

Original sponsor(s): REP. GRUENBERG, Menard

1 IN THE HOUSE BY THE LABOR & COMMERCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 225 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to payment of disability insurance
7 claims."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 21.51.120 is repealed and reenacted to read:

10 Sec. 21.51.120. PAYMENT OF CLAIMS. (a) A disability policy
11 delivered or issued for delivery must contain the following provi-
12 sions:

13 (1) indemnity for loss of life shall be paid according to
14 the beneficiary designation and payment provisions contained in the
15 policy that are effective at the time of payment; if a beneficiary has
16 not been designated, indemnity shall be paid to the estate of the
17 insured; accrued indemnities unpaid at the insured's death shall be
18 paid to either the beneficiary or the estate, at the option of the
19 insurer; all other indemnities shall be paid to the insured;

20 (2) the insurer may, and upon request of the insured shall,
21 within 30 working days after receiving a proof of loss statement, pay
22 indemnities for hospital, nursing, medical, dental, or surgical ser-
23 vices directly to the provider of the services; an insurer who pays
24 indemnities to an insured, after the insured has given the insurer
25 written notice in the proof of loss statement of an election of direct
26 payment of indemnities to the provider of the services, shall also pay
27 indemnities to the provider of the services; this paragraph does not
28 require that services be provided by a particular hospital or person;

29 (3) a covered person may revoke an election of direct

1 payment of indemnities made under this subsection by giving written
2 notice of the revocation to the insurer and to the provider of the
3 services; revocation of an election of direct payment is not effective
4 until the notice of revocation is received by the insurer and the
5 provider of the services;

6 (4) the right of the insured to request payment of indem-
7 nities for hospital, nursing, medical, dental, or surgical services
8 directly to the provider of the services or to another person may be
9 transferred to a person who is not the insured by a qualified domestic
10 relations order; rights under the qualified domestic relations order
11 do not take effect until the order is received by the insurer; in this
12 paragraph, "qualified domestic relations order" means an order or
13 judgment in a divorce or dissolution action under AS 25.24 that desig-
14 nates a person to determine to whom indemnities for a named benefi-
15 ciary should be paid under a disability policy.

16 (b) A disability policy delivered or issued for delivery may, at
17 the option of the insurer, require that an indemnity in an amount not
18 to exceed \$1,000 that is payable to the estate of the insured, an
19 insured or beneficiary who is a minor, or an insured who is not compe-
20 tent to give a valid release, be paid to a relative by blood or mar-
21 riage, or a beneficiary that the insured determines is equitably
22 entitled to the payment. A good faith payment by the insurer under
23 this subsection fully discharges the insurer to the extent of the
24 payment.

25 * Sec. 2. AS 21.54.020 is repealed and reenacted to read:

26 Sec. 21.54.020. DIRECT PAYMENT OF HOSPITAL, MEDICAL SERVICES.

27 (a) An insurer may, and upon request of the covered person shall,
28 within 30 working days after receiving a proof of loss statement, pay
29 indemnities under a group disability policy directly to the provider

1 of the hospital, nursing, medical, dental, or surgical services. The
2 policy may not contain a provision requiring that services be provided
3 by a particular hospital or person. If the insurer pays indemnities
4 to the covered person after the covered person has given the insurer
5 written notice in the proof of loss statement of an election of direct
6 payment of indemnities to the provider of the service, the insurer
7 shall also pay those indemnities to the provider of the service.

8 (b) A covered person may revoke an election of direct payment of
9 indemnities made under (a) of this section by giving written notice of
10 the revocation to the insurer and to the provider of the services.
11 Revocation of an election of direct payment is not effective until the
12 notice of revocation is received by the insurer and the provider of
13 the services.

14 (c) The right of the covered person to request payment of indem-
15 nities under a blanket disability policy directly to the provider of
16 the services or to another person may be transferred to a person who
17 is not the covered person by a qualified domestic relations order.
18 Rights under the qualified domestic relations order do not take effect
19 until the order is received by the insurer. In this subsection,
20 "qualified domestic relations order" means an order or judgment in a
21 divorce or dissolution action under AS 25.24 that designates a person
22 to determine to whom indemnities for a covered person should be paid
23 under a disability policy.

24 (d) This section does not prohibit an insurer from recovering an
25 amount mistakenly paid to a provider or a covered person.

26 * Sec. 3. AS 21.54.050 is repealed and reenacted to read:

27 Sec. 21.54.050. PAYMENT OF BLANKET DISABILITY POLICY BENEFITS.

28 (a) All benefits under a blanket disability policy shall be paid to
29 (1) the person insured; (2) the designated beneficiary or

1 beneficiaries of the person insured; (3) the estate of the person
2 insured; (4) the parent, guardian, or other person actually supporting
3 the person insured, if the person insured is a minor or otherwise not
4 competent to give a valid release; or (5) the employer, if the entire
5 cost of the insurance has been paid by the employer. An insurer may,
6 and upon request of the covered person shall, within 30 working days
7 after receiving a proof of loss statement, pay benefits directly to
8 the provider of the hospital, nursing, medical, dental, or surgical
9 services. The policy may not contain a provision requiring that
10 services be provided by a particular hospital or person. If the
11 insurer pays indemnities to the insured after the covered person has
12 given the insurer written notice in the proof of loss statement of an
13 election of direct payment of indemnities to the provider of the
14 service, the insurer shall also pay those indemnities to the provider
15 of the service.

16 (b) A covered person may revoke an election of direct payment of
17 benefits made under (a) of this section by giving written notice of
18 the revocation to the insurer and to the provider of the services.
19 Revocation of an election of direct payment is not effective until the
20 notice of revocation is received by the insurer and the provider of
21 the services.

22 (c) The right of the covered person to request payment of indem-
23 nities under a group disability policy directly to the provider of the
24 services or to another person may be transferred to a person who is
25 not the covered person by a qualified domestic relations order.
26 Rights under the qualified domestic relations order do not take effect
27 until the order is received by the insurer. In this subsection,
28 "qualified domestic relations order" means an order or judgment in a
29 divorce or dissolution action under AS 25.24 that designates a person

1 to determine to whom indemnities for a covered person should be paid
2 under a disability policy.

3 (d) This section does not prohibit an insurer from recovering an
4 indemnity mistakenly paid to a provider or a covered person.

5 * Sec. 4. AS 21.87.340 is amended to read:

6 Sec. 21.87.340. OTHER PROVISIONS APPLICABLE. In addition to
7 the provisions contained or referred to previously in this chapter,
8 the following chapters and provisions of this title also apply with
9 respect to service corporations to the extent applicable and not in
10 conflict with the express provisions of this chapter and the reason-
11 able implications of the express provisions, and for the purposes of
12 the application the corporations shall be considered to be mutual
13 "insurers":

- 14 (1) AS 21.03
- 15 (2) AS 21.06
- 16 (3) AS 21.09, except AS 21.09.090
- 17 (4) AS 21.18.010
- 18 (5) AS 21.18.030
- 19 (6) AS 21.18.040
- 20 (7) AS 21.18.120
- 21 (8) AS 21.21.321
- 22 (9) AS 21.36
- 23 (10) AS 21.69.400
- 24 (11) AS 21.69.520
- 25 (12) AS 21.69.600, 21.69.620, and 21.69.630
- 26 (13) AS 21.78
- 27 (14) AS 21.90
- 28 (15) AS 21.42.345 - 21.42.365
- 29 (16) AS 21.89.040

1 (17) AS 21.89.060;

2 (18) AS 21.51.120;

3 (19) AS 21.54.020.

4 * Sec. 5. AS 25.24.160(b) is amended to read:

5 (b) If a judgment under this section distributes benefits to an
6 alternate payee under AS 14.25, AS 21.51.120(a), AS 21.54.020(c),
7 21.54.050(c), AS 22.25, AS 26.05.222 - 26.05.226, or AS 39.35, the
8 judgment must meet the requirements of a qualified domestic relations
9 order under the definition of that phrase that is applicable to those
10 provisions.

11 * Sec. 6. AS 25.24.230(g) is amended to read:

12 (g) If a judgment under this section distributes benefits to an
13 alternate payee under AS 14.25, AS 21.51.120(a), AS 21.54.020(c),
14 21.54.050(c), AS 22.25, AS 26.05.222 - 26.05.226, or AS 39.35, the
15 judgment must meet the requirements of a qualified domestic relations
16 order under the definition of that phrase that is applicable to those
17 provisions.

18 * Sec. 7. This Act applies to policies of disability insurance entered
19 into or renewed after the effective date of this Act.