



April 2014

WEST VIRGINIA INFORMATIONAL LETTER

NO. 188

**TO: All Insurance Companies Doing Business in the State of West Virginia, Insurance Trade Associations, Insurance Media Publications and Other Interested Persons**

**RE: Summary of 2014 Legislation**

This Informational Letter summarizes significant insurance legislation enacted during the 2014 Regular Session of the West Virginia Legislature. It does not necessarily include all legislation that may affect the insurance industry or insurance consumers and is only intended to highlight the major points in the more important bills. The explanations contained herein should in no way be construed as being indicative of the Insurance Commissioner's views on or interpretation of the legislation.

The bills are available on the Legislature's website at [www.legis.state.wv.us](http://www.legis.state.wv.us). The rules can be found on the Insurance Commissioner's website at [www.wvinsurance.gov](http://www.wvinsurance.gov) and the Secretary of State's website at [www.wvsos.com](http://www.wvsos.com).

**BILLS**

***Senate Bill 88 - Relating to Farmers' Mutual Insurance Companies (Effective June 6, 2014)***

This bill made the statutory lien requirement on insurance proceeds for total loss to real property in favor of a municipality for the cleanup of the property applicable to farmers' mutual fire insurance companies. However, the legislation limits the lien amount imposed against proceeds payable under policies issued by farmers' mutual fire insurance companies to ten percent of the policy limits for loss to the real property, including any coverage for debris removal.

***Senate Bill 167 - Authorizing Department of Revenue Promulgate Legislative Rules (Effective June 6, 2014)***

This bill authorizes the promulgation of the following Title 114 legislative rules by the West Virginia Offices of the Insurance Commissioner.



#### ***114 CSR 95 - Utilization Review and Benefit Determination***

This rule establishes standards for the operation of utilization review processes used by health insurers to make benefit coverage determinations. It also applies to any designee of the health carrier that performs utilization review functions on the carrier's behalf. The rule is based upon the National Association of Insurance Commissioners' "Utilization Review Model Act" (Model 73), as amended in 2012. (The Insurance Commissioner intends to issue an Informational Letter in the near future concerning implementation of this rule.)

#### ***114 CSR 96 - Health Plan Issuer Internal Grievance Procedure***

This rule provides standards for the establishment and maintenance of procedures by health carriers to assure that covered persons have the opportunity for the appropriate resolution of grievances. Except as otherwise specified, this rule applies to all health carriers offering a health benefit plan. The rule is based upon the National Association of Insurance Commissioners' "Health Carrier Grievance Procedure Act" (Model 72), as amended in 2012. (The Insurance Commissioner intends to issue an Informational Letter in the near future concerning implementation of this rule.)

#### ***114 CSR 97 - External Review of Issuers' Adverse Health Insurance Determinations***

This rule establishes a process for the review of health insurance issuers' adverse coverage decisions by independent review organizations (IROs) approved and assigned by the Insurance Commissioner. It sets forth how covered persons are to be notified of such determinations, how they may institute the external review process, how IROs conduct reviews and announce their decisions, and the effect and reviewability of IRO decisions. (The Insurance Commissioner intends to issue an Informational Letter in the near future concerning implementation of this rule.)

#### ***Senate Bill 427 - Relating to Automobile Insurance Verification (Effective June 6, 2014)***

This bill updates insurance verification procedures and penalties to reflect the electronic insurance verification program authorized previously by the Legislature. The bill removes the requirement that insurance companies must notify the Division of Motor Vehicles when a policyholder's vehicle insurance has been canceled.

#### ***Senate Bill 621 - Relating to Flood Insurance (Effective June 5, 2014)***

As set forth in the legislative findings of this bill, the federal Biggert-Waters Flood Insurance Reform Act of 2012 revised the National Flood Insurance Program. The 2012 act resulted in a substantial increase of flood insurance premiums for certain flood insurance policyholders. The bill seeks to provide alternatives to coverage from the National Flood Insurance Program by promoting the availability of flood insurance from private market insurers at potentially lower premium rates. The bill establishes minimum coverage requirements while providing permissible coverage limitations. An insurer must file a plan of operation with the Insurance Commissioner prior to writing flood insurance. The bill also provides the Insurance Commissioner with rate-making and rule-making authority.

It should also be noted that on March 21, 2014, President Obama signed the Homeowner Flood Insurance Affordability Act of 2014 into law. This law repealed and modified certain provisions of the Biggert-Waters Flood Insurance Reform Act.

***House Bill 4204 - Relating to Property Insurance Cancellation (Effective June 6, 2014)***

This bill prohibits the nonrenewal or cancellation of a property insurance coverage policy as a result of certain claims arising from natural causes under certain circumstances. More specifically, the bill mandates that no property insurance policy in force for at least four years, may be denied renewal or canceled solely as a result of:

- (1) A single first party property damage claim within the previous thirty-six months and that arose from wind, hail, lightning, wildfire, snow or ice, unless the insurer has evidence that the insured unreasonably failed to maintain the property and that failure to maintain the property contributed to the loss; or
- (2) Two first party property damage claims within the previous twelve months, both of which arose from claims solely due to an event for which a state of emergency is declared for the county in which the insured property is located, unless the insurer has evidence that the insured unreasonably failed to maintain the property and that failure to maintain the property contributed to the loss.

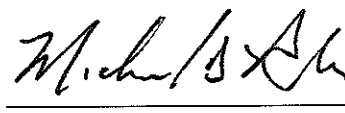
***House Bill 4359 - Relating to Managing General Agents of Insurers (Effective May 25, 2014)***

This bill provides for the renewal of lapsed managing general agent licenses and sets specific application and renewal fees. The bill directs that a managing general agent license expires on June 30 following issuance, except that a license initially issued in May or June expires on June 30 of the following year.

***House Bill 4432 - Adopting Principle Based Reserving for Life Insurance (Effective June 6, 2014)***

This bill adopts Principle Based Reserving as the method by which life insurance company reserves are calculated. The National Association of Insurance Commissioners (NAIC) adopted a revised Standard Valuation Law in 2009 which introduced a new method for calculating life insurance policy reserves to more easily adapt requirements for the complexity of life insurance products. This new method is referred to as Principle Based Reserving or PBR. The amendments contained in this bill are based on two NAIC Model Laws. The bill provides for a phase-in of the new reserve calculation method upon adoption of PBR by a supermajority of states (42), representing seventy-five percent of applicable national premiums.

Please e-mail any questions concerning this Informational Letter to [Informational.Letters@wvinsurance.gov](mailto:Informational.Letters@wvinsurance.gov) or call (304) 558-0401.

  
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Michael D. Riley  
Insurance Commissioner