
Addendum: for use with Georgia Life & Health online ExamFX course and study guide version 22443en/22444en, per exam content outline updates effective 01/31/2020.

*The following are **content additions** to supplement your existing text unless otherwise indicated:*

LIFE AND HEALTH

State Laws, Rules, and Regulations

A. Georgia Laws, Rules, and Regulations Pertinent to Life and Accident and Sickness Insurance

2. Insurance Department and Commissioner

Examination of Records

To ensure **health maintenance organizations (HMOs)** remain solvent and conduct business of insurance in compliance with state laws, the Commissioner of Insurance examines the affairs, transactions, accounts, records and assets of each authorized HMO or any person who is involved with the financial affairs of the HMO. The Commissioner may examine each authorized HMO as deemed necessary, but at least once every **3 years**.

In addition to examination by the Commissioner of Insurance, the **Commissioner of Community Health** conducts examinations of HMOs at least once every **5 years**. To ensure HMOs are compliant with state regulations and fulfil the needs of the public, the Commissioner of Community Health evaluates all accounts, records, documents, and files pursuant to health benefit plans.

The Commissioner of Insurance must furnish a report of the examination to the HMO at least **20 days** prior to filing the report. A hearing may be granted by the Commissioner upon the HMO's request during this timeframe. The Commissioner may withhold an public examination of the report if deemed necessary.

The cost of examinations is the responsibility of the HMO being examined.

4. Agent Responsibilities

Sharing Commissions

No insurance company or agent may pay a commission, service fee, or other valuable consideration to a person for selling, soliciting or negotiating insurance in this state if that person is not properly licensed. No one may accept a commission, service fee, or other valuable consideration for selling, soliciting or negotiating insurance in this state if that person is required to be licensed and is not so licensed.

Renewal or other deferred commissions may be paid to a person for selling, soliciting or negotiating insurance in this state if the person was properly licensed at the time of the transaction.

Any producer who transacts insurance in Georgia may share commissions with another producer, as long as the recipient is duly licensed.

5. Unfair Trade Practices

Unfair Claims Practices

The following are **unfair claims settlement practices** if committed openly and in conscious disregard of rules and regulations, or if committed with such frequency as to indicate a general business practice:

- Misrepresenting pertinent facts or insurance policy provisions relating to coverages;
- Failing to acknowledge and act reasonably promptly upon communications with respect to claims;
- Failing to adopt and implement reasonable standards for the prompt investigation of claims;
- Refusing to pay claims without conducting a reasonable investigation based upon all available information;
- Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed;
- Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear;
- Compelling insureds to institute litigation to recover amounts due under an insurance policy by offering substantially less than the amounts ultimately recovered in actions brought by such insureds;
- Attempting to settle a claim for less than the amount to which a reasonable person would have believed that such person was entitled by reference to written or printed advertising material accompanying or made part of an application;
- Attempting to settle claims on the basis of an application which was altered without notice to, or knowledge or consent of the insured;
- Making claims payments to insureds or beneficiaries not accompanied by a statement setting forth the coverage under which payments are being made;
- Making known to insureds or claimants a policy of appealing from arbitration awards in favor of insureds or claimants for the purpose of compelling them to accept settlements or compromises less than the amount awarded in arbitration;
- Delaying the investigation or payment of claims by requiring an insured, claimant or the physician of either to submit a preliminary claim report and then requiring the subsequent submission of formal proof of loss forms, both of which submissions contain substantially the same information;
- Failing to promptly settle claims, where liability has become reasonably clear under one portion of the insurance policy coverage in order to influence settlements under other portions of the insurance policy coverage; or
- Failing to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement.

LIFE ONLY

State Laws, Rules, and Regulations

B. Georgia Laws, Rules, and Regulations Pertinent to Life Insurance Only

3. Miscellaneous Provisions

Insurable Interest

In life insurance, insurable interest must exist at the time of application. The Georgia Insurance Code designates the following parties as having insurable interest in an insured:

- **Insured** — An insured has an unlimited insurable interest in his or her life, health, and bodily safety and may designate beneficiaries, regardless of insurable interest;
- **Trustee** — A trustee of a trust has insurable interest in a policyowner;
- **Charitable institution** — A charitable institution has insurable interest in the life of a donor; and
- **Corporation** — A corporation, either foreign or domestic, has insurable interest in an insured who holds 10% or more of company shares or whose death or physical or mental disability would cause financial loss to the corporation. If a corporation is acquired by another corporation, any insurable interest on an insured will continue through the acquiring corporation.

Required Provisions

All life insurance policies issued or delivered in this state must include the following provisions:

- **Grace period** — An insured is entitled to a grace period of **30 days**, in which the policy premium may be paid, and the policy must remain in force;
- **Right to return (free-look)** — After examination of the policy, the insured has a right to return the policy within **10 days** after receipt if not satisfied for any reason, and have full premium refunded;
- **Incontestability** — An insurer may not deny a claim due to statements on the application after the policy has been in force for **2 years**;
- **Misstatement of age** — If an applicant misstates his or her age on an application, the insurer may adjust benefits payable based on the correct age;
- **Dividends** — In participating policies, beginning no later than the end of the **3rd policy year**, an insurer must determine and pay divisible surplus to the insured.
- **Policy loan** — After a policy has been in effect for **3 years**, has accrued cash surrender value, and if there are currently no defaults in premiums, the insurer may loan money from the policy's cash value to the insured.
- **Tables of installments** — If a policy allows proceeds to be paid in installments, it must include a table showing the amounts of guaranteed installments.

- **Tables of options and values** — Insurance policies must contain tables detailing changes in benefits or premiums, a statement of the mortality table, interest rates, methods used in calculating cash surrender, and nonforfeiture benefits projected for the next **20 years** or for the life of the policy, whichever is shorter;
- **Reinstatement** — A lapsed policy may be reinstated after **3 years**, once the policyowner pays all back premiums, outstanding loans, and interest of no more than 6% per annum;
- **Title** — An insurance policy must contain a title that briefly describes the nature and form of the policy;
- **Statements on application** — Insured's statements on an application for insurance or annuities must be deemed **representations**, not warranties;
- **Entire contract** — The policy, application, and potential riders and amendments make up the entire contract, which must be agreed on and signed by both parties;
- **Payment of premiums** — A policy must specify when premiums are due and the premium mode;
- **Payment of claims** — After receiving written proof of loss, the insurer must pay death claims as quickly as possible, but no later than **2 months**; and
- **Policy exclusions** — The insurer may deny coverage if the insured's death occurred as a result of war, aviation, or specified hazardous occupation, or while the insured is a resident outside the continental United States and Canada, or as a result of suicide (while sane or insane) within 2 years from the date of policy issues.

Note that not all of these provisions would apply to single premium or term policies.

Misrepresentations

Any misrepresentations, omissions, concealment of facts, or other incorrect statements may NOT prevent recovery under the policy unless:

- Fraudulent;
- Material to the acceptance of risk or to the hazard assumed by the insurer; or
- The insurer would not have issued the policy in as large an amount or at the premium rate as applied for had misrepresentations been known during the application process.

Nonforfeiture Options

Nonforfeiture values are the benefits of a life insurance policy that the policyowner does not forfeit even if the policy lapses. All cash value life insurance policies issued in this state must include nonforfeiture provisions that are at least as favorable as the following:

- In the event of default in any premium payment for at least 1 year, a paid-up nonforfeiture benefit will become effective as specified in the policy unless the person entitled to it elects another option within **60 days** after the due date of the premium in default;

- Upon policy surrender within **60 days** after the due date of any premium payment in default (after the premium has been paid for at least 3 full years in ordinary insurance or 5 years in industrial policies), the insurer will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value;
- If the policy is paid-up or is continued under a paid-up nonforfeiture benefit, the insurer will pay a cash surrender amount if the policy is surrendered within **30 days** after the policy anniversary;
- A mortality table, interest rate and method used in calculating cash surrender values and the paid-up nonforfeiture benefits must be available under the policy; and
- A statement that the policy's cash surrender values and a paid-up nonforfeiture benefits meet the minimum value and benefit requirement for the state in which the policy is delivered.

The insurer reserves the right to defer the payment of any cash surrender value for a period of **6 months** after demand with surrender of the policy.

Policy Loan Interest Rates

All life insurance policies that allow for policy loans must contain at least one of the following interest rate provisions:

- The rate of interest on policy loans is not to exceed 8% per annum; or
- The maximum policy loan interest rate is adjustable.

Adjustable maximum policy loan interest rates cannot exceed the cash surrender value calculation rate, plus 1% per annum, or the monthly average for the two months preceding the rate change, whichever is higher.

Policies must contain a provision stipulating the frequency at which interest rates are determined. Maximum interest rates must be determined on an annual basis, but no more than three times a month.

When fulfilling a premium loan request, an insurer must provide a policyowner with:

- A notice regarding the interest rate at the time a cash loan is made;
- A notice specifying the interest rate and the frequency of rate determination; and
- Advance notice of interest rate increases.

A life insurance policy cannot be terminated as a direct result of a change in interest rates.

HEALTH ONLY

State Laws, Rules, and Regulations

B. Georgia Laws, Rules, and Regulations Pertinent to Health Insurance Only

1. Miscellaneous Provisions

You have already learned about required uniform health insurance policy provisions and their general characteristics. Below are some requirements that apply specifically in the state of Georgia:

- **Entire contract** — The policy, application, and potential riders and amendments make up the entire contract, which must be agreed on and signed by both parties;
- **Time limit on certain defenses** — An insurer may not deny a claim due to statements on the application after the policy has been in force for **2 years**;
- **Grace period** — An insured is entitled to a grace period of **30 days**, in which the policy premium may be paid, and the policy must remain in force;
- **Reinstatement** — A lapsed policy may be reinstated once an insured has paid an outstanding premium and an application for reinstatement has been approved or **45 days** have passed following a conditional receipt. A health insurance policy may only cover losses occurring no sooner than 10 days after reinstatement. Outstanding premiums cannot exceed 60 days, unless stated in the policy, until at least age 60;
- **Notice of claims** — Written notice of a claim must be submitted to an insurer within **20 days** of a loss;
- **Claim forms** — An insurer must furnish an insured with proof of loss forms within **10 working days** of a notice of claim;
- **Proof of loss** — An insured must submit written proof of loss to an insurer, no later than **90 days** from the date of such loss;
- **Time of payment of claims** — An insurer must pay claim benefits, no later than **30 days** from receiving proof of loss;
- **Payment of claims** — Indemnity for loss of life must be payable to a beneficiary or trust;
- **Physical examinations and autopsy** — an insurer may require the physical examination or autopsy of an insured whenever necessary during the pendency of a claim;
- **Change of beneficiary** — An insured has the right to designate beneficiaries at any time, unless a beneficiary is deemed irrevocable; and
- **Legal action** — No legal action may be brought against an insurer any sooner than **60 days** before or **3 years** after proof of loss.

An insurance application signed by or on behalf of the insured may **not be admissible** in evidence in any legal action between the insured and the insurer if the insurer has failed to provide to the insured a copy of the application **within 30 days** after receipt of written demand from the insured for a copy of the application.

4. Long-Term Care Insurance Requirements

LTC Required Provisions

In Georgia, the Commissioner may adopt regulations pertaining to full and fair disclosures for the sale of long-term care (LTC) insurance. In addition, the Commissioner requires all LTC policies comply with the following provisions:

- A LTC policy cannot be canceled, nonrenewed, or terminated on the grounds of the insured's age or deterioration of physical or mental health;
- An insurer cannot impose a new waiting period if the existing coverage is converted to a different coverage within the same company;
- An insurer may not limit coverage to skilled nursing care. It also may not provide significantly more coverage for skilled care provided in a facility than coverage for lower levels of care;
- A LTC policy cannot define pre-existing conditions as anything more restrictive than the existence of symptoms which are treated or recommended for treatment in the **6 months** preceding the effective date of coverage;
- If an LTC policy conditions coverage for noninstitutional care upon the receipt of institutional care, the required period of institutional care cannot exceed **30 days**;
- A policy must allow the policyholder a **30-day free-look period**;
- An **outline of coverage** must be presented to the applicant at the time of the initial solicitation.

All LTC policies issued, delivered, or renewed in this state must include the following:

- A description of the principal benefits and coverage;
- A statement of the principal exclusions, reductions, and limitations;
- A statement concerning contractual provisions governed under a group master policy; and
- Any other provisions required by the Commissioner.

Renewability Disclosure

Every LTC policy issued in this state must contain a renewability provision on the face of a policy, clearly stating that the policy is **guaranteed renewable** or noncancellable. This provision is not required of policies where the right to nonrenew is solely reserved for the policyowner.

Additionally, all LTC policies that maintain an insurer's right to change a premium must include a disclosure, stating premium rates are subject to change.

Inflation Protection

All long-term care insurance policies must offer policyholders the option of purchasing coverage that raises benefit levels to account for reasonably anticipated increases in the costs of long-term care services covered by the policy. Insurers must offer to each policyholder, at the time of purchase, the option to purchase a policy with an **inflation protection** feature no less favorable than one of the following:

- Increases benefit levels annually, so that increases are compounded annually at a rate of at least **5%**;
- Guarantees the individual the right to periodically increase benefit levels without providing evidence of insurability or health status, as long as this option was not declined during the previous period. The amount of this increase cannot be less than the difference between the existing policy benefit, and such a benefit compounded annually at a rate of at least **5%**; or
- Covers a specified percentage of reasonable charges, and does not include a maximum specified indemnity limit.

Inflation protection benefit increases must continue without regard to the insured's age, claim status, claim history, or length of time insurance has been in place. Unless a premium is guaranteed to remain constant, an inflation protection offer providing automatic benefit increases must also include an offer for a premium expected to remain constant.

Unless otherwise rejected by an insured in writing, inflation protection must be included in every LTC policy issued in this state.

Unintentional Lapse

An individual LTC policy cannot be issued until the insurer has received from the applicant either a written designation of at least one person, in addition to the applicant, who is to receive notice of lapse or termination of the policy for nonpayment of premium, or a written waiver dated and signed by the applicant reflecting their decision not to designate additional people. This is also known as the **secondary addressee provision**. An insurer must notify insureds of their right to change a written designation at least every **2 years**.

No individual LTC policy may lapse or be terminated for nonpayment of premium, unless the insurer has provided the insured and the designated person with a notice of termination **at least 30 days** before the effective date of the lapse or termination. The notice must be sent by first class United States mail. The notice is deemed delivered after 5 days of the mailing date.

LTC policies must include a provision for the reinstatement of coverage if a policy lapses due to the cognitive impairment or functional capacity loss of the insured. The policyowner may request reinstatement within **5 months** of the lapsed premium.