GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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SENATE BILL 85
PROPOSED COMMITTEE SUBSTITUTE S85-CSBH-2 [v.10]
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Short Title: Allow Vision Service Plans. (Public)

Sponsors:

Referred to:

February 15, 2021

A BILL TO BE ENTITLED

AN ACT TO ALLOW VISION SERVICE PLANS AND TO MAKE TECHNICAL AND CONFORMING CHANGES TO CHAPTER 58 OF THE GENERAL STATUTES.

The General Assembly of North Carolina enacts:

PART I. ALLOW VISION SERVICE PLANS

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

"Article 65.

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

"Part 1. In General.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following definitions apply in this Article:

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

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

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

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

a. Dental service plan.

b. Health care service plan.

c. Medical service plan.

d. Vision service plan.

(5) Medical service plan. – Any contract for the furnishing of, or the payment of fees for, any of the following:

a. Medical, obstetrical, surgical, or any other professional services authorized or permitted to be provided by a duly licensed physician or other provider listed in G.S. 58-50-30.

b. Professional medical services authorized or permitted to be provided by a health care provider licensed under Chapter 90 of the General Statutes.

(6) Preferred provider. – A health care provider who has agreed to accept, from a corporation organized for the purposes authorized by this Article, special reimbursement terms in exchange for providing services to beneficiaries of a plan administered pursuant to this Article.

(7) Single-service corporation. – Any corporation organized under the provisions of this Article that offers any of the following:

a. Only a dental service plan.

b. Only a vision service plan.

c. Both a dental service plan and a vision service plan, but no other plans.

(8) Vision service plan. – Any contract for the provision of, or the payment of fees for, vision care or vision services, including any other professional services permitted to be provided by a duly licensed optometrist or ophthalmologist.

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

The following provisions of this Chapter are applicable to hospital service corporations that are subject to this Article:

G.S. 58-2-125. ..... Authority over all insurance companies; no exemptions from license.

…

G.S. 58-50-290. ..... Health benefit plans or insurers contracting for the provision of dental services; no limitation on fees for noncovered services.

G.S. 58-50-300. ..... Health benefit plans or insurers contracting for the provision of vision services or materials; no limitation on fees for noncovered services or materials.

G.S. 58-51-15(a)(2)b. ..... Accident and health policy provisions.

G.S. 58-51-17. ..... Portability for accident and health insurance.

G.S. 58-51-25. ..... Policy coverage to continue as to children with an intellectual or physical disability or dependent students on medically necessary leave of absence.

G.S. 58-51-95(h),(i),(j). ... Approval by Commissioner of forms, classification and rates; hearings; exceptions.

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

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

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

(a) Any premium or dues charged by a corporation regulated under the provisions of this Article and Article 66 of this Chapter may be paid by the employer, employee, principal, or ~~agent, or jointly and severally.~~ agent. The term "employer" as used ~~herein~~ in this section includes

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

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

…

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

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

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

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

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

…

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

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

(1) Certificate of ~~incorporation with all amendments thereto.~~incorporation, including any amendments.

(2) ~~Bylaws with all amendments thereto.~~Bylaws, including any amendments.

(3) Each contract executed or proposed to be executed by and between the corporation and any participating ~~hospital, and/or physicians~~ hospital or physician, dentist, or optometrist under the terms of which ~~hospital and/or medical and/or dental~~ dental, health care, medical, or vision service is to be furnished to subscribers to the plan.

(4) Each form of contract, application, rider, and endorsement, issued or proposed to be issued to subscribers to the plan, or in renewal of any of contracts with

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

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

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

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

(1) The applicant is established as a bona fide nonprofit hospital service corporation as defined by this Article and Article 66 of this Chapter.

(2) The rates charged and benefits to be provided are fair and reasonable.

(3) The amounts provided as working capital of the corporation are repayable only out of earned income in excess of amounts paid and payable for operating expenses and ~~hospital and medical and/or dental expenses and such reserve as the Department deems adequate, as provided hereinafter.~~dental, health care, medical, or vision expenses, and the reserve is deemed adequate by the Department.

(4) ~~That the~~ The amount of money actually available for working capital ~~be~~ is sufficient to carry all acquisition costs and operating expenses for a reasonable period of time from the date of the issuance of the certificate.

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

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

…

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

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

(2) A statement of the nature of the benefits to be furnished and the period during which they will be furnished.

(3) A statement of the terms and conditions, if any, upon which the contract may be cancelled or otherwise terminated at the option of either party. The statement shall be in the following language:

a. ~~"Renewability": ~~Renewability. – Any contract subject to the provisions of this subdivision is renewable at the option of the subscriber unless sufficient notice in writing of nonrenewal is mailed to the subscriber by the corporation addressed to the last address recorded with the corporation.

b. ~~"Sufficient notice" ~~Sufficient notice. – The notice required shall be as follows:

1. During the first year of any ~~such~~ contract, or during the first year following any lapse and reinstatement, or reenrollment, a period of 30 days.

2. During the second and subsequent years of continuous coverage, a number of full calendar months most nearly equivalent to one fourth the number of months of continuous coverage from the first anniversary of the date of issue or reinstatement or reenrollment, whichever date is more recent, to the date of mailing of ~~such~~ the 30-day notice.

3. No period of required notice shall exceed two years, and no renewal hereunder shall renew any ~~such~~ contract for any period beyond the required period of notice except by written agreement of the subscriber and corporation.

c. Modifications, terminations, and cancellations. – The contract may be modified, terminated or cancelled by the corporation at any time at its option, ~~upon:~~upon any of the following:

~~a.~~1. Nonpayment by the subscriber of fees or dues as required.

~~b.~~2. Failure or refusal by the subscriber to comply with rate or benefit changes approved by the Commissioner under G.S. 58-65-45.

~~c.~~3. Failure or refusal by the subscriber after 30 days' written notice to subscriber to transfer into ~~hospital, medical, or dental~~ a dental, health care, medical, or vision service plan serving the area to which the subscriber has changed residence and is eligible for or to which corporation is required to transfer by interplan agreement of transfer.

(4) A statement that the contract includes the endorsement thereon and attached papers, if any, and together with the applications contains the entire contract.

(5) A statement that if the subscriber defaults in making any ~~payment, ~~payment under the contract, then the subsequent acceptance of a payment by the corporation at its home office shall reinstate the contract, but with respect to sickness and injury, only to cover such sickness as may be first manifested more than 10 days after the date of ~~such acceptance.~~acceptance of the payment.

…

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

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

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

…

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

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

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

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

…

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

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

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

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

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

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

…

"**§ 58-65-110. Expenses.**

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

…

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

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

(1) Persons designated by the association or subscriber to collect or deduct or transmit premiums or other charges for ~~medical and/or dental care or hospital~~ dental, health care, medical, or vision contracts, or to perform ~~such~~ any acts as may be required for providing coverage for additional persons who are eligible under a master contract.

(2) An agency office employee acting in the confines of the agent's office, under the direction and supervision of the duly licensed agent and within the scope of ~~such~~ that agent's license, in the acceptance of request for insurance and payment of premiums, and the performance of clerical, stenographic, and similar office duties.

…

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

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

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

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

(1) ~~"Certificate holder" includes an~~ Certificate holder. – An enrollee, as defined in Article 67 of this Chapter, in a health maintenance plan provided by the corporation or a subsidiary or by the new corporation or a subsidiary.

(2) ~~"Code" means~~ Code. – Title 26 of the United States Code, the United States Internal Revenue Code of 1986, as amended.

(3) ~~"Conversion" means the~~ Conversion. – The conversion of a ~~hospital, medical, or dental~~ hospital service corporation to a stock accident and health insurance company or stock life insurance company subject to the applicable provisions of Articles 1 through 64 of this Chapter.

(4) ~~"Corporation" means a~~ Corporation. – A ~~hospital, medical, or dental~~hospital service corporation governed by this Article that files or is required to file a plan of conversion with the Commissioner under subsection (d) of this section to convert from a ~~hospital, medical, or dental~~hospital service corporation to a stock accident and health insurance company or stock life insurance company.

(5) ~~"Foundation" means a~~ Foundation. – A newly formed tax-exempt charitable social welfare organization formed and operating under section 501(c)(4) of the Code and Chapter 55A of the General Statutes.

(6) ~~"New corporation" means a~~ New corporation. – A corporation originally governed by this Article that has had its plan of conversion approved by the Commissioner under G.S. 58-65-132 and that has converted to a stock accident and health insurance company or stock life insurance company.

…

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

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

(1) The plan of conversion meets the requirements of G.S. 58-65-131, this section, and G.S. 58-65-133.

(2) Upon conversion, the new corporation will meet the applicable standards and conditions under this Chapter, including applicable minimum capital and surplus requirements.

(3) The plan of conversion adequately protects the existing contractual rights of the corporation's subscribers and certificate holders to ~~medical or hospital~~ dental, health care, medical, or vision services and payment of claims for reimbursement for those services.

…

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

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

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

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

…

"**§ 58-65-135. Cost plus plans.**

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

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

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

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

…

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PART II. TECHNICAL AND CONFORMING CHANGES

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

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

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

"Article 66.

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

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

"**§ 58-66-1. Title.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PART III. EFFECTIVE DATE

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