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Section 1. Purpose

The purpose of this regulation is to implement [insert reference to state law equivalent to the NAIC Accident and Sickness Insurance Minimum Standards Model Act] (the Act) to standardize and simplify the terms and coverages of individual accident and sickness insurance policies, and group accident and sickness policies and certificates providing hospital confinement indemnity, accident only, specified disease, specified accident or limited benefit health coverage (hereafter referred to as "group supplemental health insurance"). This regulation is also intended to facilitate public understanding and comparison of coverage, to eliminate provisions contained in individual accident and sickness insurance policies and supplemental health insurance that may be misleading or confusing in connection with the purchase of the coverages or with the settlement of claims. This Act shall apply to group plans and individual policies only as specified.

C. This regulation shall not apply to:

- (3) The definition may provide that injuries shall not include injuries for which benefits are provided under workers' compensation, employers' liability or similar law; or under a motor vehicle no-fault plan, unless prohibited by law; or injuries occurring while the insured person is engaged in any activity pertaining to a trade, business, employment or occupation for wage or profit.
- C. "Convalescent nursing home," "extended care facility," or "skilled nursing facility" shall be defined in relation to its status, facility and available services.
- (1) A definition of the home or facility shall not be more restrictive than one requiring that it:
 - (a) Be operated pursuant to law
 - (b) Be approved for payment of Medicare benefits or be qualified to receive approval for payment of Medicare benefits, if so requested;
 - (c) Be primarily engaged in providing, in addition to room and board accommodations, skilled nursing care under the supervision of a duly licensed physician;
 - (d) Provide continuous twenty-four-hour-a-day nursing service by or under the supervision of a registered nurse; and
 - (e) Maintain a daily medical record of each patient.
 - (2) The definition of the home or facility may provide that the term shall not be inclusive of:
 - (a) A home, facility or institution which is primarily engaged in providing, in addition to room and board accommodations, skilled nursing care under the supervision of a duly licensed physician;

- (b) Be primarily and continuously engaged in providing operating, either on its premises or in facilities available to the hospital on a prearranged basis and under the supervision of a staff of licensed physicians, medical, diagnostic and major surgical facilities for the medical care and treatment of sick and injured persons on an inpatient basis for which a charge is made; and
 - (c) Provide twenty-four-hour nursing service by or under the supervision of registered nurses.
- (2) The definition of the term "hospital" may state that the term shall not be inclusive of:
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- D. A disability income policy may obtain a "return of premium" or "cash value benefit" so long as the return of premium or cash value benefit is not reduced by an amount greater than the aggregate of claims paid under the policy; and the insurer demonstrates that the reserve basis for the policies is adequate. No other policy subject to the Act and this regulation shall provide a return of premium or cash value benefit, except return of unearned premium upon termination or suspension of coverage, retroactive waiver of premium paid during disability, payment of

- (7) Care in connection with the detection and correction by manual or mechanical means of structural imbalance, distortion, or subluxation in the human body for purposes of removing nerve interference and the effects of it, where the interference is the result of or related to distortion, misalignment or subluxation of, or in the vertebral column;

Drafting Note: States should examine any existing "freedom of choice" statutes that require reimbursement of treatment provided by chiropractors, and make adjustments if needed.

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- (4) When accidental death and dismemberment coverage is part of the individual accident and sickness insurance coverage offered under the contract, the insured shall have the option to include all insureds under the coverage and not just the primary insured.
- (5) If a policy contains a status-type military service exclusion or a provision that suspends coverage during military service, the policy shall provide, upon receipt of written request, for refund of premiums as applicable to the person on a pro rata basis.
- (6) In the event the insurer cancels or refuses to renew, policies providing pregnancy benefits shall provide for an extension of benefits as to pregnancy commencing while the policy is in force and for which benefits would have been payable had the policy remained in force.
- (7) Policies providing convalescent or extended care benefits following hospitalization shall not condition the benefits upon admission to the convalescent or extended care facility within a period of less than fourteen (14) days after discharge from the hospital. -18.689.otmlh87 (

C. Basic Medical/Surgical Expense Coverage

“Basic medical/surgical expense coverage” is a policy of accident and sickness insurance that provides coverage for each person insured under the policy for the expenses incurred for the necessary services rendered by a physician for treatment of an injury or sickness as follows:

- (1) Surgical services:
 - (a) In amounts not less than those provided on a fee schedule based on the relative values contained in the [insert reference to a fee schedule based on the Current Procedure Terminology (CPT) coding or an acceptable relative value schedule]. up to a maximum of at least [\$1000] for a one procedure; or
 - (b) Not less than [80%] of the reasonable charges.
- (2) Anesthesia services, consisting of administration of necessary general anesthesia and related procedures in connection with covered surgical service rendered by a physician other than the physician (or the physician assistant) performing the surgical services:
 - (a) In an amount not less than [80%] of the reasonable charges; or
 - (b) [15%] of the surgical service benefit.
- (3) In-hospital medical services, consisting of physician services rendered to a person who is a bed patient in a hospital for treatment of sickness or injury other than that for which surgical care is required, in an amount not less than [80%] of the reasonable charges, or [\$50] per day for not less than twenty-one (21) days during one period of confinement.

Basic Hospital/Medical-Surgical Expense Coverage

“Basic hospital/medical/surgical expense coverage” is a combined coverage and meet the requirements of both Subsections B and C.

D. Hospital Confinement Indemnity Coverage

- (1) “Hospital confinement indemnity coverage” is a policy of accident and sickness insurance that provides daily benefits for hospital confinement on a daily basis in an amount not less than [\$40] per day and not less than thirty (31) days during each period of confinement for each person insured under the policy.
- (2) Coverage shall not be excluded due to a preexisting condition for a period greater than twelve (12) months following the effective date of coverage of an insured person unless the preexisting condition is specifically and expressly excluded.
- (3) Except for the NAIC uniform provision regarding other insurance with the insurer, benefits shall be paid regardless of other coverage.

Drafting Note: Hospital confinement indemnity coverage is recognized as supplemental coverage. Any hospital confinement indemnity coverage, therefore, must be payable regardless of other coverage. The same rules should apply so that group insurance cannot reduce its benefits because of the existence of hospital confinement indemnity coverage. Section 3H(4) of the Group Insurance Coordination Benefits Model Regulation states that the definition of a plan (for the purposes of coordination of benefits) shall not include individual or family insurance contracts....” States should consider using this language to prevent benefit reductions that could otherwise be because of the existence of hospital confinement indemnity coverage purchased by the insured.

(vii) Out-of-hospital prescription drugs and medications.

- (2) If the policy is written to complement underlying basic hospital expense and basic medical/surgical expense coverage, the deductible may be increased by the amount of the benefits provided by the underlying coverage.
- (3) The minimum benefits required by 7F(1) may be subject to all applicable deductibles, coinsurance and general policy exceptions and limitations. A major medical expense policy may also have special or internal limitations for prescription drugs, nursing facilities, intensive care facilities, mental health treatment, alcohol or substance abuse treatment, transplants, experimental treatments, mandated benefits required by law and those services covered under 7F(1) (and others such as pralorintra l i 7.5 (mi)-1.5 (t) 0.6 (a)-2.9 (

- (g) Not fewer than three (3) of the following additional benefits:
- (i) In-hospital private duty graduate registered nurse services;
 - (ii) Convalescent nursing home care;
 - (iii) Diagnosis and treatment by a radiologist or physician;
 - (iv) Rental of special medical equipment, as defined by the insurer in the policy;
 - (v) Artificial limbs or eyes, casts, splints, trusses or braces;
 - (vi) Treatment for functional nervous disorders, and mental and emotional disorders; or
 - (vii) Out-of-hospital prescription drugs and medications.

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- (2) Contains an elimination period no greater than:
 - (a) Ninety (90) days in the case of a coverage providing a benefit of one year or less;
 - (b) One hundred and eighty (180) days in the case of coverage providing a benefit of more than one year but not greater than two (2) years; or
 - (c)

- (j) "Preexisting condition" shall not be defined to be more restrictive than the following

(3)

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- (a) Treatment by, or under the direction of, a legally qualified physician or surgeon;
- (b) X-ray, radium chemotherapy and other therapy procedures used in diagnosis and treatment;
- (c) Hospital room and board and any other hospital furnished medical services or supplies;
- (d) Blood transfusions and their administration, including expense incurred for blood donors;
- (e) Drugs and medicines prescribed by a physician;
- (f) Professional ambulance for local service to or from a local hospital;
- (g) Privateduty services of a registered nurse provided in a hospital;
- (h) May include coverage of any other expenses necessarily incurred in the treatment of the disease; however, Subparagraphs (a), (b), (d), (e) and (g) plus at least the following also shall be (e3 (w.9 (s)uie-6 (o)e)-48 (d)-,1.9 4 b)-0.1 (e)ya

(V) It has a full time administrator.

Drafting Note: State licensing laws vary concerning the scope of "home health care" or "home health agency services" and should be consulted. In addition, a few states have mandated benefits for home health care including the definition of required services.

(ii) Home health includes, but is not limited to:

- (I) Part-time or intermittent skilled nursing services provided by a registered nurse or licensed practical nurse;
- (II) Part-time or intermittent home health aide services that provide supportive services in the home under the supervision of a registered nurse or a physical, speech or hearing occupational therapists;
- (III) Physical occupational or speech and hearing therapy; and
- (IV) Medical supplies, drugs and medicines prescribed by a physician and related pharmaceutical services, and laboratory services to the extent the charges or costs would have been covered if the insured person had remained in the hospital.

- (l) Physical, speech, hearing and occupational therapy;
- (m) Special equipment including hospital bed, toilette, pulleys, wheelchairs, aspirator, chux, oxygen, surgical dressings, rubber shields, colostomy and ileostomy appliances;
- (n) Prosthetic devices including wigs and artificial breasts;
- (o) Nursing home care for noncustodial services; and
- (p) Reconstructive surgery when deemed necessary by the attending physician.

Drafting Note: Policies that offer transportation and lodging benefits for an insured person should not condition those benefits on hospitalization.

(5) (a) The following minimums apply to the following: (a) 1.5 (b) 5.4 (c) 1.0 (d) 0.7 (e) 0.7 (f) 0.7 (g) 0.7 (h) 0.7 (i) 0.7 (j) 0.7 (k) 0.7 (l) 0.7 (m) 0.7 (n) 0.7 (o) 0.7 (p) 0.7 (q) 0.7 (r) 0.7 (s) 0.7 (t) 0.7 (u) 0.7 (v) 0.7 (w) 0.7 (x) 0.7 (y) 0.7 (z) 0.7

- (4) Each policy for individual accident and sickness insurance and group supplemental health insurance shall include a renewal, continuation or nonrenewal provision. The language or specification of the provision shall be consistent with the type of contract to be issued. The provision shall be appropriately captioned, shall appear on the first page of the policy, and shall clearly state the duration, where limited, of renewability and the duration of the term of coverage for which the policy is issued and for which it may be renewed.
- (5) Except for riders or endorsements by which the insurer effectuates a request made in writing by the policyholder or exercises a specifically reserved right under the policy, all riders or endorsements added to a policy after date of issue, reinstatement or renewal that reduce or eliminate benefits or coverage in the policy shall require signed acceptance by the policyholder. After date of policy issue, any rider or endorsement that increases benefits or coverage with a concomitant increase in premium during the

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(16) All hospital confinement indemnity policies and certificates shall display prominently by type, stamp or other appropriate means on the first page of the policy or certificate, or attached to it, in either contrasting color or in boldface type at least equal to the size type used for headings or captions of sections in the [policy][certificate] the following:
“Notice to Buyer: This is a hospital confinement indemnity [policy][certificate]. This [policy][certificate] provides limited benefits. Benefits provided are supplemental and are not intended to cover all medical expenses.”

(17) All limited benefit health policies and certificates shall display prominently by type, stamp or other appropriate means on the first page of the policy or certificate, or attached to it, in either contrasting color or in boldface type at least equal to the size type used for headings or captions of sections in the [policy][certificate] the following:

“Notice to Buyer: This is a limited benefit health [policy][certificate]. This [policy][certificate] provides limited benefits. Benefits provided are supplemental and are not intended to cover all medical expenses.”

(18) All basic hospital expense policies and certificates shall display prominently by type, stamp or other appropriate means on the first page of the policy or certificate, or attached to it, in either contrasting color or in boldface type at least equal to the size type used for headings or captions of sections in the [policy][certificate] the following:

“Notice to Buyer: This is a basic hospital expense [policy][certificate]. This allows

“Notice to Buyer: This is an individual basic medical expense policy. This policy provides benefits that are not as comprehensive as individual major medical expense coverage and should not be considered a substitute for comprehensive health insurance coverage.”

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- (5) Advertisements may fulfill the requirements for outlines of coverage if they satisfy the standards specified for outlines of coverage in Section 6H of the Act as well as this regulation.

C. Basic Hospital Expense Coverage (Outline of Coverage)

An outline of coverage, in the form prescribed below, shall be issued in connection with policies meeting the standards of Section 7B of this regulation. The items included in the outline of coverage must appear in the sequence prescribed:

Drafting Note The above description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or copayment provision applicable to the benefits described.

- (4) [A description of any policy provisions that exclude, eliminate, restrict, reduce, limit, delay or in any other manner operate to qualify payment of the benefits described in Paragraph (B) above.]
- (5) [A description of policy provisions respecting renewability or continuation of coverage, including age restrictions or any reservation of right to change premiums.]

F. Hospital Confinement Indemnity Coverage (Outline of Coverage)

An outline of coverage, in the form prescribed below, shall be used in connection with policies meeting the standards of Section 7E of this regulation. The items included in the outline of coverage must appear in the sequence prescribed:

[COMPANY NAME]

HOSPITAL CONFINEMENT INDEMNITY COVERAGE
THIS [POLICY][CERTIFICATE] PROVIDES LIMITED BENEFITS

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Drafting Note The above description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or copayment provision applicable to the benefits described.

- (4) [A description of any policy provisions that exclude, eliminate, restrict, reduce, limit, delay or in any other manner operate to qualify payment of the benefits described in Paragraph (3) above.]
- (5) [A description of policy provisions respecting renewability or continuation of coverage, including age restrictions or any reservation of right to change premiums.]

I. Disability Income Protection Coverage (Outline of Coverage)

An outline of coverage in the form prescribed below, shall be issued in connection with policies meeting the standards of Section 7H of this regulation. The items included in the outline of coverage must appear in the sequence prescribed:

[COMPANY NAME]

DISABILITY INCOME PROTECTION COVERAGE

OUTLINE OF COVERAGE

- (1) **Read Your Policy Carefully** This outline of coverage provides a very brief description of the important features of your policy. This is not the insurance contract and only the actual policy provisions will control. The policy itself sets forth in detail the rights and obligations of both you and your insurance company. It is, therefore, important that you **READ YOUR POLICY CAREFULLY!**
- (2) Disability income protection coverage is designed to provide, to persons insured, coverage for disabilities resulting from a covered accident or sickness, subject to any limitations set forth in the policy. Coverage is not provided for basic hospital, basic medical/surgical, or major medical expenses.
- (3) [A brief specific description of the benefits contained in this policy.]

Drafting Note The above description of benefits shall be stated clearly and concisely.

- (4)

[COMPANY NAME]

ACCIDENT ONLY COVERAGE

THIS [POLICY][CERTIFICATE] PROVIDES LIMITED BENEFITS

BENEFITS PROVIDED ARE SUPPLEMENTAL AND NOT INTENDED TO COVER ALL MEDICAL EXPENSES

OUTLINE OF COVERAGE

- (1) Read your [Policy][Certificate] carefully—This outline of coverage provides a very brief description of the important features of the coverage. This is not the insurance contract.

- (1) This coverage is designed only as a supplement to a comprehensive health insurance policy and should not be purchased unless you have this underlying coverage. Person covered under Medicaid should not purchase it. Read the Buyer's Guide to Specified Disease Insurance to review the possible limits on benefits in this type of coverage.
- (2) Read Your [policy] [certificate][Outline of Coverage] Carefully. This outline of coverage provides a very brief description of the important features of coverage. This is not the insurance contract and only the actual policy provisions will control. The policy itself sets forth in detail the rights and obligations of both you and your insurance company. It is, therefore, important that you **READ YOUR [POLICY] [CERTIFICATE] CAREFULLY!**
- (3) [Specified disease][Specified accident] coverage is designed to provide, to persons insured, restricted coverage paying benefits ONLY when certain losses occur as a result of [specified diseases] or [specified accidents]. Coverage is not provided for basic hospital, basic medical, surgical, or major medical expenses.
- (4) [A brief specific description of the benefits, including dollar amounts.]

Drafting Note: The above description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or copayment provisions applicable to the benefits described. Proper disclosure of benefits that vary according to accidental cause shall be made in accordance with Section 7A(13) of this regulation.

L. Limited Benefit Health Coverage (Outline of Coverage)

An outline of coverage, in the form prescribed below, shall be issued in connection with policies or certificates which do not meet the minimum standards of Sections 7B, C, D, E, F, I, and K of this regulation. The items included in the outline of coverage must appear in the sequence prescribed:

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Drafting Note The above description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or copayment provisions applicable to the benefits described. Proper disclosure of benefits that vary according to accidental cause shall be made in accordance with Section 7A(13) of this regulation.

- (4) [A description of any provisions that exclude, terminate, restrict, reduce, limit, delay or in any other manner operate to qualify payment of the benefits described in Paragraph (3) above.]
- (5) [A description of provisions respecting renewability or continuation of coverage, including age restrictions or any reservations of right to change premiums.]

M. Dental Plans (Outline of Coverage)

An outline of coverage in the form prescribed below shall be issued in connection with dental plan policies and certificates. The items included in the outline of coverage must appear in the sequence prescribed:

- (1) Read Your [Policy][Certificate] Carefully. This outline of coverage provides a very brief description of the important features of your policy. This is not the insurance contract and only the actual policy provisions will

- (4) [A description of policy provisions respecting renewability or continuation of coverage, including age restrictions or any reservations of right to change premiums.]

Section 9. Requirements for Replacement of Individual Accident and Sickness Insurance

Drafting Note: Group supplemental health insurance is not addressed here because it is addressed in the Group Coverage Discontinuance and Replacement Model Regulation, which is applicable. States may also have other statutes or regulations that apply.

- A. An application form shall include a question designed to elicit information as to whether the insurance to be issued is intended to replace any other accident and sickness insurance presently in force. A supplementary application or other form to be signed by the applicant containing the question may be used.
- B. Upon determining that a sale will involve replacement, insurer, other than a direct response insurer, or its agent shall furnish the applicant, prior to issuance or delivery of the policy, the

The above "Notice to Applicant" was delivered to me on:

(Date)

(Applicant's Signature)

- D. The notice required by Subsection B of this section for a direct response insurer shall be as follows:

NOTICE TO APPLICANT REGARDING REPLACEMENT
OF ACCIDENT AND SICKNESS INSURANCE

According to [your application] [information you have furnished] you intend to lapse or otherwise terminate existing accident and sickness insurance and replace it with the policy delivered herewith issued by [insert company name] Insurance Company. Your new policy provides thirty days within which you may decide without cost whether you desire to keep the policy. For your own information and protection you should be aware of and seriously consider certain factors that may affect the insurance protection available to you under the new policy.

- (1) Health conditions that you may presently have, (pre-existing conditions) may not be immediately or fully covered under the new policy. This could result in denial or delay of a claim for benefits under the new policy, whereas a similar claim might have been payable under your present policy.
- (2) You may wish to secure the advice of your present insurer or its agent regarding the proposed replacement of your present policy. This is not only your right, but it is also in your best interests to make sure you understand all the relevant factors involved in replacing your present coverage.
- (3) [To be included only if the application is attached to the policy]. If, after due consideration, you still wish to terminate your present policy and replace it with new coverage, read the copy of the application attached to your new policy and be sure that all questions are answered fully and correctly. Omissions or misstatements in the application could cause an otherwise valid claim to be denied. Carefully check the application and write to [insert company name and address] within ten days if any information is not correct and complete, or if any past medical history has been left out of the application.

[COMPANY NAME]

Section 10. Separability

If any provision of this regulation or the application thereof to any person or circumstance is for any reason held to be invalid, the remainder of the regulation and the application of the provision to other persons or circumstances shall not be affected thereby.

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Chronological Summary of Action (all references are to the Proceedings of the NAIC)

1975 Proc. I 2, 6, 573, 575, 590-605 (adopted).

1977 Proc. I 26, 28, 54-77, 317, 325 (amended).

1979 Proc. II 31, 34, 327, 333, 339-344 (amended regarding Medicare supplement insurance).

1980 Proc. II 22, 26, 588, 591, 594, 622, 634-636 (amended).

1989 Proc. II 13, 23-24, 467-468, 518-519, 548-570 (amended to remove reference to Medicare supplement insurance).

1998 Proc. 4th Quarter 16, 17, 652, 654, 660-687 (amended and reprinted).