

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2021

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SENATE BILL 85

Short Title: Allow Vision Service Corporations. (Public)

Sponsors: Senators Corbin, Burgin, and Woodard (Primary Sponsors).

Referred to: Rules and Operations of the Senate

February 15, 2021

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

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

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

9 "Article 65.

10 "Dental, Hospital, Medical and Dental-Medical, and Vision 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, hospital, medical, or vision service plan whereby ~~hospital care or medical or dental service~~  
17 dental, hospital, medical, or vision care or services may be provided in whole or in part by the  
18 corporation or by hospitals, physicians, optometrists, or dentists participating in the plan, or  
19 plans, shall be governed by this Article and Article 66 of this Chapter and shall be exempt from  
20 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 incorporation of which authorizes the operation of  
22 either a dental, hospital, medical, or vision service plan, or any combination of those plans, may  
23 do both of the following:

24           (1) Issue subscribers' contracts or certificates for the provision of, or the payment  
25 of fees for, dental, hospital, medical, or vision service or care, or any or all of  
26 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, hospital, 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 dental, hospital, medical, or vision  
33 service corporation as herein defined 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 corporation. – Any nonprofit corporation operating a dental  
37 service plan.

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

41           (3) Full-service corporation. – Any corporation organized under the provisions of  
42 this Article that offers a medical service plan or a hospital service plan.

43           (4) Hospital service corporation. – Any nonprofit corporation that operates a  
44 hospital service plan.

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

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

24 **"§ 58-65-2. Other laws applicable to all service corporations.**

25 The following provisions of this Chapter are applicable to ~~service~~ full-service and  
26 single-service corporations that are subject to this Article:

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

42 **"§ 58-65-5. Contract for joint assumption or underwriting of risks.**

43 Any full-service or single-service corporation organized or regulated by the provisions of this  
44 Article and Article 66 of this Chapter is authorized to enter into ~~such~~ contracts with any other  
45 firm or corporation for joint assumption or underwriting of any ~~part or all-part, or all,~~ of any risks  
46 undertaken upon ~~such~~ terms and conditions as that are approved by the Commissioner of  
47 Insurance.

48 **"§ 58-65-10. Premium or dues ~~paid by employer, employee, principal or agent or jointly~~**  
49 **and severally paid.**

50 (a) Any premium or dues charged by a corporation regulated under the provisions of this  
51 Article and Article 66 of this Chapter may be paid by the employer, employee, principal, or ~~agent,~~

1 ~~or jointly and severally.~~ agent. The term "employer" as used ~~herein~~ in this section includes  
2 counties, municipal corporations, and all departments or subdivisions of the State, county,  
3 municipal corporation, and official boards including city and county boards of alcoholic control,  
4 together with all others occupying the status of employer and employee, principal and agent.

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

7 ...

8 **"§ 58-65-25. Hospital, ~~physician and dentist~~ physician, dentist, and optometrist contracts.**

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

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

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

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

32 ...

33 **"§ 58-65-50. Application for certificate of authority or license.**

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

- 43 (1) Certificate of ~~incorporation with all amendments thereto~~ incorporation,  
44 including any amendments.
- 45 (2) ~~Bylaws with all amendments thereto.~~ Bylaws, including any amendments.
- 46 (3) Each contract executed or proposed to be executed by and between the  
47 corporation and any participating ~~hospital, and/or physicians~~ hospital or health  
48 care provider under the terms of which ~~hospital and/or medical and/or dental~~  
49 dental, hospital, medical, or vision service is to be furnished to subscribers to  
50 the plan.

- 1 (4) Each form of contract, application, rider, and endorsement, issued or proposed  
 2 to be issued to subscribers to the plan, or in renewal of any of contracts with  
 3 subscribers to the plan, together with a table of rates charged or proposed to  
 4 be charged to subscribers for each form of ~~such~~the contract.
- 5 (5) Financial statement of the corporation which shall include the amounts of each  
 6 contribution paid or agreed to be paid to the corporation for working capital,  
 7 the name or names of each ~~contributor~~contributor, and the terms ~~or~~of each  
 8 contribution.

9 **"§ 58-65-55. Issuance and continuation of license.**

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

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

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

35 **"§ 58-65-60. Subscribers' contracts; required and prohibited provisions.**

36 ...

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

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

- 1 (2) A statement of the nature of the benefits to be furnished and the period during  
2 which they will be furnished.
- 3 (3) A statement of the terms and conditions, if any, upon which the contract may  
4 be cancelled or otherwise terminated at the option of either party. The  
5 statement shall be in the following language:
- 6 a. ~~"Renewability":~~ Renewability. – Any contract subject to the  
7 provisions of this subdivision is renewable at the option of the  
8 subscriber unless sufficient notice in writing of nonrenewal is mailed  
9 to the subscriber by the corporation addressed to the last address  
10 recorded with the corporation.
- 11 b. ~~"Sufficient notice"~~ Sufficient notice. – The notice required shall be as  
12 follows:
- 13 1. During the first year of any ~~such~~ contract, or during the first  
14 year following any lapse and reinstatement, or reenrollment, a  
15 period of 30 days.
- 16 2. During the second and subsequent years of continuous  
17 coverage, a number of full calendar months most nearly  
18 equivalent to one fourth the number of months of continuous  
19 coverage from the first anniversary of the date of issue or  
20 reinstatement or reenrollment, whichever date is more recent,  
21 to the date of mailing of ~~such~~ the 30-day notice.
- 22 3. No period of required notice shall exceed two years, and no  
23 renewal hereunder shall renew any ~~such~~ contract for any period  
24 beyond the required period of notice except by written  
25 agreement of the subscriber and corporation.
- 26 c. Modifications, terminations, and cancellations. – The contract may be  
27 modified, terminated or cancelled by the corporation at any time at its  
28 option, ~~upon~~ upon any of the following:
- 29 a-1. Nonpayment by the subscriber of fees or dues as required.
- 30 b-2. Failure or refusal by the subscriber to comply with rate or  
31 benefit changes approved by the Commissioner under  
32 G.S. 58-65-45.
- 33 e-3. Failure or refusal by the subscriber after 30 days' written notice  
34 to subscriber to transfer into ~~hospital, medical, or dental~~ dental, hospital, medical, or vision service plan serving the area  
35 to which the subscriber has changed residence and is eligible  
36 for or to which corporation is required to transfer by interplan  
37 agreement of transfer.
- 38
- 39 (4) A statement that the contract includes the endorsement thereon and attached  
40 papers, if any, and together with the applications contains the entire contract.
- 41 (5) A statement that if the subscriber defaults in making any ~~payment,~~ payment  
42 under the contract, then the subsequent acceptance of a payment by the  
43 corporation at its home office shall reinstate the contract, but with respect to  
44 sickness and injury, only to cover such sickness as may be first manifested  
45 more than 10 days after the date of ~~such acceptance.~~ acceptance of the  
46 payment.
- 47 ...

48 **"§ 58-65-65. Coverage for active medical treatment in tax-supported institutions.**

- 49 (a) No ~~hospital or medical or dental~~ dental, hospital, medical, or vision service plan,  
50 contract, or certificate governed by this Article and Article 66 of this Chapter shall be delivered,  
51 issued, executed, or renewed in this State, or approved for issuance or renewal in this State, unless

1 it provides for the payment of benefits for charges made for medical care rendered by duly  
 2 licensed State tax-supported institutions on a basis no less favorable than the basis that would  
 3 apply had the medical care been rendered by any other public or private institution or provider.  
 4 The term "State tax-supported institutions" includes community mental health centers and other  
 5 health clinics ~~which that~~ are certified as Medicaid providers.

6 ...

7 **"§ 58-65-70. Contracts to cover any person possessing the sickle cell trait or hemoglobin C**  
 8 **trait.**

9 No ~~hospital, medical, dental, or any health service~~ full-service or single-service corporation  
 10 governed by this Article and Article 66 of this Chapter shall ~~refuse~~ do either of the following:

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

23 ...

24 **"§ 58-65-95. Investments and reserves.**

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

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

- |    |     |                     |    |
|----|-----|---------------------|----|
| 34 | (1) | First \$200,000     | 4% |
| 35 | (2) | Next \$200,000      | 2% |
| 36 | (3) | All above \$400,000 | 1% |

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

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

47 ...

48 **"§ 58-65-110. Expenses.**

49 All acquisition expenses in connection with the solicitation of subscribers to ~~such hospital~~  
 50 ~~and/or medical and/or dental~~ a dental, hospital, medical, or vision service plan and administration

1 costs including salaries paid to officers of the corporations, if any, shall at all times be subject to  
 2 inspection by the Commissioner of Insurance.

3 ...

4 "**§ 58-65-120. ~~Medical, dental and hospital~~ Dental, hospital, medical, and vision service**  
 5 **associations and agent to transact business through licensed agents only.**

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

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

23 ...

24 "**§ 58-65-131. Findings; definitions; conversion plan.**

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

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

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

- 47 (1) "~~Certificate holder~~" ~~includes an~~ Certificate holder. – An enrollee, as defined  
 48 in Article 67 of this Chapter, in a health maintenance plan provided by the  
 49 corporation or a subsidiary or by the new corporation or a subsidiary.
- 50 (2) "~~Code~~" ~~means~~ Code. – Title 26 of the United States Code, the United States  
 51 Internal Revenue Code of 1986, as amended.



- 1           (3)    ~~"Conversion" means the Conversion.~~ – The conversion of a ~~hospital, medical,~~  
2           ~~or dental full-service or single-service~~ service corporation to a stock accident  
3           and health insurance company or stock life insurance company subject to the  
4           applicable provisions of Articles 1 through 64 of this Chapter.
- 5           (4)    ~~"Corporation" means a Corporation.~~ – A ~~dental, hospital, medical, or dental~~  
6           ~~vision~~ service corporation governed by this Article that files or is required to  
7           file a plan of conversion with the Commissioner under subsection (d) of this  
8           section to convert from a hospital, medical, or dental service corporation to a  
9           stock accident and health insurance company or stock life insurance company.
- 10          (5)    ~~"Foundation" means a Foundation.~~ – A newly formed tax-exempt charitable  
11          social welfare organization formed and operating under section 501(c)(4) of  
12          the Code and Chapter 55A of the General Statutes.
- 13          (6)    ~~"New corporation" means a New corporation.~~ – A corporation originally  
14          governed by this Article that has had its plan of conversion approved by the  
15          Commissioner under G.S. 58-65-132 and that has converted to a stock  
16          accident and health insurance company or stock life insurance company.

17          ...

18    **"§ 58-65-132. Review and approval of conversion plan; new corporation.**

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

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

31          ...

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

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

1 the procedures of G.S. 58-65-131, this section, and G.S. 58-65-133. This subsection does not  
2 apply to appeal of an order of the Commissioner issued pursuant to G.S. 58-65-131(c).

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

5 (1) Nothing in this Chapter limits the power of the Attorney General to seek a  
6 declaratory judgment or to take other legal action to protect or enforce the  
7 rights of the public in the corporation.

8 (2) Any legal action with respect to the conversion must be filed in the Superior  
9 Court of Wake County.

10 ...

11 "§ 58-65-135. Cost plus plans.

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

22 (1) The other corporation, firm, group, partnership, or association, or any  
23 subsidiary or subsidiaries thereof, municipal corporation, State, federal  
24 government, or any agency thereof shall have had an active existence for at  
25 least one year preceding the establishment of such the plan, and was formed  
26 for purposes other than procuring such the group hospitalization and/or  
27 medical and/or dental-dental, hospital, medical, or vision service coverage in  
28 a cost plus administrative expense basis, and provided only that administrative  
29 basis.

30 (2) Administrative costs of such a the cost plus plan administered by a corporation  
31 organized under the provisions of this Article and Article 66 of this Chapter,  
32 acting as an agent as herein provided, provided by this section, shall not  
33 exceed the remuneration received therefor, and provided further that the  
34 received.

35 (3) The corporation organized under this Article and Article 66 of this Chapter  
36 administering such a the cost plus plan shall have no liability to the subscribers  
37 or to the hospitals or health care providers for the success or failure,  
38 liquidation or dissolution of such the group hospitalization or medical and/or  
39 dental-dental, hospital, medical, or vision service plan and provided further,  
40 that nothing herein contained plan.

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

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

49 ...

50 "§ 58-65-150. Construction of Chapter as to single employer plans; associations exempt.

1 (a) Nothing in this Article and Article 66 of this Chapter shall be construed to affect or  
2 apply to ~~hospital or medical and/or dental~~ hospital, medical, or vision service plans which  
3 limit their membership to employees and the immediate members of the families of the  
4 employees of a single employer or his or its subsidiary or subsidiaries and which plans are  
5 operated by such employer of such limited group of the ~~employees; nor shall employees.~~

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

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

18 (d) The Commissioner of Insurance may require from any ~~such hospital service~~  
19 ~~full-service or single-service~~ plan or medical service association ~~such any information as will~~  
20 ~~necessary to enable him the Commissioner~~ to determine whether ~~such hospital the~~ service plan  
21 or medical service association is exempt from the provisions of this Article and Article 66 of this  
22 Chapter.

23 **"§ 58-65-155. Merger or consolidation, proceedings for.**

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

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

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

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

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

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

1           (1) The notice shall be given by publication once a week for two consecutive  
2 weeks in some newspaper published in Raleigh, North Carolina, and in the  
3 counties in which the principal offices of the constituent corporations are  
4 located, and if no such located. If there is no paper is published in the county  
5 of the principal office of such the constituent corporations, then said the  
6 required notice shall be posted at the courthouse door of said the applicable  
7 county or counties for a period of two weeks.

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

10          (3) A true copy of said the required notices shall be filed with the Commissioner  
11 of Insurance.

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

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

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

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

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

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

1 applicable corporations, and of the observance and performance of all acts and conditions  
2 necessary to have been observed and performed precedent to ~~such-the~~ consolidation or merger.

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

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

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

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

50 (i) Power and Authority of New or Surviving Corporation. – When two or more  
51 corporations are consolidated or merged, the corporation resulting from or surviving ~~such-the~~

1 consolidation or merger shall have the power and authority to continue any contracts which any  
 2 of the constituent corporations might have elected to continue. All contracts entered into between  
 3 any constituent corporations and any other persons shall be and become the contract of the  
 4 resulting corporations according to the terms and conditions of said contract and the agreement  
 5 of consolidation or merger.

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

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

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

27 **"§ 58-65-165. Commissioner of Insurance determines corporations exempt from this**  
 28 **Article and Article 66 of this Chapter.**

29 The Commissioner of Insurance may require from any corporation writing ~~any hospital~~  
 30 ~~service contracts and any corporation writing medical and/or dental dental, hospital, medical, or~~  
 31 vision service contracts or any or all of them, ~~such any~~ information as that will enable him the  
 32 Commissioner to determine whether ~~such the~~ corporation is subject to the provisions of this Article  
 33 and Article 66 of this Chapter."  
 34

## 35 PART II. TECHNICAL AND CONFORMING CHANGES

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

37 "(1) "Corporation" includes any not for profit domestic dental, hospital, medical,  
 38 ~~or dental-vision service~~ corporation, or successor of a corporation in a merger  
 39 or other transaction in which the predecessor's existence ceased upon  
 40 consummation of the transaction."

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

43 "Article 66.

44 "Dental, Hospital, Medical and Dental Medical, and Vision Service Corporation Readable  
 45 Insurance Certificates Act."

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

47 **"§ 58-66-1. Title.**

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

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

51 **"§ 58-66-35. Application to policies; dates.**

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

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

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

6 "(2) To all policies of life insurance as described in Article 58 of this Chapter, to  
7 all benefit certificates issued by fraternal orders and societies as described in  
8 Articles 24 and 25 of this Chapter, to all policies of accident and health  
9 insurance as described in Articles 50 through 55 of this Chapter, to all  
10 subscribers' contracts of dental, hospital, medical, and dental-vision service  
11 corporations as described in Articles 65 and 66 of this Chapter, and to all  
12 health maintenance organization evidences of coverage as described in Article  
13 67 of this Chapter, that are made, issued, amended, or renewed after July 1,  
14 1983."

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

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

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

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

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

43 **"§ 58-50-45. Group health or life insurers to notify insurance fiduciaries of obligations.**

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

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

50 "UNDER NORTH CAROLINA GENERAL STATUTE SECTION 58-50-40, NO PERSON,  
51 EMPLOYER, PRINCIPAL, AGENT, TRUSTEE, OR THIRD PARTY ADMINISTRATOR,

1 WHO IS RESPONSIBLE FOR THE PAYMENT OF GROUP HEALTH OR LIFE  
2 INSURANCE OR GROUP HEALTH PLAN PREMIUMS, SHALL: (1) CAUSE THE  
3 CANCELLATION OR NONRENEWAL OF GROUP HEALTH OR LIFE INSURANCE,  
4 HOSPITAL, MEDICAL, ~~OR DENTAL-DENTAL~~, OR VISION SERVICE CORPORATION  
5 PLAN, MULTIPLE EMPLOYER WELFARE ARRANGEMENT, OR GROUP HEALTH  
6 PLAN COVERAGES AND THE CONSEQUENTIAL LOSS OF THE COVERAGES OF THE  
7 PERSONS INSURED, BY WILLFULLY FAILING TO PAY THOSE PREMIUMS IN  
8 ACCORDANCE WITH THE TERMS OF THE INSURANCE OR PLAN CONTRACT, AND  
9 (2) WILLFULLY FAIL TO DELIVER, AT LEAST 45 DAYS BEFORE THE TERMINATION  
10 OF THOSE COVERAGES, TO ALL PERSONS COVERED BY THE GROUP POLICY A  
11 WRITTEN NOTICE OF THE PERSON'S INTENTION TO STOP PAYMENT OF  
12 PREMIUMS. THIS WRITTEN NOTICE MUST ALSO CONTAIN A NOTICE TO ALL  
13 PERSONS COVERED BY THE GROUP POLICY OF THEIR RIGHTS TO HEALTH  
14 INSURANCE CONVERSION POLICIES UNDER ARTICLE 53 OF CHAPTER 58 OF THE  
15 GENERAL STATUTES AND THEIR RIGHTS TO PURCHASE INDIVIDUAL POLICIES  
16 UNDER THE FEDERAL HEALTH INSURANCE PORTABILITY AND  
17 ACCOUNTABILITY ACT AND UNDER ARTICLE 68 OF CHAPTER 58 OF THE  
18 GENERAL STATUTES. VIOLATION OF THIS LAW IS A FELONY. ANY PERSON  
19 VIOLATING THIS LAW IS ALSO SUBJECT TO A COURT ORDER REQUIRING THE  
20 PERSON TO COMPENSATE PERSONS INSURED FOR EXPENSES OR LOSSES  
21 INCURRED AS A RESULT OF THE TERMINATION OF THE INSURANCE."''  
22

### 23 **PART III. EFFECTIVE DATE**

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