 (c) Said agreement Notice of Agreement. – Agreements for any merger or consolidation
41 allowed under this section shall be submitted to the certificate holders of each constituent
42 corporation, at a separate meeting thereof, called for the purpose of taking the same consolidation
43 or merger into consideration; of the time, consideration. Notice of place and object of which
44 subject of the meeting due notice shall be required and shall meet all of the following
45 requirements:

46 (1) The notice shall be given by publication once a week for two consecutive
47 weeks in some newspaper published in Raleigh, North Carolina, and in the
48 counties in which the principal offices of the constituent corporations are
49 located, and if no such located. If there is no paper is published in the county
50 of the principal office of such the constituent corporations, then said the

1 required notice shall be posted at the courthouse door of ~~said~~ the applicable
2 county or counties for a period of two weeks.

3 (2) ~~Said~~ The required printed or posted notices shall be in ~~such a~~ form and of ~~such~~
4 a size as the Commissioner of Insurance may approve.

5 (3) A true copy of ~~said~~ the required notices shall be filed with the Commissioner
6 of Insurance.

7 (4) ~~Such~~ The publication and filing of notices shall be completed at least 15 days
8 prior to the date set ~~therein~~ for the meeting, and due proof thereof shall be
9 filed with the Commissioner of Insurance at least 10 days prior to the date of
10 ~~such~~ the meeting.

11 (d) Meeting to Adopt Agreement. – At ~~this~~ the meeting required for an agreement for any
12 merger or consolidation allowed under this section, those present in person or represented by
13 proxy shall constitute a quorum and ~~said~~ the agreement for consolidation or merger shall be
14 considered and voted upon by ballot in person or by proxy or both taken for the adoption or
15 rejection of the ~~same; and if same~~. If the votes of two thirds of those at ~~said~~ the meeting voting
16 in person or by proxy shall be for the adoption of the ~~said~~ agreement, then that fact shall be
17 certified on ~~said~~ the agreement by the president and secretary of each ~~such~~ corporation, under the
18 seal ~~thereof~~ of each corporation.

19 The ~~adopted and certified~~ agreement so adopted and certified shall be signed by the president
20 or vice-president and secretary or assistant secretary of each of ~~such corporations~~ corporation
21 under the corporate seals ~~thereof~~ and acknowledged by the president or vice-president of each
22 ~~such~~ corporation before any officer authorized by the laws of this State to take acknowledgement
23 of deeds to be the respective act, deed, and agreement of each of ~~said~~ the corporations.

24 (e) The said Commissioner Approval of Merger or Consolidation Agreements. – In
25 advance of any merger or consolidation allowed under this section, the agreement shall be
26 submitted to and approved by the Commissioner of ~~Insurance~~, in advance of the merger or
27 consolidation and his approval thereof ~~Insurance~~ for approval. The Commissioner's approval
28 shall be indicated by his or her signature being affixed thereto to the agreement under the seal of
29 ~~his~~ the office.

30 The Commissioner shall not approve any ~~such consolidation or merger agreement or plans~~,
31 unless, after a hearing, ~~he~~ the Commissioner finds that it is fair, equitable to certificate holders
32 and members, consistent with law, and will not conflict with the public interest.

33 (f) The agreement so certified Filing of Agreement With Secretary of State. – Certified
34 and acknowledged agreements for mergers or consolidations allowed under this section with the
35 approval of the Commissioner of Insurance noted thereon, shall be filed in the office of the
36 Secretary of ~~State~~, and shall thenceforth be taken and State. The agreement on file shall be
37 deemed to be the agreement and act of consolidation or merger of said corporations; and a the
38 corporations. A copy of ~~said~~ the agreement and act of consolidation or merger duly certified by
39 the Secretary of State under the seal of ~~his~~ the office shall also be ~~recorded~~, recorded in the office
40 of the register of deeds of the county of this State in which the principal office of the surviving
41 or consolidated corporation is, or is to be established, and in the office of the registers of deeds
42 of the counties of this State in which the respective corporations so merging or consolidating
43 shall have their original certificates of incorporation recorded, and also in the office of the register
44 of deeds in each county in which either or any of the corporations entering into merger or
45 consolidation owns any real ~~estate; and such estate~~. This record, or a certified copy thereof, of
46 the record, shall be evidence of the agreement and act of consolidation or merger of ~~said~~ the
47 applicable corporations, and of the observance and performance of all acts and conditions
48 necessary to have been observed and performed precedent to ~~such~~ the consolidation or merger.

49 For the filing of the agreement as provided for by this subsection, the Secretary of State is
50 entitled to receive such fees only in the amount that would have been received had a new
51 corporation been formed.

1 (g) Effect of Filing and Recording. – When an agreement shall have been signed,
2 authorized, adopted, acknowledged, approved, and filed and recorded ~~as hereinabove set forth in~~
3 ~~this as required by this~~ section, for all purposes of the laws of this State, the separate existence
4 of all constituent corporations, parties to ~~said the~~ agreement, or of all ~~such of the~~ constituent
5 corporations, except the one into which the other or others of ~~such the~~ constituent corporations
6 have been merged, as the case may be, shall cease and the constituent corporations shall become
7 a new corporation, or be merged into one of ~~such the~~ corporations, as the case may be, in
8 accordance with the provisions of ~~said the~~ filed and recorded agreement, possessing all the rights,
9 privileges, powers and franchises as well of a public as of a private nature, of each of ~~said the~~
10 constituent corporations, and all and singular, the rights, privileges, powers and franchises of
11 each of ~~said the~~ corporations, and all property, real, personal and mixed, and all debts due to any
12 of ~~said the~~ constituent corporations on whatever account, shall be vested in the corporation
13 resulting from or surviving such consolidation or merger, and all property, rights, privileges,
14 powers, and franchises and all and every other interest shall be thereafter as effectually the
15 property of the resulting or surviving corporation as they were of the several and respective
16 constituent corporations, and the title to any real estate, whether vested by deed or otherwise,
17 under the laws of this State, vested in any ~~such~~ constituent corporations shall not revert or be in
18 any way impaired by reason of ~~such~~ consolidation or merger; provided, however, that all rights
19 of creditors and all liens upon the property of either of or any of ~~said the~~ constituent corporations
20 shall be preserved, unimpaired, limited in lien to the property affected by ~~such any~~ lien at the
21 time of the merger or consolidation, and all debts, liabilities, and duties of the respective
22 constituent corporations shall thenceforth attach to ~~said the~~ resulting or surviving corporation,
23 and may be enforced against it to the same extent as if ~~said the~~ debts, liabilities, and duties had
24 been incurred or contracted by it; and further provided that notice of any ~~said~~ liens, debts,
25 liabilities, and duties is given in writing to the resulting or surviving corporation within six
26 months after the date of the filing of the agreement of merger in the office of the Secretary of
27 State. All ~~such applicable~~ liens, debts, liabilities, and duties of which notice is not given as
28 ~~provided herein required by this subsection~~ are forever barred. The certificate of incorporation
29 of the surviving corporation shall be deemed to be amended to the extent, if any, that the changes
30 in its certificates of incorporation are stated in the agreement of merger. All certificates
31 theretofore issued and outstanding by each constituent corporation in good standing upon the
32 date of the filing of ~~such the~~ agreement with the Secretary of State without reissuance thereof by
33 the resulting or surviving corporation shall be the contract and agreement of the resulting or
34 surviving corporation with each of the certificate holders thereof and subject to all terms and
35 conditions thereof and of the agreement of merger filed in the office of the Secretary of State.

36 Any action or proceeding pending by or against any of the corporations consolidated or
37 merged may be prosecuted to judgment as if such consolidation or merger had not taken place,
38 or the corporations resulting from or surviving ~~such the~~ consolidation or merger may be
39 substituted in its place.

40 (h) Liability. – The liability of ~~such the~~ constituent corporations to the certificate holders
41 thereof, and the rights or remedies of the creditors thereof, or persons doing or transacting
42 business with ~~such the~~ corporations, shall not, in any way, be lessened or impaired by the
43 consolidation or merger of two or more ~~of such~~ corporations under the provisions of this section,
44 except as provided in this section.

45 (i) Power and Authority of New or Surviving Corporation. – When two or more
46 corporations are consolidated or merged, the corporation resulting from or surviving ~~such the~~
47 consolidation or merger shall have the power and authority to continue any contracts which any
48 of the constituent corporations might have elected to continue. All contracts entered into between
49 any constituent corporations and any other persons shall be and become the contract of the
50 resulting corporations according to the terms and conditions of said contract and the agreement
51 of consolidation or merger.

1 For the filing of the agreement as hereinabove provided, the Secretary of State is entitled to
 2 receive such fees only as he would have received had a new corporation been formed.

3 (j) Objection to Merger or Consolidation. – Any agreement for merger ~~and/or or~~
 4 consolidation as shall conform to the provisions of this section, shall be binding and valid upon
 5 all the subscribers, certificate holders ~~and/or and~~ members of ~~such the~~ constituent corporations,
 6 provided only that any subscriber, certificate holder ~~and/or or~~ member who shall so indicate ~~his~~
 7 a disapproval thereof of the consolidation or merger to the resulting, ~~consolidated consolidated,~~
 8 or surviving corporation within 90 days after the filing of ~~said required~~ agreement with the
 9 Secretary of State shall be entitled to receive all unearned portions of premiums paid on his or
 10 her certificate from and after the date of the receipt of the application ~~therefor~~ by the resulting,
 11 surviving, or consolidated ~~corporation; each Corporation.~~ Each subscriber, certificate holder
 12 ~~and/or holder, or~~ member who shall not so indicate his or her disapproval of ~~said the required~~
 13 agreement and ~~said the merger or consolidation~~ within ~~said the required~~ period of 90 days is
 14 deemed and presumed to have approved ~~said the agreement and said the merger and/or or~~
 15 consolidation and shall have waived his or her right to question the legality of ~~said the merger~~
 16 ~~and/or or~~ consolidation.

17 (k) Prohibition on Compensation. – No director, officer, subscriber, certificate holder
 18 ~~and/or holder, or member as such of any such corporation, corporation entering into an agreement~~
 19 under this section, except as is expressly provided by the plan of merger or consolidation, shall
 20 receive any fee, commission, other compensation or valuable consideration whatever, for in any
 21 manner aiding, promoting or assisting in the merger or consolidation.

22 **"§ 58-65-165. Commissioner of Insurance determines corporations exempt from this**
 23 **Article and Article 66 of this Chapter.**

24 The Commissioner of Insurance may require from any corporation writing ~~any hospital~~
 25 ~~service contracts and any corporation writing medical and/or dental dental, health care, medical,~~
 26 or vision service contracts or any or all of them, ~~such any~~ information ~~as that~~ will enable ~~him the~~
 27 Commissioner to determine whether ~~such the~~ corporation is subject to the provisions of this
 28 Article and Article 66 of this Chapter."
 29

30 PART II. TECHNICAL AND CONFORMING CHANGES

31 **SECTION 2.** G.S. 58-65-166(b)(1) reads as rewritten:

32 "(1) "Corporation" includes any not for profit domestic ~~hospital, medical, or dental~~
 33 hospital service corporation, or successor of a corporation in a merger or other
 34 transaction in which the predecessor's existence ceased upon consummation
 35 of the transaction."

36 **SECTION 3.(a)** The title of Article 66 of Chapter 58 of the General Statutes reads
 37 as rewritten:

38 "Article 66.

39 "~~Hospital, Medical and Dental Hospital~~ Hospital Service Corporation Readable Insurance Certificates
 40 Act."

41 **SECTION 3.(b)** G.S. 58-66-1 reads as rewritten:

42 **"§ 58-66-1. Title.**

43 This Article is known and may be cited as the "~~Hospital, Medical and Dental~~ Hospital
 44 Service Corporation Readable Insurance Certificates Act.""

45 **SECTION 3.(c)** G.S. 58-66-35 reads as rewritten:

46 **"§ 58-66-35. Application to policies; dates.**

47 (a) The filing requirements of G.S. 58-66-30 apply to all subscribers' contracts of
 48 ~~hospital, medical, and dental hospital~~ service corporations as described in G.S. 58-65-60(a) and
 49 (b) that are made, issued, amended or renewed after July 1, 1983.

50 (b) Repealed by Session Laws 1995, c. 193, s. 58, effective June 7, 1995."

51 **SECTION 4.** G.S. 58-38-35(a)(2) reads as rewritten:

1 "(2) To all policies of life insurance as described in Article 58 of this Chapter, to
2 all benefit certificates issued by fraternal orders and societies as described in
3 Articles 24 and 25 of this Chapter, to all policies of accident and health
4 insurance as described in Articles 50 through 55 of this Chapter, to all
5 subscribers' contracts of ~~hospital, medical, and dental~~ hospital service
6 corporations as described in Articles 65 and 66 of this Chapter, and to all
7 health maintenance organization evidences of coverage as described in Article
8 67 of this Chapter, that are made, issued, amended, or renewed after July 1,
9 1983."

10 **SECTION 5.** G.S. 58-49-25(a) reads as rewritten:

11 "(a) Any production agency or administrator that advertises, sells, transacts, or administers
12 the coverage in this State described in G.S. 58-49-5 and that is required to submit to an
13 examination by the Commissioner under G.S. 58-49-15, shall, if said coverage is not fully
14 insured or otherwise fully covered by an admitted life, accident, health, accident and health, or
15 disability insurer, nonprofit ~~hospital, dental, health care, medical, or dental-vision~~ service plan,
16 or nonprofit health care plan, clearly and distinctly advise every purchaser, prospective
17 purchaser, and covered person of such lack of insurance or other coverage."

18 **SECTION 6.(a)** G.S. 58-50-5(a) reads as rewritten:

19 "(a) On and after January 1, 1956, each individual or family accident, health,
20 hospitalization policy, certificate or service plan of ~~hospitalization and medical and/or dental~~
21 hospital service corporations shall be issued only on application in writing signed by the insured
22 or the head of the household or guardian. Any application or enrollment form that is taken by a
23 resident agent shall also contain the certificate of the agent that ~~he~~ the agent has truly and
24 accurately recorded on the application or enrollment form the information supplied by the
25 insured. Every policy subject to the provisions of this section shall contain ~~as a part of such policy~~
26 the original or a reproduction of the application required by this section. This section shall not
27 apply to travel or dread disease policies or to policies issued pursuant to a group insurance
28 conversion privilege. If any ~~such~~ policy to which this section applies delivered or issued for
29 delivery to any person in this State shall be reinstated or renewed, and the insured or the
30 beneficiary or assignee of ~~such~~ the policy shall make written request to the insurer for a copy of
31 the ~~application, if any, application for such~~ reinstatement or renewal, then the insurer shall
32 within 15 days after the receipt of ~~such~~ that request at ~~his~~ the insurer's home office or any branch
33 office of the insurer, deliver or mail to the person making ~~such~~ the request, a copy of ~~such~~ the
34 requested application. If ~~such~~ the copy shall not be so delivered or mailed, the insurer shall be
35 precluded from introducing ~~such~~ the application as evidence in any action or proceeding based
36 upon or involving ~~such~~ the policy or its reinstatement or renewal."

37 **SECTION 6.(b)** G.S. 58-50-45 reads as rewritten:

38 "**§ 58-50-45. Group health or life insurers to notify insurance fiduciaries of obligations.**

39 (a) Upon the issuance or renewal of any policy, contract, certificate, or evidence of
40 coverage of group health or life insurance, the insurer, corporation, or health maintenance
41 organization shall give written notice to the insurance fiduciary of the provisions of
42 G.S. 58-50-40.

43 (b) The notice required by subsection (a) of this section shall be printed in 10 point type
44 and shall read as follows:

45 "UNDER NORTH CAROLINA GENERAL STATUTE SECTION 58-50-40, NO PERSON,
46 EMPLOYER, PRINCIPAL, AGENT, TRUSTEE, OR THIRD PARTY ADMINISTRATOR,
47 WHO IS RESPONSIBLE FOR THE PAYMENT OF GROUP HEALTH OR LIFE
48 INSURANCE OR GROUP HEALTH PLAN PREMIUMS, SHALL: (1) CAUSE THE
49 CANCELLATION OR NONRENEWAL OF GROUP HEALTH OR LIFE INSURANCE,
50 ~~HOSPITAL, MEDICAL, OR DENTAL~~ HOSPITAL SERVICE CORPORATION PLAN,
51 MULTIPLE EMPLOYER WELFARE ARRANGEMENT, OR GROUP HEALTH PLAN

1 COVERAGES AND THE CONSEQUENTIAL LOSS OF THE COVERAGES OF THE
2 PERSONS INSURED, BY WILLFULLY FAILING TO PAY THOSE PREMIUMS IN
3 ACCORDANCE WITH THE TERMS OF THE INSURANCE OR PLAN CONTRACT, AND
4 (2) WILLFULLY FAIL TO DELIVER, AT LEAST 45 DAYS BEFORE THE TERMINATION
5 OF THOSE COVERAGES, TO ALL PERSONS COVERED BY THE GROUP POLICY A
6 WRITTEN NOTICE OF THE PERSON'S INTENTION TO STOP PAYMENT OF
7 PREMIUMS. THIS WRITTEN NOTICE MUST ALSO CONTAIN A NOTICE TO ALL
8 PERSONS COVERED BY THE GROUP POLICY OF THEIR RIGHTS TO HEALTH
9 INSURANCE CONVERSION POLICIES UNDER ARTICLE 53 OF CHAPTER 58 OF THE
10 GENERAL STATUTES AND THEIR RIGHTS TO PURCHASE INDIVIDUAL POLICIES
11 UNDER THE FEDERAL HEALTH INSURANCE PORTABILITY AND
12 ACCOUNTABILITY ACT AND UNDER ARTICLE 68 OF CHAPTER 58 OF THE
13 GENERAL STATUTES. VIOLATION OF THIS LAW IS A FELONY. ANY PERSON
14 VIOLATING THIS LAW IS ALSO SUBJECT TO A COURT ORDER REQUIRING THE
15 PERSON TO COMPENSATE PERSONS INSURED FOR EXPENSES OR LOSSES
16 INCURRED AS A RESULT OF THE TERMINATION OF THE INSURANCE.""
17

18 **PART III. EFFECTIVE DATE**

19 **SECTION 7.** This act is effective when it becomes law and applies to contracts
20 issued, amended, or renewed on or after October 1, 2021.