An Act to amend and reenact §§ 38.2-508.5, 38.2-1700, 38.2-3420, 38.2-3431, 38.2-3432.1, 38.2-3432.2, 38.2-3432.3, and 38.2-3521.1 of the Code of Virginia and to amend the Code of Virginia by adding in Title 59.1 a chapter numbered 52, consisting of sections numbered 59.1-571 through 59.1-574, relating to group health benefit plans; sponsoring associations; the formation of a benefits consortium.

Be it enacted by the General Assembly of Virginia:

1. That §§ 38.2-508.5, 38.2-1700, 38.2-3420, 38.2-3431, 38.2-3432.1, 38.2-3432.2, 38.2-3432.3, and 38.2-3521.1 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding in Title 59.1 a chapter numbered 52, consisting of sections numbered 59.1-571 through 59.1-574, as follows:

§ 38.2-508.5. Re-underwriting individual under existing group or individual accident and sickness insurance policy prohibited; exceptions.

A. No premium increase, including a reduced premium increase in the form of a discount, may be implemented for an insured individual under existing individual health insurance coverage as defined in subsection B of § 38.2-3431 subsequent to the initial effective date of coverage under such policy or certificate to the extent that such premium increase is determined based upon: (i) a change in a health-status-related factor of the individual insured as defined in subsection B of § 38.2-3431 or (ii) the past or prospective claim experience of the individual insured.

B. No reduction in benefits may be implemented for an insured individual under existing individual health insurance coverage as defined in subsection B of § 38.2-3431 subsequent to the initial effective date of coverage under such policy or certificate to the extent that such reduction in benefits is determined based upon: (i) a change in a health-status-related factor of the individual insured as defined in subsection B of § 38.2-3431 or (ii) the past or prospective claim experience of the individual insured.

C. No modifications to contractual terms and conditions may be implemented for an insured individual under existing individual health insurance coverage as defined in subsection B of § 38.2-3431 subsequent to the initial effective date of coverage under such policy or certificate to the extent that such modifications to contractual terms and conditions are determined based upon: (i) a change in a health-status-related factor of the individual insured as defined in subsection B of § 38.2-3431 or (ii) the past or prospective claim experience of the individual insured.

D. This section shall not prohibit adjustments to premium, rescission of, or amendments to the insurance contract in the following circumstances:

1. When an insurer learns of information subsequent to issuing the policy or certificate that was not disclosed in the underwriting process and that, had it been known, would have resulted in a higher premium level or denial of coverage. Any adjustment to premium or rescission of coverage made for this reason may be made only to extent that it would have been made had the information been disclosed in the application process, and shall not be imposed beyond any period of incontestability, or beyond any time period proscribing an insurer from asserting defenses based upon misstatements in applications, as otherwise may be provided by applicable law. Any such rescission shall be consistent with § 38.2-3430.3 regarding guaranteed availability.

2. When an insurer provides a lifestyle-based good health discount based upon an individual's adherence to a healthy lifestyle and this discount is not based upon a specific health condition or diagnosis.

3. When an insurer removes waivers or riders attached to the policy at issue that limit coverage for specific named pre-existing medical conditions.

E. For purposes of this section, re-underwriting means the reevaluation of any health-status-related factor of an individual for purposes of adjusting premiums, benefits or contractual terms as provided in subsections A, B, and C.

F. The provisions of this section shall not apply to individual health insurance coverage issued to members of a bona fide sponsoring association, as defined in subsection B of § 38.2-3431, where coverage is available to all members of the association and eligible dependents of such members without regard to any health-status-related factor.

G. The provisions of this section shall not apply in any instance in which the provisions of this section are inconsistent or in conflict with a provision of Article 6 (§ 38.2-3438 et seq.) of Chapter 34.
§ 38.2-1700. Purpose and applicability of chapter.

A. The purpose of this chapter is to protect, subject to certain limitations, the persons specified in subsection B against failure in the performance of contractual obligations, under life, accident and sickness insurance, and annuity policies, plans, or contracts specified in subsection C because of the impairment or insolvency of the member insurer that issued the policies, plans, or contracts. This chapter shall be construed to effect this purpose. To provide this protection, an association of member insurers is created to pay benefits and to continue coverage as limited by this chapter, and members of the Association are subject to assessments to provide funds to carry out the purpose of this chapter.

B. This chapter shall provide coverage for the policies and contracts specified in subsection C as follows:

1. This chapter shall provide coverage, for the policies and contracts specified in subsection C, to persons who, regardless of where they reside, except for nonresident certificate holders under group policies or contracts, are the beneficiaries, assignees, or payees, including health care providers rendering services covered under accident and sickness insurance policies or certificates, of the persons covered under subdivision B 2.

2. This chapter shall provide coverage, for the policies and contracts specified in subsection C, to persons who are owners of or certificate holders or enrollees under the policies or contracts, other than unallocated annuity contracts and structured settlement annuities, and in each case who:
   a. Are residents; or
   b. Are not residents and (i) the member insurer that issued the policies or contracts is domiciled in the Commonwealth, (ii) the states in which the persons reside have associations similar to the Association, and (iii) the persons are not eligible for coverage by an association in any other state due to the fact that the insurer or health maintenance organization was not licensed in the state at the time specified in the state's guaranty association law.

3. For unallocated annuity contracts specified in subsection C, subdivisions B 1 and B 2 shall not apply, and this chapter, except as provided in subdivisions B 5 and B 6, shall provide coverage to persons who are the owners of the unallocated annuity contracts if the contracts are issued to or in connection with a specific benefit plan whose plan sponsor has its principal place of business in the Commonwealth.

4. For structured settlement annuities specified in subsection C, subdivision B 1 and B 2 shall not apply and this chapter, except as provided in subdivisions B 5 and B 6, shall provide coverage to a person who is a payee under a structured settlement annuity, or beneficiary of a payee if the payee is deceased, if the payee:
   a. Is a resident, regardless of where the contract owner resides; or
   b. Is not a resident and both (i) the contract owner of the structured settlement annuity is (a) a resident or (b) not a resident but the insurer that issued the structured settlement annuity is domiciled in the Commonwealth and the state in which the contract owner resides has an association similar to the Association; and (ii) neither the payee or beneficiary, nor the contract owner is eligible for coverage by the association of the state in which the payee or contract owner resides.

5. This chapter shall not provide coverage to:
   a. A person who is a payee, or beneficiary, of a contract owner resident of the Commonwealth if the payee, or beneficiary, is afforded any coverage by the association of another state; or
   b. A person covered under subdivision B 3 if any coverage is provided by the association of another state to the person.

6. This chapter is intended to provide coverage to a person who is a resident of the Commonwealth and, in special circumstances, to a nonresident. In order to avoid duplicate coverage, if a person who would otherwise receive coverage under this chapter is provided coverage under the laws of any other state, the person shall not be provided coverage under this chapter. In determining the application of the provisions of this subdivision in situations where a person could be covered by the association of more than one state, whether as an owner, payee, enrollee, beneficiary, or assignee, this chapter shall be construed in conjunction with other state laws to result in coverage by only one association.

C. This chapter shall:

1. Provide coverage to the persons specified in subsection B for policies or contracts of direct, nongroup life insurance, accident and sickness insurance, which for the purposes of this chapter includes health maintenance organization subscriber contracts and certificates, or annuities, and supplemental contracts to any of these, for certificates under direct group policies and contracts, and for unallocated annuity contracts issued by member insurers, in each case except as limited by this chapter. Annuity contracts and certificates under group annuity contracts include guaranteed investment contracts, deposit administration contracts, unallocated funding agreements, allocated funding agreements, structured settlement annuities, and any immediate or deferred annuity contracts. This chapter shall apply also to dental benefit contracts entered into with a dental plan organization as provided in Chapter 61...
A multiple employer welfare arrangement as defined in 29 U.S.C. § 1144;

2. Except as otherwise provided in subdivision 3, not provide coverage for:
   a. A portion of a policy or contract not guaranteed by a member insurer or under which the risk is
carried by the policy or contract owner;
   b. A policy or contract of reinsurance, unless assumption certificates have been issued pursuant to the
reinsurance policy or contract;
   c. A portion of a policy or contract to the extent that the rate of interest on which it is based, or the
interest rate, crediting rate, or similar factor determined by use of an index or other external reference
stated in the policy or contract employed in calculating returns or changes in value:
   (1) Averaged over the period of four years prior to the date on which the member insurer becomes
an impaired or insolvent insurer under this chapter, whichever is earlier, exceeds the rate of interest
determined by subtracting two percentage points from Moody's Corporate Bond Yield Average averaged
for that same four-year period or for such lesser period if the policy or contract was issued less than
four years before the member insurer becomes an impaired or insolvent insurer under this chapter,
whichever is earlier; and
   (2) On and after the date on which the member insurer becomes an impaired or insolvent insurer
under this chapter, whichever is earlier, exceeds the rate of interest determined by subtracting three
percentage points from Moody's Corporate Bond Yield Average as most recently available;
   d. A portion of a policy or contract issued to a plan or program of an employer, association, or other
person to provide life, health, or annuity benefits to its employees, members, or others, to the extent that
the plan or program is self-funded or uninsured, including but not limited to benefits payable by an
employer, association, or other person under:
      (1) A multiple employer welfare arrangement as defined in 29 U.S.C. § 1144; or
      (2) A stop-loss agreement described in subsection B of § 38.2-109; or
      (3) An administrative services only contract;
      (4) A portion of a policy or contract to the extent that it provides for:
         (1) Dividends or experience rating credits;
         (2) Voting rights; or
         (3) Payment of any fees or allowances to any person, including the policy or contract owner, in
connection with the service to or administration of the policy or contract;
   e. A policy or contract issued in the Commonwealth by a member insurer at a time when its license
had been suspended, revoked, not renewed, or voluntarily withdrawn;
   f. An unallocated annuity contract issued to or in connection with a benefit plan protected under the
federal Pension Benefit Guaranty Corporation, regardless of whether the federal Pension Benefit
Guaranty Corporation has yet become liable to make any payments with respect to the benefit plan;
   g. A portion of an unallocated annuity contract that is not issued to or in connection with a specific
employee, union, or association of natural persons benefit plan;
   h. A portion of a policy or contract to the extent that the assessments required by § 38.2-1705 with
respect to the policy or contract are preempted by federal or state law;
   i. An obligation that does not arise under the express written terms of the policy or contract issued
by the member insurer to the enrollee, certificate holder, contract owner, or policy owner, including:
      (1) Claims based on marketing materials;
      (2) Claims based on side letters, riders, or other documents that were issued by the member insurer
without meeting applicable policy or contract form filing or approval requirements;
      (3) Misrepresentations of or regarding policy or contract benefits;
      (4) Extra-contractual claims; or
      (5) A claim for penalties or consequential or incidental damages;
   j. A contractual agreement that establishes the member insurer's obligations to provide a book value
accounting guaranty for defined contribution benefit plan participants by reference to a portfolio of
assets that is owned by the benefit plan or its trustee, which in each case is not an affiliate of the
member insurer;
   l. A portion of a policy or contract to the extent it provides for interest or other changes in value to
be determined by the use of an index or other external reference stated in the policy or contract, but
which have not been credited to the policy or contract, or as to which the policy or contract owner's
rights are subject to forfeiture, as of the date the member insurer becomes an impaired or insolvent
insurer under this chapter, whichever is earlier. If a policy's or contract's interest or changes in value are
credited less frequently than annually, then for purposes of determining the values that have been
credited and are not subject to forfeiture under this subdivision, the interest or change in value
determined by using the procedures defined in the policy or contract will be credited as if the
contractual date of crediting interest or changing values was the date of impairment or insolvency, whichever is earlier, and will not be subject to forfeiture;

m. A policy or contract providing any hospital, medical, prescription drug, or other health care benefits pursuant to Part C or Part D of Subchapter XVIII, Chapter 7 of Title 42 of the United States Code (known as Medicare Parts C and D); Subchapter XIX, Chapter 7 of Title 42 of the United States Code (known as Medicaid); § 32.1-352 (known as FAMIS); or any regulations issued pursuant thereto; or

n. A charitable gift annuity as defined in § 38.2-106.1.

3. The exclusion from coverage referenced in subdivision 2 c shall not apply to any portion of a policy or contract, including a rider, that provides long-term care or any other accident and sickness insurance benefits. The exclusion from coverage referenced in subdivision 2 d shall also not apply to any portion of a policy or contract issued by a self-funded multiple employer welfare arrangement as set forth in subsection B of § 38.2-3420.

D. The benefits that the Association may become obligated to cover shall in no event exceed the lesser of:

1. The contractual obligations for which the insurer is liable or would have been liable if it were not an impaired or insolvent insurer; or

2. With respect to:

a. One life, regardless of the number of policies or contracts:

(1) $300,000 in life insurance death benefits, but not more than $100,000 in net cash surrender and net cash withdrawal values for life insurance;

(2) For accident and sickness insurance benefits, (i) $100,000 for coverage not defined as disability income insurance, health benefit plans, or long-term care insurance including any net cash surrender and net cash withdrawal values; (ii) $300,000 for disability income insurance and $300,000 for long-term care insurance; and (iii) $500,000 for health benefit plans; and

(3) $250,000 in the present value of annuity benefits, including net cash surrender and net cash withdrawal values;

b. Each individual participating in a benefit plan established under Section 401, 403(b) or 457 of the U.S. Internal Revenue Code who (i) selected an investment option that includes investment in unallocated annuity contracts and (ii) is covered by such an unallocated annuity contract, including the beneficiaries of each such individual if deceased, in the aggregate, $250,000 in present value of annuity benefits, including net cash surrender and net cash withdrawal values;

c. Each payee of a structured settlement annuity (or beneficiary or beneficiaries of the payee if deceased), $250,000 in present value annuity benefits, in the aggregate, including net cash surrender and net cash withdrawal values, if any; and

d. One plan sponsor whose plans own directly or in trust one or more unallocated annuity contracts part or all of any of which is not included in subdivision 2 b, $5 million in benefits, irrespective of the number of contracts with respect to the plan sponsor. However, in the case where one or more unallocated annuity contracts are covered contracts under this chapter and are owned by a trust or other entity for the benefit or two or more plan sponsors, coverage shall be afforded by the Association if the largest interest in the trust or entity owning the contract or contracts is held by a plan sponsor whose principal place of business is in the Commonwealth and in no event shall the Association be obligated to cover more than $5 million in benefits with respect to all such unallocated contracts.

e. In no event shall the Association be obligated to cover (i) more than an aggregate of $350,000 in benefits with respect to any one life under subdivisions D 2 a, b, and c except with respect to benefits for health benefit plans under subdivision D 2 a (2), in which case the aggregate liability of the Association shall not exceed $500,000 with respect to any one individual, or (ii) with respect to one owner of multiple nongroup policies of life insurance, whether the policy or contract owner is an individual, firm, corporation, or other person, and whether the persons insured are officers, managers, employees, or other persons, more than $5 million in benefits, regardless of the number of policies and contracts held by the owner.

f. The limitations set forth in this subsection are limitations on the benefits for which the Association is obligated before taking into account either its subrogation and assignment rights or the extent to which those benefits could be provided out of the assets of the impaired or insolvent insurer attributable to covered policies. The costs of the Association's obligations under this chapter may be met by the use of assets attributable to covered policies or reimbursed to the Association pursuant to its subrogation and assignment rights.

g. For purposes of this chapter, benefits provided by a long-term care rider to a life insurance policy or annuity contract shall be considered the same type of benefits as the base life insurance policy or annuity contract to which such rider relates.

E. In performing its obligations to provide coverage under § 38.2-1704, the Association shall not be
required to guarantee, assume, reinsure, reissue, or perform, or cause to be guaranteed, assumed, reinsured, reissued, or performed, the contractual obligations of the insolvent or impaired insurer under a covered policy or contract that the Association has determined, with the concurrence of the Commission, do not materially affect the economic values or economic benefits of the covered policy or contract.

§ 38.2-3420. Authority and jurisdiction of Commission; exception.
A. Except as provided in subsection subsections B and C, any person offering or providing coverage in the Commonwealth for health care services, whether the coverage is by direct payment, reimbursement, or otherwise, shall be presumed to be subject to the jurisdiction of the Commission to the extent the person is not regulated by another agency of the Commonwealth, any subdivision of the Commonwealth, or the federal government relating to the offering or providing of coverage for health care services.
B. As used in this subsection:
"Health benefit plan" has the same meaning ascribed to the term in § 38.2-3431.
"Self-funded multiple employer welfare arrangement" or "self-funded MEWA" means any multiple employer welfare arrangement that is not fully insured by a licensed insurance company.
No self-funded multiple employer welfare arrangement shall issue health benefit plans in the Commonwealth until it has obtained a license pursuant to regulations promulgated by the Commission. Notwithstanding any other section of this title or Chapter 52 (§ 59.1-571 et seq.) of Title 59.1 to the contrary:
1. Health benefit plans issued by a self-funded MEWA shall be subject to taxes and maintenance assessments levied upon insurance companies pursuant to Chapter 25 (§ 58.1-2500 et seq.) of Title 58.1;
2. Health benefit plans issued by a self-funded MEWA are subject to protections of and other provisions of the Virginia Life, Accident and Sickness Insurance Guaranty Association established under Chapter 25 (§ 38.2-1700 et seq.);
3. All financial and solvency requirements imposed by provisions of this title upon domestic insurers shall apply to domestic self-funded MEWAs unless domestic self-funded MEWAs are otherwise specifically exempted. For the purposes of handling the rehabilitation, liquidation, or conservation of a domestic self-funded MEWA, the provisions of Chapter 15 (§ 38.2-1500 et seq.) shall apply; and
4. Health benefit plans issued by a self-funded MEWA shall be exempt from all statutory requirements relating to insurance premium rates, policy forms, and policy cancellation and nonrenewal.
No provision of this subsection shall authorize a self-funded MEWA domiciled outside of the Commonwealth to operate in the Commonwealth without obtaining a license pursuant to the regulations promulgated by the Commission.
C. Neither the provisions of this section nor any other provision of this title shall be construed to affect or apply to a multiple employer welfare arrangement (MEWA) comprised only of banks together with their plan-sponsoring organization, and their respective employees, provided the multiple employer welfare arrangement (i) is duly licensed as a MEWA by the insurance regulatory agency of a state contiguous to the Commonwealth, (ii) files with the Commission a copy of its certificate of authority or other proper license from the contiguous state, (iii) has no more than 500 Virginia residents who are employees of its member banks enrolled in or receiving accident and sickness benefits as insureds, members, enrollees, or subscribers of the MEWA, and (iv) is subject to solvency examination authority and receive adequacy requirements determined by sound actuarial principles by such domiciliary contiguous state. For purposes of this subsection:
"Bank" means an institution that has or is eligible for insurance of deposits by the Federal Deposit Insurance Corporation.
"Plan-sponsoring organization" means an association that (i) sponsors a MEWA comprised only of banks; (ii) has been actively in existence for at least five years; (iii) has been formed and maintained in good faith for purposes other than obtaining insurance; (iv) does not condition membership in the association on any health status-related factor relating to an individual, including an employee of an employer or a dependent of an employee; (v) makes health insurance coverage offered through the association available to all members regardless of any health status-related factor relating to such members or individuals eligible for coverage through a member; (vi) does not make health insurance coverage offered through the association available other than in connection with a member of the association; and (vii) meets such additional requirements as may be imposed under the laws of the Commonwealth, and includes any subsidiary of such an association.

§ 38.2-3431. Application of article; definitions.
A. This article applies to group health plans and to health insurance issuers offering group health insurance coverage, and individual policies offered to employees of small employers.
Each insurer proposing to issue individual or group accident and sickness insurance policies providing hospital, medical and surgical or major medical coverage on an expense incurred basis, each corporation providing individual or group accident and sickness subscription contracts, and each health
Bona fide association" means, with respect to health insurance coverage offered in this Commonwealth, an association which:

1. Has been actively in existence for at least five years;
2. Has been formed and maintained in good faith for purposes other than obtaining insurance;
3. Does not condition membership in the association on any health status
   regardless of any health status
4. Makes health insurance coverage offered through the association available to all members
   in the manner required under this article; and
5. Meets such additional requirements as may be imposed under the laws of this Commonwealth.

"Church plan" has the meaning given such term under section 3(33) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1002 (33)).

"COBRA continuation provision" means any of the following:

1. Section 4980B of the Internal Revenue Code of 1986 (26 U.S.C. § 4980B), other than subsection (f)(1) of such section insofar as it relates to pediatric vaccines;
2. Part 6 of subtitle B of Title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1161 et seq.), other than section 609 of such Act; or
3. Title XXII of P.L. 104-191.
4. "Creditable coverage" means with respect to an individual, coverage of the individual under any of the following:

   1. A group health plan;
   2. Health insurance coverage;
   3. Part A or B of Title XVIII of the Social Security Act (42 U.S.C. § 1395c or § 1395);
   4. Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), other than coverage consisting
solely of benefits under section 1928;
5. Chapter 55 of Title 10, United States Code (10 U.S.C. § 1071 et seq.);
6. A medical care program of the Indian Health Service or of a tribal organization;
7. A state health benefits risk pool;
8. A health plan offered under Chapter 89 of Title 5, United States Code (5 U.S.C. § 8901 et seq.);
9. A public health plan (as defined in federal regulations);
10. A health benefit plan under section 5(e) of the Peace Corps Act (22 U.S.C. § 2504(e)); or
11. Individual health insurance coverage.

Such term does not include coverage consisting solely of coverage of excepted benefits.

"Dependent" means the spouse or child of an eligible employee, subject to the applicable terms of
the policy, contract or plan covering the eligible employee.

"Eligible employee" means an employee who works for a small group employer on a full-time basis,
has a normal work week of 30 or more hours, has satisfied applicable waiting period requirements, and
is not a part-time, temporary or substitute employee. At the employer's sole discretion, the eligibility
criterion may be broadened to include part-time employees.

"Eligible individual" means such an individual in relation to the employer as shall be determined:
1. In accordance with the terms of such plan;
2. As provided by the health insurance issuer under rules of the health insurance issuer which are
uniformly applicable to employers in the group market; and
3. In accordance with all applicable law of this the Commonwealth governing such issuer and such
market.

"Employee" has the meaning given such term under section 3(6) of the Employee Retirement Income

"Employer" has the meaning given such term under section 3(5) of the Employee Retirement Income
Security Act of 1974 (29 U.S.C. § 1002 (5)), except that such term shall include only employers of two
or more employees.

"Enrollment date" means, with respect to an eligible individual covered under a group health plan or
health insurance coverage, the date of enrollment of the eligible individual in the plan or coverage or, if
earlier, the first day of the waiting period for such enrollment.

"Excepted benefits" means benefits under one or more (or any combination thereof) of the following:
1. Benefits not subject to requirements of this article:
   a. Coverage only for accident, or disability income insurance, or any combination thereof;
   b. Coverage issued as a supplement to liability insurance;
   c. Liability insurance, including general liability insurance and automobile liability insurance;
   d. Workers' compensation or similar insurance;
   e. Medical expense and loss of income benefits;
   f. Credit-only insurance;
   g. Coverage for on-site medical clinics; and
   h. Other similar insurance coverage, specified in regulations, under which benefits for medical care
are secondary or incidental to other insurance benefits.
2. Benefits not subject to requirements of this article if offered separately:
   a. Limited scope dental or vision benefits;
   b. Benefits for long-term care, nursing home care, home health care, community-based care, or any
combination thereof; and
   c. Such other similar, limited benefits as are specified in regulations.
3. Benefits not subject to requirements of this article if offered as independent, noncoordinated
benefits:
   a. Coverage only for a specified disease or illness; and
   b. Hospital indemnity or other fixed indemnity insurance.
4. Benefits not subject to requirements of this article if offered as separate insurance policy:
   a. Medicare supplemental health insurance (as defined under section 1882 (g)(1) of the Social
Security Act (42 U.S.C. § 1395ss (g)(1));
   b. Coverage supplemental to the coverage provided under Chapter 55 of Title 10, United States Code
(10 U.S.C. § 1071 et seq.); and
   c. Similar supplemental coverage provided to coverage under a group health plan.

"Federal governmental plan" means a governmental plan established or maintained for its employees
by the government of the United States or by an agency or instrumentality of such government.

"Governmental plan" has the meaning given such term under section 3(32) of the Employee

"Group health insurance coverage" means in connection with a group health plan, health insurance
coverage offered in connection with such plan.
"Group health plan" means an employee welfare benefit plan (as defined in section 3 (1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1002 (1)), to the extent that the plan provides medical care and including items and services paid for as medical care to employees or their dependents (as defined under the terms of the plan) directly or through insurance, reimbursement, or otherwise.

"Health benefit plan" means any accident and health insurance policy or certificate, health services plan contract, health maintenance organization subscriber contract, plan provided by a MEWA or plan provided by another benefit arrangement. "Health benefit plan" does not mean accident only, credit, or disability insurance; coverage of Medicare services or federal employee health plans, pursuant to contracts with the United States government; Medicare supplement or long-term care insurance; Medicaid coverage; dental only or vision only insurance; specified disease insurance; hospital confinement indemnity coverage; limited benefit health coverage; coverage issued as a supplement to liability insurance; insurance arising out of a workers' compensation or similar law; automobile medical payment insurance; medical expense and loss of income benefits; or insurance under which benefits are payable with or without regard to fault and that is statutorily required to be contained in any liability insurance policy or equivalent self-insurance.

"Health insurance coverage" means benefits consisting of medical care (provided directly, through insurance or reimbursement, or otherwise and including items and services paid for as medical care) payable with or without regard to fault and that is statutorily required to be contained in any liability insurance policy or equivalent self-insurance.

"Health insurance issuer" means an insurance company, or insurance organization (including a health maintenance organization contract offered by a health insurance issuer.

"Health maintenance organization" means:
1. A federally qualified health maintenance organization;
2. An organization recognized under the laws of the Commonwealth as a health maintenance organization; or
3. A similar organization regulated under the laws of the Commonwealth for solvency in the same manner and to the same extent as such a health maintenance organization.

"Health status-related factor" means the following in relation to the individual or a dependent eligible for coverage under a group health plan or health insurance coverage offered by a health insurance issuer:
1. Health status;
2. Medical condition (including both physical and mental illnesses);
3. Claims experience;
4. Receipt of health care;
5. Medical history;
6. Genetic information;
7. Evidence of insurability (including conditions arising out of acts of domestic violence); or
8. Disability.

"Individual health insurance coverage" means health insurance coverage offered to individuals in the individual market, but does not include coverage defined as excepted benefits. Individual health insurance coverage does not include short-term limited duration coverage.

"Individual market" means the market for health insurance coverage offered to individuals other than in connection with a group health plan.

"Large employer" means, in connection with a group health plan or health insurance coverage with respect to a calendar year and a plan year, an employer who employed an average of at least 51 employees on business days during the preceding calendar year and who employs at least one employee on the first day of the plan year.

"Large group market" means the health insurance market under which individuals obtain health insurance coverage (directly or through any arrangement) on behalf of themselves (and their dependents) through a group health plan maintained by a large employer.

"Late enrollee" means, with respect to coverage under a group health plan or health insurance coverage provided by a health insurance issuer, a participant or beneficiary who enrolls under the plan other than during:
1. The first period in which the individual is eligible to enroll under the plan; or
2. A special enrollment period as required pursuant to subsections J through M of § 38.2-3432.3.

"Medical care" means amounts paid for:
1. The diagnosis, cure, mitigation, treatment, or prevention of disease, or amounts paid for the...
purpose of affecting any structure or function of the body;
2. Transportation primarily for and essential to medical care referred to in subdivision 1; and
3. Insurance covering medical care referred to in subdivisions 1 and 2.

"Network plan" means health insurance coverage of a health insurance issuer under which the
financing and delivery of medical care (including items and services paid for as medical care) are
provided, in whole or in part, through a defined set of providers under contract with the health insurance
issuer.

"Nonfederal governmental plan" means a governmental plan that is not a federal governmental plan.

"Participant" has the meaning given such term under section 3(7) of the Employee Retirement

"Placed for adoption," or "placement" or "being placed" for adoption, in connection with any
placement for adoption of a child with any person, means the assumption and retention by such person
of a legal obligation for total or partial support of such child in anticipation of adoption of such child.
The child's placement with such person terminates upon the termination of such legal obligation.

"Plan sponsor" has the meaning given such term under section 3(16)(B) of the Employee Retirement

"Preexisting condition exclusion" means, with respect to coverage, a limitation or exclusion of
benefits relating to a condition based on the fact that the condition was present before the date of
enrollment for such coverage, whether or not any medical advice, diagnosis, care, or treatment was
recommended or received before such date. Genetic information shall not be treated as a preexisting
condition in the absence of a diagnosis of the condition related to such information.

"Premium" means all moneys paid by an employer and eligible employees as a condition of coverage
from a health insurance issuer, including fees and other contributions associated with the health benefit
plan.

"Rating period" means the 12-month period for which premium rates are determined by a health
insurance issuer and are assumed to be in effect.

"Self-employed individual" means an individual who derives a substantial portion of his income from
a trade or business (i) operated by the individual as a sole proprietor, (ii) through which the individual
has attempted to earn taxable income, and (iii) for which he has filed the appropriate Internal Revenue
Service Form 1040, Schedule C or F, for the previous taxable year.

"Service area" means a broad geographic area of the Commonwealth in which a health insurance
issuer sells or has sold insurance policies on or before January 1994, or upon its subsequent
authorization to do business in Virginia.

"Small employer" means in connection with a group health plan or health insurance coverage with
respect to a calendar year and a plan year, an employer who employed an average of at least one but
not more than 50 employees on business days during the preceding calendar year and who employs at
least one employee on the first day of the plan year. In determining whether a corporation or limited
liability company employed an average of at least one individual during the preceding calendar year and
employed at least one employee on the first day of the plan year, an individual who performed any
service for remuneration under a contract of hire, written or oral, express or implied, for a (i)
corporation of which the individual is its sole shareholder or an immediate family member of such sole
shareholder or (ii) a limited liability company of which the individual is its sole member or an
immediate family member of such sole member, shall be deemed to be an employee of the corporation
or the limited liability company, respectively. "Small employer" includes a self-employed individual.

"Small group market" means the health insurance market under which individuals obtain health
insurance coverage (directly or through any arrangement) on behalf of themselves (and their dependents)
through a group health plan maintained by a small employer.

"Sponsoring association" means a nonstock corporation formed under the Virginia Nonstock
Corporation Act (§ 13.1-801 et seq.) that:
1. Has been formed and maintained in good faith for purposes other than obtaining or providing
health benefits;
2. Does not condition membership in the sponsoring association on any factor relating to the health
status of an individual, including an employee of a member of the sponsoring association or a
dependent of such an employee;
3. Makes any health benefit plan available to all members regardless of any factor relating to the
health status of such members or individuals eligible for coverage through a member;
4. Does not make any health benefit plan available to any person who is not a member of the
association;
5. Operates as a nonprofit entity under § 501(c)(6) of the Internal Revenue Code; and
6. Meets such additional requirements as may be imposed under the laws of the Commonwealth.

"Sponsoring association" includes any wholly owned subsidiary of a sponsoring association.
"State" means each of the several states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands.

"Waiting period" means, with respect to a group health plan or health insurance coverage provided by a health insurance issuer and an individual who is a potential participant or beneficiary in the plan, the period that must pass with respect to the individual before the individual is eligible to be covered for benefits under the terms of the plan. If an employee or dependent enrolls during a special enrollment period pursuant to subsections J through M of § 38.2-3432.3 or as a late enrollee, any period before such enrollment is not a waiting period.

C. The provisions of this section shall not apply in any instance in which the provisions of this section are inconsistent or in conflict with a provision of Article 6 (§ 38.2-3438 et seq.) of Chapter 34.

§ 38.2-3432.1. Renewability.

A. Every health insurance issuer that offers health insurance coverage in the group market in this Commonwealth shall renew or continue in force such coverage with respect to all insureds at the option of the employer except:

1. For nonpayment of the required premiums by the policyholder, or contract holder, or where the health insurance issuer has not received timely premium payments;

2. When the health insurance issuer is ceasing to offer coverage in the small group market in accordance with subdivisions 9 and 10;

3. For fraud or misrepresentation by the employer, with respect to their coverage;

4. With regard to coverage provided to an eligible employee, for fraud or misrepresentation by the employee with regard to his or her coverage;

5. For failure to comply with contribution and participation requirements defined by the health benefit plan;

6. For failure to comply with health benefit plan provisions that have been approved by the Commission;

7. When a health insurance issuer offers health insurance coverage in the group market through a network plan, and there is no longer an enrollee in connection with such plan who lives, resides, or works in the service area of the health insurance issuer (or in the area for which the health insurance issuer is authorized to do business) and, in the case of the group market, the health insurance issuer would deny enrollment with respect to such plan under the provisions of subdivision 9 or 10;

8. When health insurance coverage is made available in the group market only through one or more bona fide sponsoring associations, the membership of an employer in the association (on the basis of which the coverage is provided) ceases but only if such coverage is terminated under this subdivision uniformly without regard to any health status related factor relating to any covered individual;

9. When a health insurance issuer decides to discontinue offering a particular type of group health insurance coverage in the group market in this Commonwealth, coverage of such type may be discontinued by the health insurance issuer in accordance with the laws of this Commonwealth in such market only if (i) the health insurance issuer provides notice to each plan sponsor provided coverage of this type in such market (and participants and beneficiaries covered under such coverage) of such discontinuation at least ninety days prior to the date of the discontinuation of such coverage; (ii) the health insurance issuer offers to each plan sponsor provided coverage of this type in such market, the option to purchase any other health insurance coverage currently being offered by the health insurance issuer to a group health plan in such market; and (iii) in exercising the option to discontinue coverage of this type and in offering the option of coverage under this subdivision, the health insurance issuer acts uniformly without regard to the claims experience of those sponsors or any health status-related factor relating to any participants or beneficiaries covered or new participants or beneficiaries who may become eligible for such coverage;

10. In any case in which a health insurance issuer elects to discontinue offering all health insurance coverage in the group market in this Commonwealth, health insurance coverage may be discontinued by the health insurance issuer only in accordance with the laws of this Commonwealth and if: (i) the health insurance issuer provides notice to the Commission and to each plan sponsor (and participants and beneficiaries covered under such coverage) of such discontinuation at least 180 days prior to the date of the discontinuation of such coverage; and (ii) all health insurance issued or delivered for issuance in this Commonwealth in such market (or markets) are discontinued and coverage under such health insurance coverage in such market (or markets) is not renewed;

11. In the case of a discontinuation under subdivision 10 of this subsection in a market, the health insurance issuer may not provide for the issuance of any health insurance coverage in the market and this Commonwealth during the five-year period beginning on the date of the discontinuation of the last health insurance coverage not so renewed;

12. At the time of coverage renewal, a health insurance issuer may modify the health insurance coverage for a product offered to a group health plan or health insurance issuer offering group health
insurance coverage in the group market if, for coverage that is available in such market other than only
through one or more bona fide sponsoring associations, such modification is consistent with the laws of
this the Commonwealth and effective on a uniform basis among group health plans or health insurance
issuers offering group health insurance coverage with that product; or
13. In applying this section in the case of health insurance coverage that is made available by a
health insurance issuer in the group market to employers only through one or more associations, a
reference to "plan sponsor" is deemed, with respect to coverage provided to an employer member of the
association, to include a reference to such employer.
B. If coverage to the small employer market pursuant to this article ceases to be written,
administered or otherwise provided, such coverage shall continue to be governed by this article with
respect to business conducted under this article that was transacted prior to the effective date of
termination and that remains in force.
§ 38.2-3432.2. Availability.
A. If coverage is offered under this article in the small employer market:
1. Such coverage shall be offered and made available to all the eligible employees of every small
employer and their dependents, including late enrollees, that apply for such coverage. No coverage may
be offered only to certain eligible employees or their dependents and no employees or their dependents
may be excluded or charged additional premiums because of health status; and
2. All products that are approved for sale in the small group market that the health insurance issuer
is actively marketing must be offered to all small employers, and the health insurance issuer must accept
any employer that applies for any of those products. This subdivision shall not apply to health insurance
coverage or products offered by a health insurance issuer if such coverage or product is made available
in the small group market only through one or more bona fide sponsoring associations.
B. No coverage offered under this article shall exclude an employer based solely on the nature of the
employer's business.
C. A health insurance issuer that offers health insurance coverage in a small group market through a
network plan may:
1. Limit the employers that may apply for such coverage to those eligible individuals who live, work
or reside in the service area for such network plan; and
2. Within the service area of such plan, deny such coverage to such employers if the health insurance
issuer has demonstrated, if required, to the satisfaction of the Commission that:
a. It will not have the capacity to deliver services adequately to enrollees of any additional groups
because of its obligations to existing group contract holders and enrollees; and
b. It is applying this subdivision uniformly to all employers without regard to the claims experience
of those employers and their employees (and their dependents) or any health status-related factors
relating to such employees and dependents.
3. A health insurance issuer upon denying health insurance coverage in any service area in
accordance with subdivision D 1, may not offer coverage in the small group market within such service
area for a period of 180 days after the date such coverage is denied.
D. A health insurance issuer may deny health insurance coverage in the small group market if the
health insurance issuer has demonstrated, if required, to the satisfaction of the Commission that:
1. It does not have the financial reserves necessary to underwrite additional coverage; and
2. It is applying this subdivision uniformly to all employers in the small group market in the
Commonwealth consistent with the laws of this the Commonwealth and without regard to the claims
experience of those employers and their employees (and their dependents) or any health status-related factor relating to such employees and dependents.
E. A health insurance issuer upon denying health insurance coverage in accordance with subsection
D in the Commonwealth may not offer coverage in the small group market for a period of 180 days
after the date such coverage is denied or until the health insurance issuer has demonstrated to the
satisfaction of the Commission that the health insurance issuer has sufficient financial reserves to
underwrite additional coverage, whichever is later.
F. Nothing in this article shall be construed to preclude a health insurance issuer from establishing
employer contribution rules or group participation rules in connection with a health benefit plan offered
in the small group market. As used in this article, the term "employer contribution rule" means a
requirement relating to the minimum level or amount of employer contribution toward the premium for
enrollment of eligible individuals and the term "group participation rule" means a requirement relating to
the minimum number of eligible employees that must be enrolled in relation to a specified percentage or
number of eligible employees. Any employer contribution rule or group participation rule shall be
applied uniformly among small employers without reference to the size of the small employer group,
health status of the small employer group, or other factors.
G. The provisions of this section shall not apply in any instance in which the provisions of this
section are inconsistent or in conflict with a provision of Article 6 (§ 38.2-3438 et seq.) of Chapter 34.

§ 38.2-3432.3. Limitation on preexisting condition exclusion period.

A. Subject to subsection B, a health insurer offering health insurance coverage may, with respect to a participant or beneficiary, impose a preexisting limitation only if:

1. For group health insurance coverage, such exclusion relates to a condition (whether physical or mental), regardless of the cause of the condition, for which medical advice, diagnosis, care, or treatment was recommended or received within the six-month period ending on the enrollment date;

2. For individual health insurance coverage, such exclusion relates to a condition that, during a 12-month period immediately preceding the effective date of coverage, had manifested itself in such a manner as would cause an ordinarily prudent person to seek diagnosis, care, or treatment, or for which medical advice, diagnosis, care or treatment was recommended or received within 12 months immediately preceding the effective date of coverage;

3. Such exclusion extends for a period of not more than 12 months (or 12 months in the case of a late enrollee) after the enrollment date; and

4. The period of any such preexisting condition exclusion is reduced by the aggregate of the periods of creditable coverage, if any, applicable to the participant or beneficiary as of the enrollment date.

B. Exceptions:

1. Subject to subdivision 4, a health insurance issuer offering health insurance coverage may not impose any preexisting condition exclusion in the case of an individual who, as of the last day of the 30-day period beginning with the date of birth, is covered under creditable coverage;

2. Subject to subdivision 4, a health insurance issuer offering health insurance coverage may not impose any preexisting condition exclusion in the case of a child who is adopted or placed for adoption before attaining 18 years of age and who, as of the last day of the 30-day period beginning on the date of the adoption or placement for adoption, is covered under creditable coverage. The previous sentence shall not apply to coverage before the date of such adoption or placement for adoption;

3. A health insurance issuer offering health insurance coverage may not impose any preexisting condition exclusion relating to pregnancy as a preexisting condition, except in the case of individual health insurance coverage for a person who is not considered an eligible individual, as defined in § 38.2-3430.2, in which case the health insurance issuer may impose a preexisting condition exclusion for a pregnancy existing on the effective date of coverage;

4. Subdivisions 1 and 2 shall no longer apply to an individual after the end of the first 63-day period during all of which the individual was not covered under any creditable coverage; and

5. Subdivision A 4 shall not apply to health insurance coverage offered in the individual market on a "guarantee issue" basis without regard to health status including policies, contracts, certificates, or evidences of coverage issued through a bona fide sponsoring association or to students through school sponsored programs at an institution of higher education unless the person is an eligible individual as defined in § 38.2-3430.2.

C. A period of creditable coverage shall not be counted, with respect to enrollment of an individual under a health benefit plan, if, after such period and before the enrollment date, there was a 63-day period during all of which the individual was not covered under any creditable coverage.

D. For purposes of subdivision B 4 and subsection C, any period that an individual is in a waiting period for any coverage under a group health plan (or for group health insurance coverage) or is in an affiliation period shall not be taken into account in determining the continuous period under subsection C.

E. Methods of crediting coverage:

1. Except as otherwise provided under subdivision 2, a health insurance issuer offering group health coverage shall count a period of creditable coverage without regard to the specific benefits covered during the period;

2. A health insurance issuer offering group health insurance coverage may elect to count a period of creditable coverage based on coverage of benefits within each of several classes or categories of benefits rather than as provided under subdivision 1. Such election shall be made on a uniform basis for all participants and beneficiaries. Under such election a health insurance issuer shall count a period of creditable coverage with respect to any class or category of benefits if any level of benefits is covered within such class or category;

3. In the case of an election with respect to a group plan under subdivision 2 (whether or not health insurance coverage is provided in connection with such plan), the plan shall (i) prominently state in any disclosure statements concerning the plan, and state to each enrollee at the time of enrollment under the plan, that the plan has made such election and (ii) include in such statements a description of the effect of this election; and

4. In the case of an election under subdivision 2 with respect to health insurance coverage offered by a health insurance issuer in the small or large group market, the health insurance issuer shall (i)
prominently state in any disclosure statements concerning the coverage, and to each employer at the
time of the offer or sale of the coverage, that the health insurance issuer has made such election and (ii)
include in such statements a description of the effect of such election.
F. Periods of creditable coverage with respect to an individual shall be established through
presentation of certifications described in subsection G or in such other manner as may be specified in
federal regulations.
G. A health insurance issuer offering group health insurance coverage shall provide for certification
of the period of creditable coverage:
1. At the time an individual ceases to be covered under the plan or otherwise becomes covered under
a COBRA continuation provision;
2. In the case of an individual becoming covered under a COBRA continuation provision, at the time
the individual ceases to be covered under such provision; and
3. At the request, or on behalf of, an individual made not later than 24 months after the date of
cessation of the coverage described in subdivision 1 or 2, whichever is later. The certification under
subdivision 1 may be provided, to the extent practicable, at a time consistent with notices required under
any applicable COBRA continuation provision.
H. To the extent that medical care under a group health plan consists of group health insurance
coverage, the plan is deemed to have satisfied the certification requirement under this section if the
health insurance issuer offering the coverage provides for such certification in accordance with this
section.
I. In the case of an election described in subdivision E 2 by a health insurance issuer, if the health
insurance issuer enrolls an individual for coverage under the plan and the individual provides a
certification of coverage of the individual under subsection F:
1. Upon request of such health insurance issuer, the entity which issued the certification provided by
the individual shall promptly disclose to such requesting group insurance issuer information on coverage
of classes and categories of health benefits available under such entity's plan or coverage; and
2. Such entity may charge the requesting health insurance issuer for the reasonable cost of disclosing
such information.
J. A health insurance issuer offering group health insurance coverage shall permit an employee who
is eligible, but not enrolled, for coverage under the terms of the plan (or a dependent of such an
employee if the dependent is eligible, but not enrolled, for coverage under such terms) to enroll for
coverage under the terms of the plan if each of the following conditions is met:
1. The employee or dependent was covered under a group health plan or had health insurance
coverage at the time coverage was previously offered to the employee or dependent;
2. The employee stated in writing at such time that coverage under a group health plan or health
insurance coverage was the reason for declining enrollment, but only if the plan sponsor or health
insurance issuer (if applicable) required such a statement at such time and provided the employee with
notice of such requirement (and the consequences of such requirement) at such time;
3. The employee's or dependent's coverage described in subdivision 1 (i) was under a COBRA
continuation provision and the coverage under such provision was exhausted or (ii) was not under such
a provision and either the coverage was terminated as a result of loss of eligibility for the coverage
(including as a result of legal separation, divorce, death, termination of employment, or reduction in the
number of hours of employment) or employer contributions towards such coverage were terminated; and
4. Under the terms of the plan, the employee requests such enrollment not later than 30 days after
the date of exhaustion of coverage described in clause (i) of subdivision 3 or termination of coverage or
employer contribution described in clause (ii) of subdivision 3.
K. If (i) a health insurance issuer makes coverage available with respect to a dependent of an
individual; (ii) the individual is a participant under the plan (or has met any waiting period applicable to
becoming a participant under the plan and is eligible to be enrolled under the plan but for a failure to
enroll during a previous enrollment period); and (iii) a person becomes such a dependent of the
individual through marriage, birth, or adoption or placement for adoption, the health insurance issuer
shall provide for a dependent special enrollment period described in subsection L during which the
person (or, if not otherwise enrolled, the individual) may also be enrolled under the plan as a dependent
of the individual, and in the case of the birth or adoption of a child, the spouse of the individual may
also be enrolled as a dependent of the individual if such spouse is otherwise eligible for coverage.
L. A dependent special enrollment period under this subsection shall be a period of not less than 30
days and shall begin on the later of:
1. The date dependent coverage is made available; or
2. The date of the marriage, birth, or adoption or placement for adoption (as the case may be)
described in subsection K.
M. If an individual seeks to enroll a dependent during the first 30 days of such a dependent special
enrollment period, the coverage of the dependent shall become effective:
1. In the case of marriage, not later than the first day of the first month beginning after the date the completed request for enrollment is received:
2. In the case of a dependent's birth, as of the date of such birth; or
3. In the case of a dependent's adoption or placement for adoption, the date of such adoption or placement for adoption.

N. A late enrollee may be excluded from coverage for up to 12 months or may have a preexisting condition limitation apply for up to 12 months; however, in no case shall a late enrollee be excluded from some or all coverage for more than 12 months. An eligible employee or dependent shall not be considered a late enrollee if all of the conditions set forth below in subdivisions 1 through 4 are met or one of the conditions set forth below in subdivision 5 or 6 is met:
1. The individual was covered under a public or private health benefit plan at the time the individual was eligible to enroll.
2. The individual certified at the time of initial enrollment that coverage under another health benefit plan was the reason for declining enrollment.
3. The individual has lost coverage under a public or private health benefit plan as a result of termination of employment or employment status eligibility, the termination of the other plan's entire group coverage, death of a spouse, or divorce.
4. The individual requests enrollment within 30 days after termination of coverage provided under a public or private health benefit plan.
5. The individual is employed by a small employer that offers multiple health benefit plans and the individual elects a different plan offered by that small employer during an open enrollment period.
6. A court has ordered that coverage be provided for a spouse or minor child under a covered employee's health benefit plan, the minor is eligible for coverage and is a dependent, and the request for enrollment is made within 30 days after issuance of such court order.

However, such individual may be considered a late enrollee for benefit riders or enhanced coverage levels not covered under the enrollee's prior plan.

O. The provisions of this section shall not apply in any instance in which the provisions of this section are inconsistent or in conflict with a provision of Article 6 (§ 38.2-3438 et seq.) of Chapter 34.

§ 38.2-3521.1. Group accident and sickness insurance definitions.

Except as provided in § 38.2-3522.1, no policy of group accident and sickness insurance shall be delivered in this Commonwealth unless it conforms to one of the following descriptions:

A. A policy issued to an employer, or to the trustees of a fund established by an employer, which employer or trustees shall be deemed the policyholder, to insure employees of the employer for the benefit of persons other than the employer, subject to the following requirements:
1. The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof. The policy may provide that the term "employees" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors, and partners of one or more affiliated corporations, proprietorships or partnerships if the business of the employer and of such affiliated corporations, proprietorships or partnerships is under common control.

The policy may provide that the term "employees" shall include retired employees, former employees and directors of a corporate employer. A policy issued to insure the employees of a public body may provide that the term "employees" shall include elected or appointed officials.
2. The premium for the policy shall be paid either from the employer's funds or from funds contributed by the insured employees, or from both. Except as provided in subdivision 3 of this subsection, a policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees, except those who reject such coverage in writing.
3. An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer, except as otherwise prohibited in this title.

B. A policy which is:
1. Not subject to Chapter 37.1 (§ 38.2-3727 et seq.) of this title; and
2. Issued to a creditor or its parent holding company or to a trustee or trustees or agent designated by two or more creditors, which creditor, holding company, affiliate, trustee, trustees or agent shall be deemed the policyholder, to insure debtors of the creditor or creditors with respect to their indebtedness, subject to the following requirements:
   a. The debtors eligible for insurance under the policy shall be all of the debtors of the creditor or creditors, or all of any class or classes thereof. The policy may provide that the term "debtors" shall include:
      (1) Borrowers of money or purchasers or lessees of goods, services, or property for which payment is arranged through a credit transaction;
      (2) The debtors of one or more subsidiary corporations; and
(3) The debtors of one or more affiliated corporations, proprietorships or partnerships if the business of the policyholder and of such affiliated corporations, proprietorships or partnerships is under common control.

b. The premium for the policy shall be paid either from the creditor's funds, or from charges collected from the insured debtors, or from both. Except as provided in subdivision 3 of this subsection, a policy on which no part of the premium is to be derived from funds contributed by insured debtors specifically for their insurance must insure all eligible debtors.

3. An insurer may exclude any debtors as to whom evidence of individual insurability is not satisfactory to the insurer.

4. The total amount of insurance payable with respect to an indebtedness shall not exceed the greater of the scheduled or actual amount of unpaid indebtedness to the creditor. The insurer may exclude any payments which are delinquent on the date the debtor becomes disabled as defined in the policy.

5. The insurance may be payable to the creditor or any successor to the right, title, and interest of the creditor. Such payment or payments shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of each such payment and any excess of the insurance shall be payable to the insured or the estate of the insured.

6. Notwithstanding the preceding provisions of this section, insurance on agricultural credit transaction commitments may be written up to the amount of the loan commitment. Insurance on educational credit transaction commitments may be written up to the amount of the loan commitment less the amount of any repayments made on the loan.

C. A policy issued to a labor union, or similar employee organization, which labor union or organization shall be deemed to be the policyholder, to insure members of such union or organization for the benefit of persons other than the union or organization or any of its officials, representatives, or agents, subject to the following requirements:

1. The members eligible for insurance under the policy shall be all of the members of the union or organization, or all of any class or classes thereof.

2. The premium for the policy shall be paid either from funds of the union or organization, or from funds contributed by the insured members specifically for their insurance, or from both. Except as provided in subdivision 3 of this subsection, a policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, except those who reject such coverage in writing.

3. An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer, except as otherwise prohibited in this title.

D. A policy issued (i) to or for a multiple employer welfare arrangement, a rural electric cooperative, or a rural electric telephone cooperative as these terms are defined in 29 U.S.C. § 1002, or (ii) to a trust, or to the trustees of a fund, established or adopted by or for two or more employers, or by one or more labor unions of similar employee organizations, or by one or more employers and one or more labor unions or similar employee organizations, which trust or trustees shall be deemed the policyholder, to insure employees of the employers or members of the unions or organizations for the benefit of persons other than the employers or the unions or organizations, subject to the following requirements:

1. The persons eligible for insurance shall be all of the employees of the employers or all of the members of the unions or organizations, or all of any class or classes thereof. The policy may provide that the term "employee" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors, and partners of one or more affiliated corporations, proprietorships or partnerships if the business of the employer and of such affiliated corporations, proprietorships or partnerships is under common control. The policy may provide that the term "employees" shall include retired employees, former employees and directors of a corporate employer. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship.

2. The premium for the policy shall be paid from funds contributed by the employer or employers of the insured persons, or by the union or unions or similar employee organizations, or by both, or from funds contributed by the insured persons or from both the insured persons and the employers or unions or similar employee organizations. Except as provided in subdivision 3 of this subsection, a policy on which no part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance must insure all eligible persons, except those who reject such coverage in writing.

3. An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer, except as otherwise prohibited in this title.

E. 1. A policy issued to an association or to a trust or to the trustees of a fund established, created, or maintained for the benefit of members of one or more associations which association or trust shall be deemed the policyholder. The association or associations shall:
The members eligible for insurance shall be all of the members of the credit union or credit unions, which credit union, trustee, trustees, or agent shall be deemed the policyholder, to insure
members of such credit union or credit unions for the benefit of persons other than the credit union or
association, associations, or employer members.

2. The policy shall be subject to the following requirements:

a. The policy may insure members of such association or associations, employee thereof or
employees of members, or one or more of the preceding or all of any class or classes thereof for the
benefit of persons other than the employee's employer.

b. The premium for the policy shall be paid from funds contributed by the association or
employers members, or by both, or from funds contributed by the covered persons or
from both the covered persons and the association, associations, or employer members.

3. Except as provided in subdivision 4 of this subsection, a policy on which no part of the premium
is to be derived from funds contributed by the covered persons specifically for their insurance must
insure all eligible persons, except those who reject such coverage in writing.

4. An insurer may exclude or limit the coverage on any person to whom evidence of individual
insurability is not satisfactory to the insurer, except as otherwise prohibited in this title.

F. A policy issued to a credit union or a trustee or trustees or agent designated by two or more
credit unions, which credit union, trustee, trustees, or agent shall be deemed the policyholder, to insure
members of such credit union or credit unions for the benefit of persons other than the credit union or
credit unions, trustees or trustees, or agent or any of their officials, subject to the following requirements:

1. The members eligible for insurance shall be all of the members of the credit union or credit
unions, or all of any class or classes thereof.

2. The premium for the policy shall be paid by the policyholder from the credit union's funds and,
except as provided in subdivision 3 of this subsection, must insure all eligible members.

3. An insurer may exclude or limit the coverage on any person as to whom evidence of individual
insurability is not satisfactory to the insurer.

G. A policy issued to a health maintenance organization as provided in subsection B of § 38.2-4314.
H. A policy of blanket insurance issued in accordance with § 38.2-3521.2.

I. The provisions of this section shall not apply in any instance in which the provisions of this
section are inconsistent or in conflict with a provision of Article 6 (§ 38.2-3438 et seq.) of Chapter 34.

CHAPTER 52.
BENEFITS CONSORTIUM.

§ 59.1-571. Definitions.
As used in this chapter, unless the context requires a different meaning:

"Benefits consortium" means a trust that complies with the conditions set forth in § 59.1-572.
"Benefits plan" means a health plan that is sponsored by a sponsoring association and offered or
sold to members through a trust to provide health benefits as permitted under ERISA and the provisions
of this chapter.
829), as amended.
"Health benefits" means coverage for all or a portion of the costs of medical, prescription drug,
dental, and vision care incurred by an individual covered by a health plan.
"Health plan" means an employee welfare benefit plan, within the meaning of § 3(1) of ERISA, that
provides hospital, surgical, or medical expense benefits in the event of sickness or injury.
"Member" means a person that (i) conducts business operations within the Commonwealth, (ii)
employs individuals who reside in the Commonwealth, and (iii) is a member of the sponsoring
association.
"Sponsoring association" has the meaning ascribed thereto in § 38.2-3431.
"Sponsoring association" includes any wholly owned subsidiary of a sponsoring association.

"Trust" means a trust that (i) is established to accept and hold assets of a health plan in trust in accordance with the terms of the written trust document for the sole purposes of providing medical, prescription drug, dental, and vision benefits and defraying reasonable administrative costs of providing health benefits under a benefits plan and (ii) complies with the conditions set forth in § 59.1-572.


A. This section does not apply to a multiple employer welfare arrangement that offers or provides benefits that are fully insured by an insurer authorized to transact the business of health insurance in the Commonwealth.

B. A trust shall constitute a benefits consortium and be authorized to sell or offer to sell benefits plans to members of the sponsoring association in accordance with the provisions of this chapter if all of the following conditions are satisfied:

1. The trust is subject to (i) ERISA and U.S. Department of Labor regulations applicable to multiple employer welfare arrangements and (ii) the authority of the U.S. Department of Labor to enforce such law and regulations;

2. A Form M-1, Report for Multiple Employer Welfare Arrangements (MEWAs), for the applicable plan year shall be filed with the U.S. Department of Labor identifying the arrangement among the trust, sponsoring association, and benefits plans offered through the trust as a multiple employer welfare arrangement;

3. The trust’s organizational documents:
   a. Provide that the trust is sponsored by the sponsoring association;
   b. State that its purpose is to provide medical, prescription drug, dental, and vision benefits to participating employees of the sponsoring association or its members, and the dependents of those employees, through benefits plans;
   c. Provide that the funds of the trust are to be used for the benefit of participating employees, and the dependents of those employees, through insurance, self-insurance, or a combination thereof, as determined by the trustee, and for defraying reasonable expenses of administering and operating the trust and any benefits plan;
   d. Limit participation in benefits plans to the sponsoring association and its members;
   e. Limit the health plans offered through the trust to benefits plans;
   f. Provide for a board of trustees, comprised of no fewer than five trustees, that has complete fiscal control over the arrangement and is responsible for all operations of the arrangement. The trustees selected for the board shall be owners, partners, officers, directors, or employees of one or more employers in the arrangement. A trustee or director may not be an owner, officer, or employee of the administrator or service company of the arrangement. The board shall have the authority to approve applications of association members for participation in the arrangement and to contract with a licensed administrator or service company to administer the day-to-day affairs of the arrangement;
   g. Provide for the election of trustees to the board of trustees; and
   h. Require the trustees to discharge their duties with respect to the trust in accordance with the fiduciary duties defined in ERISA;

4. Five or more members participate in one or more benefits plans;

5. The trust establishes and maintains reserves determined in accordance with sound actuarial principles;

6. The trust has purchased and maintains policies of specific, aggregate, and terminal excess insurance with retention levels determined in accordance with sound actuarial principles from insurers licensed to transact the business of insurance in the Commonwealth;

7. The trust has secured one or more guarantees or standby letters of credit that:
   a. Guarantee the payment of claims under the benefits plans in an aggregate amount not less than the trust’s annual aggregate excess insurance retention level, minus the annual premium assessments for the benefits plans, minus the trust’s net assets, which net assets amount shall be net of the trust’s reasonable estimate of incurred but not reported claims; and
   b. Have been issued by qualified United States financial institutions as such term is used in subdivision 2 c of § 38.2-1316.4;

8. The trust has purchased and maintains commercially reasonable fiduciary liability insurance;

9. The trust has purchased and maintains a bond that satisfies the requirements of ERISA;

10. The trust is audited annually by an independent certified public accountant; and

11. The trust does not include in its name the words "insurance," "insurer," "underwriter," "mutual," or any other word or term or combination of words or terms that is uniquely descriptive of an insurance company or insurance business unless the context of the remaining words or terms clearly indicates that the entity is not an insurance company and is not carrying on the business of insurance.

§ 59.1-573. Additional requirements.
A. The trustee committee shall:

1. Operate any benefits plans in accordance with the fiduciary duties defined in ERISA; and
2. Have the power to make and collect special assessments against members and, if any assessment
   is not timely paid, to enforce collection of such assessment.

B. Each member shall be liable for its allocated share of the liabilities of the sponsoring association
   under a benefits plan as determined by the board of trustees.

§ 59.1-574. Sponsoring association not subject to regulation or taxation as an insurance company.

The sponsoring association of a benefits consortium shall not, by virtue of its sponsorship of the
benefits consortium or any benefits plan, be subject to:

1. The provisions of Title 38.2 or regulations adopted thereunder, including those provisions and
   regulations otherwise applicable to multiple employer welfare arrangements; or
2. The tax levied on insurance companies pursuant to § 58.1-2501.