

WEST VIRGINIA ADMINISTRATIVE REGULATION  
INSURANCE COMMISSIONER

No. 12  
1974

INDIVIDUAL ACCIDENT AND SICKNESS  
INSURANCE MINIMUM STANDARDS

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Title 114  
Legislative Rule

WEST VIRGINIA ADMINISTRATIVE REGULATION  
INSURANCE COMMISSIONER

Serial No. 12  
1974

FILED IN THE OFFICE OF  
A. JAMES MANCHIN  
SECRETARY OF STATE  
THIS DATE 12-10-82  
Administrative Law Division

Individual Accident and Sickness  
Insurance Minimum Standards

Section 1. General

1:01 Identification of Rule - This regulation is a Legislative Rule, as defined by the provisions of Chapter 29A, Article 1, Section 2 (d) of the Code of West Virginia of 1931, as amended.

1:02 Reference - This regulation relates to Chapter 33, Article 28 of the Code of West Virginia of 1931, as amended.

1:03 Authority - This regulation is promulgated under the authority vested in the Insurance Commissioner by Chapter 33, Article 28, Section 4; Chapter 33, Article 28, Section 5; Chapter 33, Article 28, Section 6; and Chapter 33, Article 2, Section 10 of the Code of West Virginia of 1931, as amended.

1:04 <sup>Scope</sup> Purpose - The purpose of this regulation is to implement the provisions of Chapter 33, Article 28, Section 1, et. seq. of the West Virginia Code (1931, as amended) to provide for reasonable standardization and simplification of terms and coverages of individual accident and sickness insurance policies and individual subscriber contracts of hospital, medical and dental service corporations in order to facilitate public understanding and comparison and to eliminate provisions contained in such policies and subscriber contracts which may be misleading or confusing in connection either with the purchase of such coverages or with the settlement of claims and to provide for full disclosure in the sale of such coverages.

~~1:05 Applicability and Scope~~ - This regulation shall apply to all individual accident and sickness insurance policies and subscriber contracts of hospital, medical and dental service corporations delivered or issued for delivery in this State on and after the effective date hereof, except that it shall not apply to individual policies or contracts issued pursuant to a conversion privilege under a policy or contract of group insurance. The requirements contained in this regulation shall be in addition to any other applicable regulations previously adopted.

1:06 Effective Date - This regulation shall be effective on April 1, 1975, and shall be applicable to all individual accident and sickness insurance policies and subscriber contracts of hospital, medical and dental service corporations delivered or issued for delivery in this State on and after such date.

1:07 Filing Date - This regulation was filed in the Office of the Secretary of State on December 13, 1974.

1:08 Certification - ~~This regulation is certified authentic by the Insurance Commissioner of West Virginia by Certificate Number K2.~~

Section 2. Policy Definitions

2:01 General - Except as provided hereafter, no individual accident and sickness insurance policy or hospital, medical and dental service corporation subscriber contract delivered or issued for delivery in this State shall contain definitions respecting the matters set forth unless such definitions comply with the requirements of this Section.

2:02 One Period of Confinement - Shall mean one or more separate, combined, or successive periods of confinement in a hospital, due to the same or related causes, separated by an interval of not more than ninety (90) consecutive days between the end of one such period and the beginning of the succeeding period.

2:03 Hospital - May be defined in relation to its status, facilities and available services or to reflect its accreditation by the Joint Commission on Accreditation of Hospitals.

(A) The definition of the term "hospital" shall not be more restrictive than one requiring that the hospital:

(1) Be an institution operated pursuant to law;

(2) Be primarily and continuously engaged in providing or operating, either on its premises or in facilities available to the hospital on a prearranged basis and under the supervision of a staff of duly licensed physicians, medical, diagnostic and major surgical facilities (except an accredited institution for the treatment of chronic diseases) for the medical care and treatment of sick or injured persons on an in-patient basis for which a charge is made; and

(3) Provide twenty-four (24) hour nursing service by or under the supervision of registered graduate professional nurses (R.N.'s).

(B) The definition of the term "hospital" may state that such term shall not be inclusive of:

(1) Any military or veterans hospital or soldiers home or any hospital contracted for or operated by any national government or agency thereof for the treatment of members or ex-members of the armed forces;

(2) Convalescent homes, convalescent, rest, or nursing facilities; or

(3) Facilities for the aged, drug addicts or alcoholics and those primarily affording custodial, educational or rehabilitary care.

2:04 Convalescent Nursing Home, Extended Care Facility, or Skilled Nursing Facility - May be defined in relation to its status, facilities, and available services.

(A) A definition of such home or facility shall not be more restrictive than one requiring that it:

(1) Be operated pursuant to law;

(2) Be approved for payment of Medicare benefits or be qualified to receive such approval, if so requested;

(3) Be primarily engaged in providing, in addition to room and board accommodations, skilled nursing care under the supervision of a duly licensed physician;

(4) Provide continuous twenty-four (24) hours a day nursing service by or under the supervision of a registered graduate professional nurse (R.N.); and

(5) Maintain a daily medical record of each patient.

(B) The definition of such home or facility may provide that such term shall not be inclusive of:

(1) Any home, facility or part thereof used primarily for rest;

(2) A home or facility for the aged or for the care of drug addicts or alcoholics; or

(3) A home or facility primarily used for the care and treatment of mental diseases or disorders or custodial or educational care.

2:05 Accident, Accidental Injury, Accidental Means - The definition shall employ "result" language and shall not include words which establish an accidental means test or use words such as "external, violent, visible wounds" or similar words of description or characterization.

The definition shall not be more restrictive than the following: Injury or injuries, for which benefits are provided, means accidental bodily injuries sustained by the insured person which are the direct cause, independently of disease, bodily infirmity or any other cause, of the loss and occur while the insurance is in force.

Such definition may provide that injuries shall not include injuries for which benefits are provided under any workmen's compensation, employer's liability or similar law, motor vehicle no-fault plan, unless prohibited by law, or injuries occurring while the insured person is engaged in any activity pertaining to any trade, business, employment or occupation for wage or profit.

2:06 Sickness - The definition of sickness shall not be more restrictive than the following: Sickness means sickness or disease of an insured person which first manifests itself after the effective date of insurance and while the insurance is in force. A definition of sickness which anticipates the exclusion of coverage of preexisting conditions may not use the phrase "the cause of which originates" or any similar phrase. Such definition may provide for a probationary period which will not exceed thirty (30) days from the effective date of the policy, or the effective date of coverage. The definition may be further modified to exclude sickness or disease for which benefits are provided under any workmen's compensation, occupational disease, employer's liability or similar law.

2:07 Preexisting Condition - Shall not be defined to be more restrictive than the following: Preexisting condition means the existence of symptoms which would cause an ordinarily prudent person to seek diagnosis, care or treatment within a five (5) year period preceding the effective date of the policy; or a condition for which medical advice or treatment was recommended by a physician or received from a physician within a five (5) year period preceding the effective date of the policy.

2:08 Physician - May be defined by including words such as "duly qualified physician" or "duly licensed physician." The use of such terms requires an insurer to recognize and to accept, to the extent of its obligation under the contract, all providers of medical care and treatment when such services are within the scope of the providers licensed authority and are provided pursuant to applicable laws.

2:09 Nurse - The definition or description of "nurse" may be restricted to a type of nurse, such as registered graduate professional nurse (R.N.), a licensed practical nurse (L.P.N.), or a licensed vocational nurse (L.V.N.). If the words "nurse," "trained nurse," or "registered nurse" are used without specific instruction, then the use of such terms requires the insurer to recognize the services of any individual who qualifies under such terminology in accordance with the applicable statutes or administrative rules of the licensing or registry board of the State.

2:10 Total Disability - A general definition of total disability cannot be more restrictive than one requiring the insured to be totally disabled from engaging in any employment or occupation for which he is or becomes qualified by reason of education, training, or experience and not in fact engaged in any employment or occupation for wage or profit.

(A) Total disability may be defined in relation to the inability of the insured to perform duties but shall not be based solely upon an insured's inability to:

- (1) Perform "any occupation whatsoever," "any occupational duty," or "any and every duty of his occupation"; or
- (2) Engage in any training or rehabilitation program.

(B) An insurer may require that the insured be unable to perform substantially all of the material duties of his regular occupation or words of similar import, and is not in fact so engaged. An insurer may require care by a physician (other than the insured or a member of the insured's immediate family).

2:11 Partial Disability - May be defined in relation to the insured's inability to perform some part or all of the "major," "important," or "essential" duties of employment or occupation or may be related to a "percentage" of time worked or to a "specified number of hours" or to "compensation." Where a policy provides total disability benefits and partial disability benefits, only one elimination period may be required.

2:12 Medicare - A definition of "Medicare" shall be included in any hospital, surgical or medical expense policy which relates its coverage to eligibility for Medicare or Medicare benefits. Medicare may be substantially defined as "The Health Insurance for the Aged Act, Title XVIII of the Social Security Amendments of 1965 as Then Constituted or Later Amended," or "Title I, Part I of Public Laws 89-97 as Enacted by the Eighty-Ninth Congress of the United States of America and popularly known as the Health Insurance for the Aged Act, as then constituted and any later amendments or substitutes thereof" or words of similar import.

2:13 Mental or Nervous Disorder - Shall be defined as neurosis, psychoneurosis, psychopathy, psychosis, or mental or emotional disease or disorder of any kind.

### Section 3. Prohibited Policy Provisions

#### 3:01 Prohibited Policy Provisions -

(A) No policy shall utilize an initial premium which is less than a pro rata portion of the applicable annual premium.

(B) Except as provided in subsection 2:06, no policy shall contain a provision establishing a probationary or waiting period during which no coverage is provided under the policy except that a policy may contain a probationary or waiting period not to exceed ninety (90) days for coverage of specific illnesses or diseases. Accident policies shall not contain probationary or waiting periods.

(C) No policies or riders for additional coverage may be issued in lieu of a dividend unless an equivalent cash payment is offered to the policyholder as an alternative to such a dividend policy or rider.

(D) 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 or at reinstatement or renewal which 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 which increases benefits or coverage with a concomitant increase in premium during the policy term must be agreed to in writing signed by the insured.

(E) A disability policy may contain a "return of premium" or "cash value benefit" so long as:

(1) Such return of premium or cash value benefit is not reduced by an amount greater than the aggregate of any claims paid under the policy; and

(2) The insurer demonstrates that the reserve basis for such policies is adequate. No other policy 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 dividends on participating policies, or experience rating refunds.

(F) Policies providing hospital confinement indemnity coverage shall not contain provisions excluding coverage because of confinement in a hospital operated by the Federal Government.

(G) The above enumeration of specifically prohibited policy provisions shall in no way be construed as a limitation on the authority of the Commissioner to disapprove other policy provisions including, but not limited to, provisions respecting limitations, exceptions, reductions, or eliminations of coverage, not otherwise specifically authorized by statute or regulation, which policy provisions are deemed by the Commissioner to be unjust, unreasonable, or unfairly discriminatory either

to the policyholder, subscriber, beneficiary or to any person insured under the policy.

#### Section 4. Minimum Standards for Benefits

4:01 General - The following minimum standards for benefits are prescribed for the categories of coverage noted in the following subsections. No individual policy of accident and sickness insurance or hospital, medical or dental service corporation subscriber contract shall be delivered or issued for delivery in this State which does not meet the required minimum standards for the specified categories unless the Commissioner finds that policies or contracts containing less than the prescribed minimum standards for benefits, which are filed for approval, will be in the public interest and otherwise meet the requirements set forth in Chapter 33, Article 6, Section 9 of the West Virginia Code (1931, as amended). Nothing in this section shall preclude the issuance of any policy or contract combining two or more categories or coverage set forth in West Virginia Code Chapter 33, Article 28, Section 5(a), Subdivisions (1) through (6).

#### 4:02 General Rules -

(A) The terms "non-cancellable," "guaranteed renewable," or "non-cancellable and guaranteed renewable" shall not be used without further explanatory language in accordance with the disclosure requirements of Subdivisions A and B of Subsection 5:01 of this regulation.

(B) A "guaranteed renewable" or "non-cancellable and guaranteed renewable" policy may not provide for termination of coverage of the spouse solely because of the occurrence of an event specified for termination of coverage of the insured, other than non-payment of premium. The policy shall provide that in the event of the insured's death the spouse of the insured, if covered under the policy, shall become the insured.

(C) In a family policy covering both husband and wife, the age of the younger spouse must be used as the basis for meeting the age and durational requirements of the definitions of "non-cancellable" and "guaranteed renewable." However, this requirement shall not prevent termination of coverage of the older spouse upon attainment of the stated age limit (e.g., age 65) so long as the policy may be continued in force as to the younger spouse to the age or for the durational period as specified in said definition.

(D) When accidental death and dismemberment coverage is part of the insurance coverage offered under the contract, such coverage shall provide an option to include all insureds under the contract and not must the principal insured.

(E) If a policy contains a status type military service exclusion which suspends coverage during military service, the policy shall provide, upon receipt of written request, for refund of premiums as applicable to such person on a pro rata basis.

(F) In the event the insurer cancels or refuses to renew, policies providing maternity benefits shall provide for an extension of benefits as to normal pregnancy commencing while the policy is in force and for which benefits would have been payable had the policy remained in force.

(G) Policies providing convalescent or extended care benefits following hospitalization shall not condition such benefits upon admission to the convalescent or extended care facility within a period of less than fourteen (14) days after discharge from the hospital.

(H) Any policy which provides coverage of a dependent child shall not terminate coverage for such dependent child if upon attainment of any limiting age set forth in the policy such child is and continues to be both (1) incapable of self-sustaining employment by reason of mental retardation or physical handicap and (2) chiefly dependent on the policyholder for support and maintenance. The policy may require that within thirty-one (31) days of the child's attainment of the limiting age the insurer receive due proof of such incapacity in order for the insured to elect to continue the policy in force with respect to such child. As an alternative to this requirement, a separate converted policy may be issued to the child at the option of the insured.

(I) Any policy providing coverage for the recipient in a transplant operation shall also provide for the reimbursement of any medical expenses of a live donor to the extent that benefits remain and are available under the recipient's policy after benefits for the recipient's own expenses have been paid.

(J) Accidental death and dismemberment benefits shall be payable if the loss occurs within ninety (90) days from the date of the accident, irrespective of total disability. Disability income benefits, if provided, shall not require the loss to commence less than thirty (30) days after the date of accident, nor shall any policy which the insurer cancels or refuses to renew require that it be in force at the time disability commences if the accident occurred while the policy was in force.

(K) Specific dismemberment benefits shall not be in lieu of other benefits unless the specific benefit exceeds the other benefits.

(L) Any accident only policy providing benefits which vary according to the type of accidental cause shall prominently set forth in the disclosure statement the circumstances under which benefits are payable which are less than the maximum amount payable under the policy.

(M) A policy designed solely to supplement Medicare Part A, shall include as a benefit the initial Part A Medicare deductible as established from time to time by the Social Security Administration.

(N) Termination of the policy by the insurer shall be without prejudice to any continuous loss which commenced while the policy was in force, but the extension of benefits beyond the period the policy was in force may be predicated upon the continuous disability of the insured or limited to the duration of the policy benefit period, if any.

4:03 Basic Hospital Expense Coverage - "Basic Hospital Expense Coverage" is a policy of accident and sickness insurance which provides coverage for a period of not less than thirty-one (31) days during any one period of confinement for each person insured under the policy for expenses incurred for necessary treatment and services rendered as a result of accident or sickness for at least the following:

(A) Daily hospital room and board in an amount not less than the lesser of the average semi-private room rate of the confining hospital or \$30.00 per day;

(B) Miscellaneous hospital service for expenses incurred for the charges made by the hospital for services and supplies which are customarily rendered by the hospital and provided for use only during the period of confinement in an amount not less than either 80% of the charges incurred up to at least \$1,000.00 or ten times the daily hospital room and board benefits; and

(C) Hospital outpatient services in an amount not less than \$50.00 for hospital services rendered to an insured as an outpatient for any one accident or sickness.

Benefits provided under (A) and (B) above may be provided subject to a combined deductible amount not in excess of \$100.00.

4:04 Basic Medical-Surgical Expense Coverage - "Basic Medical-Surgical Expense Coverage" is a policy of accident and sickness insurance which 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 for at least the following:

(A) Surgical services:

(1) In amounts not less than those provided on a fee schedule based on an acceptable relative value scale of surgical procedures, up to a maximum of \$500.00 for any one procedure; or

(2) Not less than 80% of the reasonable charges.

(B) 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 his assistant) performing the surgical services:

(1) In an amount not less than 80% of the reasonable charges; or

(2) 15% of the surgical service benefit.

(c) 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 \$5.00 per call, one call per day, for at least twenty-one (21) such calls during one period of confinement.

4:05 Hospital Confinement Indemnity Coverage - "Hospital Confinement Indemnity Coverage" is a policy of accident and sickness insurance which provides daily benefits for hospital confinement on an indemnity basis in an amount not less than \$30.00 per day and not less than thirty-one (31) days during any one period of confinement for each person insured under the policy.

4:06 Major Medical Expense Coverage - "Major Medical Expense Coverage" is an accident and sickness insurance policy which provides hospital, medical and surgical expense coverage, to an aggregate maximum of not less than \$10,000.00; copayment by the covered person not to exceed 25% of covered charges; a deductible stated on a per person, per family, per illness, per benefit period, or per year basis, or a combination of such bases not to exceed 5% of the aggregate maximum limit under the policy, unless the policy is written to complement underlying hospital and medical insurance in which case such deductible may be increased by the amount of the benefits provided by such underlying insurance, for each covered person for at least:

(A) Daily hospital room and board, as defined in Sub-division (A) of Subsection 4:03;

(B) Miscellaneous Hospital Services, as defined in Subdivision (B) of Subsection 4:03;

(C) Surgical Services, as defined in Subdivision (A) of Subsection 4:04;

(D) Anesthesia Services, as defined in Subdivision (B) of Subsection 4:04;

(E) In-Hospital Medical Services, as defined in Subdivision (C) of Subsection 4:04.

(F) Out of Hospital Care, consisting of physicians' services rendered on an ambulatory basis where coverage is not provided elsewhere in the policy for diagnosis and treatment of sickness or injury, and diagnostic x-ray, laboratory services, radiation therapy and hemodialysis order by a physician; and

(G) Prosthetic Appliances, meaning artificial limbs or other prosthetic appliances (except replacements thereof) and rental of durable medical equipment required for therapeutic use.

4:07 Disability Income Protection Coverage - "Disability Income Protection Coverage" is either an accident or sickness insurance policy or a combination thereof which:

(A) Provides for periodic payments in an amount of at least \$100.00 per month payable at issue ages up to 62 and \$50.00 per month payable at ages after 62.

(B) Contains an elimination period no greater than:

(1) Ninety (90) days in the case of a coverage providing a benefit period of one (1) year or less;

(2) Three hundred sixty-five (365) days if the benefit is payable for not less than two (2) years and is payable in an amount of at least \$200.00 per month; or

(3) One hundred eighty (180) days in all other cases during the continuance of disability resulting from sickness or injury.

(C) Has a maximum period of time for which it is payable during disability of at least six (6) months except in the case of a policy covering disability arising out of pregnancy, childbirth, or miscarriage in which case the disability period may be one (1) month. No reduction in benefits shall be put into effect because of an increase in Social Security or similar

benefits during a benefit period. This provision does not apply to those policies providing business buyout coverage.

4:08 Accident Only Coverage - "Accident Only Coverage" is a policy of accident insurance which provides coverage, singly or in combination, for death, dismemberment, disability, or hospital and medical care caused by accident. Accidental death and double dismemberment amounts under such a policy shall be at least \$1,000.00 and a single dismemberment amount shall be at least \$500.00.

4:09 Specified Disease and Specified Accident Coverage --

(A) "Specified Disease Coverage" is a policy which provides coverage for each person insured under the policy for a specifically named disease (or diseases) with a deductible amount not in excess of \$250.00 and an overall aggregate benefit limit of no less than \$5,000.00 and a benefit period of not less than two (2) years for at least the following incurred expenses:

- (1) Hospital room and board and any other hospital furnished medical services or supplies;
- (2) Treatment by a legally qualified physician or surgeon;
- (3) Private duty services of a registered nurse (R.N.);
- (4) X-ray, radium and other therapy procedures used in diagnosis and treatment;
- (5) Professional ambulance for local service to or from a local hospital;
- (6) Blood transfusions, including expense incurred for blood donors;
- (7) Drugs and medicines prescribed by a physician;
- (8) The rental of an iron lung or similar mechanical apparatus;
- (9) Braces, crutches and wheelchairs as are deemed necessary by the attending physician for the treatment of the disease;
- (10) Emergency transportation if in the opinion of the attending physician it is necessary to transport the insured to another locality for treatment of the disease; and

(11) May include coverage of any other expenses necessarily incurred in the treatment of the disease.

(B) "Specified Accident Coverage" is an accident insurance policy which provides coverage for a specifically identified kind of accident (or accidents) for each person insured under the policy for accidental death or accidental death and dismemberment combined, with a benefit amount of no less than \$1,000.00 for accidental death; \$1,000.00 for double dismemberment and \$500.00 for single dismemberment.

## Section 5. Required Disclosure Provisions

### 5:01 General Rules -

(A) Each individual policy of accident and sickness insurance or hospital, medical, or dental service corporation subscriber contract shall include a renewal, continuation, or nonrenewal provision. The language or specifications of such provision must be consistent with the type of contract to be issued. Such 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.

(B) The terms "non-cancellable" or "guaranteed renewable" shall not be used without further explanatory language. The term "non-cancellable" shall not be used unless the insured has the right to continue the policy in force by the timely payment of premiums until age 65 or to eligibility for Medicare, during which period the insurer may not unilaterally make any change in the policy provisions while the policy is in force. The insurer shall not reserve the right to change rates in connection with the term "guaranteed renewable" except on a class basis unless this limitation is clearly set forth on the first page of the policy and identified as a limitation of the term "guaranteed renewable." The insurer may include a policy provision for termination or nonrenewal of disability income policies prior to age 65, subject to approval by the Commissioner, where:

(1) The insured is receiving retirement income;  
and

(2) The insured is no longer subject to the risk of loss of income as a result of accident or sickness.

(C) Where a separate additional premium is charged for benefits provided in connection with riders or endorsements, such premium charge shall be set forth in the policy.

(D) A policy which provides for the payment of benefits based on standards described as "usual and customary," "reasonable and customary," or words of similar import, shall include an explanation of such terms within both the policy and its accompanying disclosure statement.

(E) Any provisions limiting or excluding coverage of pre-existing conditions shall be labeled as such, shall appear in a separate paragraph on the first page of the policy, and shall be included in the disclosure statement.

(F) All accident only policies shall contain as an overlay on the first page of the policy, in contrasting color, a prominent statement as follows:

"This is an accident only policy and it does not pay benefits for loss from sickness."

(G) All policies shall have a notice prominently displayed on the first page of the policy stating in substance that the policyholder shall have the right to return the policy within ten (10) days of its delivery and to have the premium refunded if after examination of the policy the policyholder is not satisfied for any reason.

(H) If age is to be used as a factor in reducing the maximum aggregate benefits made available in the policy as originally issued, such fact must be prominently set forth in the disclosure statement.

(I) If a policy contains a conversion privilege, it shall comply, in substance, with the following: The caption of the provision shall be "Conversion Privilege," or words of similar import. The provision shall indicate the persons eligible for conversion, the circumstances applicable to the conversion privilege, including any limitations on the conversion, and the person by whom the conversion privilege may be exercised. The provision shall specify the benefits to be provided on conversion or may state that the converted coverage will be as provided on a policy form then being used by the insurer for that purpose.

5:02 Disclosure Requirements for Individual Coverages - No individual accident and sickness insurance policy or hospital, medical or dental service corporation subscriber contract shall be delivered or issued for delivery in this State unless an appropriate disclosure statement, as prescribed in Subdivisions (C) through (J) of this Subsection, is completed as to such policy or contract, and:

(A) In the case of a direct response insurance product is delivered with the policy; or

(B) In all other cases is delivered to the applicant at the time application is made and acknowledgment of receipt or certification of delivery of such disclosure statement is provided to the insurer.

In the event that a policy or contract is issued on a basis other than that applied for, a disclosure statement properly describing the policy or contract must accompany the policy or contract when it is delivered and contain the following statement, in no less than twelve (12) point type, immediately above the company name: "NOTICE: Read this disclosure statement carefully. It is not identical to the disclosure statement provided upon application and the coverage originally applied for has not been issued."

The appropriate disclosure statement for policies or contracts providing hospital coverage which only meets the standards of Subsection 4:09 shall be that statement contained in (J). The appropriate disclosure statement for policies providing coverage which meets the standards of both Subsections 4:03 and 4:04 shall be the statement contained in (E). The appropriate disclosure statement for policies providing coverage which meets the standards of both Subsections 4:03 and 4:06 or Subsections 4:04 and 4:06 or Subsections 4:03, 4:04, and 4:06 shall be the statement contained in (G).

Appropriate changes in terminology shall be made in disclosure statements in the case of contracts of hospital, medical, or dental service corporations. In any other case where the prescribed disclosure statement is inappropriate for the coverage provided by the policy or contract, an alternate disclosure statement shall be submitted to the Commissioner for prior approval. Should the Commissioner deem it appropriate to approve policies or contracts containing less than the prescribed minimum standards for benefits as provided in Subsection 4:01, the disclosure statement issued in connection with any such policy or contract shall be approved prior to use and shall prominently state that the coverages therein described do not meet the minimum standards for benefits established for that category of coverage.

The disclosure statements required by this Subsection shall be plainly printed in light-faced type of a style in general use, the size of which shall be uniform and not less than ten-point with a lower-case unspaced alphabet length not less than one-hundred and twenty-point.

In the disclosure statement forms that follow, only the material appearing in brackets is to be composed by the insurer in language appropriate for the coverage provided. All other material shall appear in exactly the form set forth in this regulation.

(C) Basic Hospital Expense Coverage [Disclosure Statement]  
A disclosure statement, in the form prescribed below, shall be issued in connection with policies meeting the standards of Subsection 4:03 of this regulation. The items included in the disclosure statement must appear in the sequence prescribed:

[COMPANY NAME]  
BASIC HOSPITAL EXPENSE COVERAGE -  
REQUIRED DISCLOSURE STATEMENT

(1) Read Your Policy Carefully - This disclosure statement 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) Basic Hospital Expense Coverage - Policies of this category are designed to provide, to persons insured, coverage for hospital expenses incurred as a result of a covered accident or sickness. Coverage is provided for daily hospital room and board, miscellaneous hospital services, and hospital outpatient services, subject to any limitations set forth in the policy. Coverage is not provided for physicians or surgeons fees or unlimited hospital expenses. [\*NOTE: Final sentence may be appropriately modified, if necessary, to reflect coverage provided.]

(3) [A brief specific description of the benefits contained in this policy, in the following order:

- (a) Daily hospital room and board;
- (b) Miscellaneous hospital services;
- (c) Hospital outpatient services; and
- (d) Other benefits, if any.

\*NOTE: The above description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or co-payment provision applicable to the benefits described.]

(4) [A description of any policy provisions which exclude, eliminate, restrict, reduce, limit, delay, or in any other manner operate to qualify payment of the benefits described in (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.]

(D) Basic Medical-Surgical Expense Coverage [Disclosure Statement] - A disclosure statement, in the form prescribed below, shall be issued in connection with policies meeting the standards of Subsection 4:04 of this regulation. The items included in the disclosure statement must appear in the sequence prescribed:

[COMPANY NAME]  
BASIC MEDICAL-SURGICAL EXPENSE COVERAGE  
REQUIRED DISCLOSURE STATEMENT

(1) Read Your Policy Carefully - This disclosure statement 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) Basic Medical-Surgical Expense Coverage - Policies of this category are designed to provide, to persons insured, coverage for medical-surgical expenses incurred as a result of a covered accident or sickness. Coverage is provided for surgical services, anesthesia services, and in-hospital medical services, subject to any limitations set forth in the policy. Coverage is not provided for hospital expenses or unlimited medical-surgical expenses. [\*NOTE: Final sentence may be appropriately modified, if necessary, to reflect coverage provided.]

(3) [A brief specific description of the benefits contained in this policy, in the following order:

- (a) Surgical services;
- (b) Anesthesia services;
- (c) In-hospital medical services; and
- (d) Other benefits, if any.

\*NOTE: The above description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or co-payment provision applicable to the benefits described.]

(4) [A description of any policy provisions which exclude, eliminate, restrict, reduce, limit, delay, or in any other manner operate to qualify payment of the benefits described in (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.]

(E) Basic Hospital and Medical-Surgical Expense Coverage  
[Disclosure Statement] - A disclosure statement, in the form prescribed below, shall be issued in connection with policies meeting the standards of Subsections 4:03 and 4:04 of this regulation. The items included in the disclosure statement must appear in the sequence prescribed.

[COMPANY NAME]  
BASIC HOSPITAL AND MEDICAL-SURGICAL EXPENSE COVERAGE  
REQUIRED DISCLOSURE STATEMENT

(1) Read Your Policy Carefully - This disclosure statement 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) Basic Hospital and Medical-Surgical Expense Coverage - Policies of this category are designed to provide, to persons insured, coverage for hospital and medical-surgical expenses incurred as a result of a covered accident or sickness. Coverage is provided for daily hospital room and board, miscellaneous hospital services, hospital outpatient services, surgical services, anesthesia services, and in-hospital medical services, subject to any limitations set forth in the policy. Coverage is not provided for unlimited hospital or medical-surgical expenses. [\*NOTE: Final sentence may be appropriately modified, if necessary, to reflect coverage provided.]

(3) [A brief specific description of the benefits contained in this policy, in the following order:

- (a) Daily hospital room and board;
- (b) Miscellaneous hospital services;
- (c) Hospital outpatient services;
- (d) Surgical services;
- (e) Anesthesia services;
- (f) In-hospital medical services; and
- (g) Other benefits, if any.

\*NOTE: The above description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or co-payment provision applicable to the benefits described.]

(4) [A description of any policy provisions which exclude, eliminate, restrict, reduce, limit, delay, or in any other manner operate to qualify payment of the benefits described in (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.]

(F) Hospital Confinement Indemnity Coverages [Disclosure Statement] - A disclosure statement, in the form prescribed below, shall be issued in connection with policies meeting the standards of Subsection 4:05 of this regulation. The items included in the disclosure statement must appear in the sequence prescribed:

[COMPANY NAME]  
HOSPITAL CONFINEMENT INDEMNITY COVERAGE  
REQUIRED DISCLOSURE STATEMENT

(1) Read Your Policy Carefully - This disclosure statement 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) Hospital Confinement Indemnity Coverage - Policies of this category are designed to provide, to persons insured, coverage in the form of a fixed daily benefit during periods of hospitalization resulting from a covered accident or sickness, subject to any limitations set forth in the policy. Such policies do not provide any benefits other than the fixed daily indemnity for hospital confinement. [\*NOTE: Final sentence may be appropriately modified, if necessary, to reflect coverage provided.]

(3) [A brief specific description of the benefits contained in this policy, in the following order:

(a) Daily benefit payable during hospital confinement; and

(b) Duration of benefit described in (a).

\*NOTE: The above description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or co-payment provision applicable to the benefits described.]

(4) [A description of any policy provisions which exclude, eliminate, restrict, reduce, limit, delay, or in any other manner operate to qualify payment of the benefits described in (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.]

(G) Major Medical Expense Coverage [Disclosure Statement]

A disclosure statement, in the form prescribed below, shall be issued in connection with policies meeting the standards of Subsection 4:06 of this regulation. The items included in the disclosure statement must appear in the sequence prescribed:

[COMPANY NAME]  
MAJOR MEDICAL EXPENSE COVERAGE  
REQUIRED DISCLOSURE STATEMENT

(1) Read Your Policy Carefully - This disclosure statement 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) Major Medical Expense Coverage - Policies of this category are designed to provide, to persons insured, coverage for major hospital, medical, and surgical expenses incurred as a result of a covered accident or sickness. Coverage is provided for daily hospital room and board, miscellaneous hospital services, surgical services, anesthesia services, in-hospital medical services, out of hospital care, and prosthetic appliances, subject to any deductibles, co-payment provisions, or other limitations which may be set forth in the policy. Basic hospital or basic medical insurance coverage is not provided. [\*NOTE: Final sentence may be appropriately modified, if necessary, to reflect coverage provided.]

(3) [A brief specific description of the benefits contained in this policy, in the following order:

- (a) Daily hospital room and board;
- (b) Miscellaneous hospital services;
- (c) Surgical services;
- (d) Anesthesia services;
- (e) In-hospital medical services;
- (f) Out of hospital care;
- (g) Prosthetic appliances; and
- (h) Other benefits, if any.

\*NOTE: The above description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or co-payment provision applicable to the benefits described.]

(4) [A description of any policy provisions which exclude, eliminate, restrict, reduce, limit, delay, or in any other manner operate to qualify payment of the benefits described in (3) above.]

(5) [A description of policy provisions respecting renew-  
ability or continuation of coverage, including age\_restrictions  
or any reservation of right to change premiums.]

(H) Disability Income Protection Coverage [Disclosure Statement] - A disclosure statement, in the form prescribed below, shall be issued in connection with policies meeting the standards of Subsection 4:07 of this regulation. The items included in the disclosure statement must appear in the sequence prescribed:

[COMPANY NAME]  
DISABILITY INCOME PROTECTION COVERAGE  
REQUIRED DISCLOSURE STATEMENT

(1) Read Your Policy Carefully - This disclosure statement 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 - Policies of this category are 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. [\*NOTE: Final sentence may be appropriately modified, if necessary, to reflect coverage provided.]

(3) [A brief specific description of the benefits contained in this policy:

\*NOTE: The description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or co-payment provision applicable to the benefits described.]

(4) [A description of any policy provisions which exclude, eliminate, restrict, reduce, limit, delay, or in any other manner operate to qualify payment of the benefits described in (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) Accident Only Coverage [Disclosure Statement] - A disclosure statement, in the form prescribed below, shall be issued in connection with policies meeting the standards of Subsection 4:08 of this regulation. The items included in the disclosure statement must appear in the sequence prescribed:

[COMPANY NAME]  
ACCIDENT ONLY COVERAGE  
REQUIRED DISCLOSURE STATEMENT

(1) Read Your Policy Carefully - This disclosure statement 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) Accident Only Coverage - Policies of this category are designed to provide, to persons insured, coverage for certain losses resulting from a covered accident ONLY, subject to any limitations contained in the policy. Coverage is not provided for basic hospital, basic medical-surgical, or major-medical expenses. [\*NOTE: Final sentence may be appropriately modified, if necessary, to reflect coverage provided.]

(3) [A brief specific description of the benefits contained in this policy:

\*NOTE: The description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or co-payment provision applicable to the benefits described.]

(4) [A description of any policy provisions which exclude, eliminate, restrict, reduce, limit, delay, or in any other manner operate to qualify payment of the benefits described in (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.]

(J) Specified Disease or Specified Accident Coverage  
[Disclosure Statement] - A disclosure statement, in the form prescribed below, shall be issued in connection with policies meeting the standards of Subsection 4:09 of this regulation. The coverage shall be identified by the appropriate bracketed title. The items included in the disclosure statement must appear in the sequence prescribed:

[COMPANY NAME]  
[SPECIFIED DISEASE] [SPECIFIED ACCIDENT] COVERAGE  
REQUIRED DISCLOSURE STATEMENT

(1) Read Your Policy Carefully - This disclosure statement 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) [Specified Disease] [Specified Accident] Coverage - Policies of this category are 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. [\*NOTE: Final sentence may be appropriately modified, if necessary, to reflect coverage provided.]

(3) [A brief specific description of the benefits contained in this policy:

\*NOTE:.. The description of benefits shall be stated clearly and concisely, and shall include a description of any deductible or co-payment provisions applicable to the benefits described.]

(4) [A description of any policy provisions which exclude, eliminate, restrict, reduce, limit, delay, or in any other manner operate to qualify payment of the benefits described in (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.]

Section 6. Requirements for Replacement

6:01 Requirements for Replacement -

(A) Application forms 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 such a question may be used.

(B) Upon determining that a sale will involve replacement, the agent or insurer shall furnish the applicant, prior to issuance or delivery of the policy, the notice described in (C) below. One (1) copy of such notice shall be retained by the applicant and an additional copy signed by the applicant shall be retained by the insurer.

(C) The notice required by (B) above 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 a policy to be issued by \_\_\_\_\_ (Company Name) Insurance Company. For your own information and protection, you should be aware of and seriously consider certain factors which may affect the insurance protection available to you under the new policy.

(1) Health conditions which 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 to your advantage to make sure you understand all the relevant factors involved in replacing your present coverage.

(3) If, after due consideration, you still wish to terminate your present policy and replace it with new coverage, be certain to truthfully and completely answer all questions on the application concerning your medical/health history. Failure to include all material medical information on an application may provide a basis for the company to deny any future claims and to refund your premium as though your policy had never been in force. After the application has been completed and before you sign it,

re-read it carefully to be certain that all information has been properly recorded. [\*NOTE: Final sentence may, for direct response insurers, be changed to read as follows: "Carefully re-read your application, as attached to the policy issued, to be certain that all information has been properly recorded."]

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

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Applicant's Signature)

Section 7. Recurrent Conditions

7:01 Recurrent Conditions - A policy may contain a provision relating to recurrent disabilities; provided, however, that no such provision shall specify that a recurrent disability be separated by a period greater than six (6) months.

Section 8. Separability

8:01 Partial Invalidity - 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 such provision to other persons or circumstances shall not be affected thereby.