

**IN THE MISSOURI DEPARTMENT OF INSURANCE,  
FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION**

<b>In Re: NATIONAL HEALTH</b>	)	
<b>INSURANCE COMPANY</b>	)	
<b>SERFF TRACKING NUMBER</b>	)	<b>Case No. 140320314C</b>
<b>ICCI-129131477</b>	)	

**ORDER DISAPPROVING FORM FILING**

Upon review and consideration of the filing of National Health Insurance Company, SERFF Tracking Number ICCI-129131477, specifically Form NHIC IND HIO MO 2013-POL, the Deputy Director DISAPPROVES said form for the reasons stated below.

**FINDINGS OF FACT**

1. John M. Huff is the Director of the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri ("Director" of the "Department").
2. National Health Insurance Company ("National Health"), NAIC Number 82538, is a foreign life and health insurance company organized pursuant to the laws of the state of Texas and transacting insurance business in the state of Missouri pursuant to a Certificate of Authority issued by the Director.
3. Pursuant to §376.777,<sup>1</sup> insurance companies licensed to transact business in this state may not deliver or issue for delivery in this state a policy of accident or health insurance unless the form has been approved.
4. The Division of Market Regulation (the "Division") is designated pursuant to section 374.075 with the review of forms that are filed by insurance companies.
5. Insurance Compliance Consultants, Inc., on behalf of National Health, filed policy forms with the Director via the System for Electronic Rate and Form Filing ("SERFF") on March 7, 2014. The SERFF Tracking Number is ICCI-129131477 ("Filing").
6. The Filing contains, in pertinent part, form NHIC IND HIO MO 2013-POL, identified as a Hospital Indemnity Insurance Policy ("Policy").

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<sup>1</sup>All statutory citations are to RSMo (Supp. 2013) unless otherwise noted.

7. Brackets ( [ . . . ] ) within a policy form reviewed by the Division indicate that the language within the brackets may be included or excluded from the form, or the brackets may indicate a numeric range.
8. National Health filed the individual Policy within SERFF as an Individual Health-Hospital Indemnity Policy.
9. On March 18, 2014, National Health amended the Filing and replaced the Policy with an amended form. The replacement form is the subject of this Order.
10. On page 15 of the Policy under the section titled Premiums and the subsection titled Grace Period (If Premiums Are Not Paid When Due), the form states:

After the first premium, if the premium is not paid when it is due, it can be paid during the next 31 days. These 31 days are called the grace period. If the premium is not paid before the grace period ends, the coverage provided by this Policy will terminate at midnight on the last day of the grace period. You must pay all premium due for the full period this Policy is in force. Coverage will terminate as of the last date for which premium was paid.

11. Nowhere within the Policy is there a provision titled Reinstatement in which the Policy informs the insured of the conditions for policy reinstatement if premiums are not paid within the time granted for the insured.
12. On page 16 of the Policy under the section titled How to File a Claim/Claim Provisions and the subsection titled Notice of Claim, the form states:

Written notice of Claim must be given to Us within 20 days after the occurrence or commencement of any loss covered by the Policy. Failure to give notice within such time shall not invalidate nor reduce any claim if it shall be shown not to have been reasonably possible to give the notice and that notice was given as soon as was reasonably possible[.]

13. Nowhere within the Policy is there a provision titled Change of Beneficiary informing the insured of their right to change their beneficiary without National Health's consent.
14. On page 16 of the Policy under the section titled General Provisions and the subsection titled Misstatement of Age and Sex, the form states:

If the age or sex of a person covered under this Policy has been misstated, We will make an equitable adjustment of the premium. Such premium will be the difference between the premiums paid

and the premiums which would have been paid at the Covered Person's true age. If coverage would not have been issued, We will refund the premiums paid for such insurance.

### CONCLUSIONS OF LAW

15. The Director shall approve only those policy forms that are in compliance with Missouri insurance laws, and "which contain such words, phraseology, conditions, and provisions which are specific, certain and unambiguous and reasonably adequate to meet needed requirements for the protection of those insured," pursuant to §376.777.
16. The Director may disapprove a form filed with the Department, and in doing so must state the reasons for the disapproval in writing, pursuant to §376.777.

### National Health's Filing Does Not Comply With All Provisions Required in a Policy Under Section 376.777

17. Section 376.777 provides in relevant part:

1. *Required provisions.* Except as provided in subsection 3 of this section *each such policy delivered or issued for delivery to any person in this state shall contain the provisions specified in this subsection in the words in which the same appear in this section;* provided, however, that the insurer may, at its option, substitute for one or more of such provisions corresponding provisions of different wording approved by the director of the department of insurance, financial institutions and professional registration which are in each instance not less favorable in any respect to the insured or the beneficiary....

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- (3) *A provision* as follows: "**GRACE PERIOD:**

*A grace period of . . . (insert a number not less than "7" for weekly premium policies, "10" for monthly premium policies and "31" for all other policies) days will be granted for the payment of each premium falling due after the first premium, during which grace period the policy shall continue in force."*

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- (4) *A provision* as follows: "**REINSTATEMENT:**

If any renewal premium be not paid within the time granted the insured for payment, a subsequent acceptance of premium by the insurer or by any agent duly authorized by the insurer to accept such premium, without requiring in connection therewith an application for reinstatement, shall reinstate the policy; provided,

however, that if the insurer or such agent requires an application for reinstatement and issues a conditional receipt for the premium tendered, the policy will be reinstated upon approval of such application by the insurer, or, lacking such approval, upon the forty-fifth day following the date of such conditional receipt unless the insurer has previously notified the insured in writing of its disapproval of such application. The reinstated policy shall cover only loss resulting from such accidental injury as may be sustained after the date of reinstatement and loss due to such sickness as may begin more than ten days after such date. In all other respects the insured and insurer shall have the same rights thereunder as they had under the policy immediately before the due date of the defaulted premium, subject to any provisions endorsed hereon or attached hereto in connection with the reinstatement. Any premium accepted in connection with a reinstatement shall be applied to a period for which premium has not been previously paid, but not to any period more than sixty days prior to the date of reinstatement".

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5) *A provision* as follows: "**NOTICE OF CLAIM:**

Written notice of claim must be given to the insurer within twenty days after the occurrence or commencement of any loss covered by the policy, or as soon thereafter as is reasonably possible. *Notice given by or on behalf of the insured or the beneficiary to the insured at ..... (insert the location of such office as the insurer may designate for the purpose), or to any authorized agent of the insurer*, with information sufficient to identify the insured, shall be deemed notice to the insurer".

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(12) *A provision* as follows: "**CHANGE OF BENEFICIARY:**

Unless the insured makes an irrevocable designation of beneficiary, the right to change of beneficiary is reserved to the insured and the consent of the beneficiary or beneficiaries shall not be requisite to surrender or assignment of this policy or to change of beneficiary or beneficiaries, or to any other changes in this policy".

(The first clause of this provision, relating to the irrevocable designation of beneficiary, may be omitted at the insurer's option).

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2. *Other provisions.* Except as provided in subsection 3 of this section, *no such policy delivered or issued for delivery to any person in this state shall contain provisions respecting the matters set forth below unless such provisions are in the words in which the same appear in this section*; provided, however, that the

insurer may, at its option, use in lieu of any such provision a corresponding provision of different wording approved by the director of the department of insurance, financial institutions and professional registration which is not less favorable in any respect to the insured or the beneficiary. Any such provision contained in the policy shall be preceded individually by the appropriate caption appearing in this subsection or, at the option of the insurer, by such appropriate individual or group captions or subcaptions as the director of the department of insurance, financial institutions and professional registration may approve.

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(2) *A provision* as follows: "**MISSTATEMENT OF AGE:**

*If the age of the insured has been misstated, all amounts payable under this policy shall be such as the premium paid would have purchased at the correct age".*

(Emphasis added.)

18. National Health's Policy is not compliant with Missouri insurance laws. Under the section titled Premiums and the subsection titled Grace Period, the Policy provides a 31 day grace period but then states "[c]overage will terminate as of the last day for which premium was paid." Section 376.777.1(3) requires the policy to stay in full force during the grace period. Because the policy does not stay in full force and retroactively terminates, the Policy does not meet the substantive requirements of §376.777.1(3). As such, the Policy does not comply with the laws of this state as required by §376.777.
19. National Health's Policy is not compliant with Missouri insurance laws. Section 376.777.1(4) requires a provision titled Reinstatement in which the Policy informs the insured of the conditions for policy reinstatement if premiums are not paid within the time granted for the insured. The Policy does not contain such a provision and, therefore, does not meet the substantive requirements of §376.777.1(4). As such, the Policy do not comply with the laws of this state as required by §376.777.
20. National Health's Policy is not compliant with Missouri insurance laws. Under the section How to File a Claim/Claim Provisions and the subsection titled Notice of Claim, the Policy is noncompliant with §376.777.1(5) for the following reasons:
  - a. The Policy fails to provide the location of the office that the insured shall mail the notice of claim, as required by §376.777.1(5).
  - b. The Policy fails to state that the insured may send notice of claim to "any authorized agent of the insurer," as required by §376.77.1(5).

As such, the Policy does not comply with the laws of this state as required by §376.777.

21. National Health's Policy is not compliant with Missouri insurance laws. Section 376.777.1(12) requires a provision titled Change of Beneficiary informing the insured of their right to change their beneficiary without National Health's consent. The Policy does not contain such a provision and, therefore, does not meet the substantive requirements of §376.777.1(12). As such, the Policy do not comply with the laws of this state as required by §376.777.
22. National Health's Policy is not compliant with Missouri insurance laws. Under the section titled General Provisions and the subsection titled Misstatement of Age and Sex, the Policy is noncompliant with §376.777.2(2). The Policy states that, if there is a misstatement of age or sex, an adjustment will be made and "will be the difference between the premiums paid and the premiums which would have been paid at the Covered Person's true age." The Policy additionally states that, "[i]f coverage would not have been issued, We will refund the premiums paid for such insurance." Section 376.777.2(2) requires that, if a provision addresses matters set forth in this section, the provision must be in the same words as this section, unless the Director determines the words used are "not less favorable" to the insured. The Policy provision does not use the same words as §376.777.2(2). Additionally, a review of the Filing fails to demonstrate that the provision is not less favorable to the insured as required by §376.777.2(2). As such, the Policy does not comply with the laws of this state as required by §376.777.
23. After review and consideration of the form included in National Health's Filing, the company has failed to demonstrate its compliance with Missouri law as enumerated herein.
24. While there may be additional reasons as to why this form does not comply with Missouri's insurance laws, the reasons stated herein are sufficient to disapprove the form.
25. Each reason stated herein for disapproval of a form is a separate and sufficient cause to disapprove such form.
26. National Health's Policy does not comply with Missouri law. As such, said form is not in the public interest.
27. This Order is in the public interest.

**IT IS THEREFORE ORDERED** that Form NHIC IND HIO MO 2013-POL is hereby **DISAPPROVED**. National Health Insurance Company is hereby prohibited from delivering or issuing for delivery any policies of health insurance utilizing said form.

**SO ORDERED, SIGNED AND OFFICIAL SEAL AFFIXED THIS** 2d day of May, 2014.

  
**JAMES R. McADAMS**  
**DEPUTY DIRECTOR**



**NOTICE**

**TO: National Health Insurance Company and any unnamed persons aggrieved by this Order:**

You may request a hearing on the disapproval of these forms. You may do so by filing a pleading with the Director of the Department of Insurance, Financial Institutions and Professional Registration, P.O. Box 690, Jefferson City, MO 65102, within 30 days after the mailing of this notice pursuant to 20 CSR 800-1.030.

**CERTIFICATE OF SERVICE**

I hereby certify that on this 31 day of May, 2014, a copy of the foregoing Order and Notice was

Served via certified mail addressed to:

Charles Harris  
President  
National Health Insurance Company  
1901 N St. Hwy 360  
Grand Prairie TX 75050

Brenda Dawson  
Authorized Representative  
Insurance Compliance Consultants  
3925 East State Street, Suite 200  
Rockford, IL 61108

