

1 IN THE HOUSE SCS CS HB 225 (L&C) am S 5/8/90 REP. GAUENBERG, MENARD
4/17/90

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

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 AS 21.51.120 is repealed and reenacted to read: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 written request of the
21 insured shall, within 30 working days after receiving a proof of loss
22 statement, pay indemnities for hospital, nursing, medical, dental, or
23 surgical services directly to the provider of the services; an insurer
24 who pays indemnities to an insured, after the insured has given the
25 insurer written notice in the proof of loss statement of an election
26 of direct payment of indemnities to the provider of the services,
27 shall also pay indemnities to the provider of the services; this
28 paragraph does not require that services be provided by a particular
29 hospital or person;

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

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2 payment of indemnities made under this subsection by giving written
3 notice of the revocation to the insurer and to the provider of the
4 services; the written notice of revocation given to the insurer must
5 certify that the covered person has given written notice of revocation
6 to the provider of the services; revocation of an election of direct
7 payment is not effective until the notice of revocation is received by
8 the insurer and the provider of the services;

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

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

28 (c) This section does not apply to payments made under a pro-
29 vider contract that holds the covered person harmless from charges for
30 services except copayments, coinsurance, and deductibles.

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

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

4 (a) An insurer may, and upon written request of the covered person
5 shall, within 30 working days after receiving a proof of loss state-
6 ment, pay indemnities under a group disability policy directly to the
7 provider of the hospital, nursing, medical, dental, or surgical ser-
8 vices. The policy may not contain a provision requiring that services
9 be provided by a particular hospital or person, except as applicable
10 to a health maintenance organization under AS 21.86. If the insurer
11 pays indemnities to the covered person 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 indemnities 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 The written notice of revocation given to the insurer must certify
20 that the covered person has given written notice of revocation to the
21 provider of the services. Revocation of an election of direct payment
22 is not effective until the notice of revocation is received by the
23 insurer and the provider of the services.

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

4 under a disability policy.

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

7 (e) This section does not apply to payments made under a pro-
8 vider contract that holds the covered person harmless from charges for
9 services except copayments, coinsurance, and deductibles.

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

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

12 (a) All benefits under a blanket disability policy shall be paid to
13 (1) the person insured; (2) the designated beneficiary or benefici-
14 aries of the person insured; (3) the estate of the person insured; (4)
15 the parent, guardian, or other person actually supporting the person
16 insured, if the person insured is a minor or otherwise not competent
17 to give a valid release; or (5) the employer, if the entire cost of
18 the insurance has been paid by the employer. An insurer may, and upon
19 written request of the covered person shall, within 30 working days
20 after receiving a proof of loss statement, pay benefits directly to
21 the provider of the hospital, nursing, medical, dental, or surgical
22 services. The policy may not contain a provision requiring that
23 services be provided by a particular hospital or person, except as
24 applicable to a health maintenance organization under AS 21.86. If
25 the insurer pays indemnities to the insured after the covered person
26 has given the insurer written notice in the proof of loss statement of
27 an election of direct payment of indemnities to the provider of the
28 service, the insurer shall also pay those indemnities to the provider
29 of the service.

1 (b) A covered person may revoke an election of direct payment of
2 benefits made under (a) of this section by giving written notice of
3 the revocation to the insurer and to the provider of the services.
4 The written notice of revocation given to the insurer must certify

5 that the covered person has given written notice of revocation to the
6 provider of the services. Revocation of an election of direct payment
7 is not effective until the notice of revocation is received by the
8 insurer and the provider of the services.

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

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

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

22 Sec. 21.87.340. OTHER PROVISIONS APPLICABLE. In addition to
23 the provisions contained or referred to previously in this chapter,
24 the following chapters and provisions of this title also apply with
25 respect to service corporations to the extent applicable and not in
26 conflict with the express provisions of this chapter and the reason-
27 able implications of the express provisions, and for the purposes of
28 the application the corporations shall be considered to be mutual
29 "insurers":

- 1 (1) AS 21.03
- 2 (2) AS 21.06
- 3 (3) AS 21.09, except AS 21.09.090
- 4 (4) AS 21.18.010
- 5 (5) AS 21.18.030

- 6 (6) AS 21.18.040
7 (7) AS 21.18.120
8 (8) AS 21.21.321
9 (9) AS 21.36
10 (10) AS 21.69.400
11 (11) AS 21.69.520
12 (12) AS 21.69.600, 21.69.620, and 21.69.630
13 (13) AS 21.78
14 (14) AS 21.90
15 (15) AS 21.42.345 - 21.42.365
16 (16) AS 21.89.040
17 (17) AS 21.89.060;_
18 (18) AS 21.51.120;_
19 (19) AS 21.54.020_.

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

21 (b) If a judgment under this section distributes benefits to an
22 alternate payee under AS 14.25, _AS 21.51.120(a), AS 21.54.020(c),
23 21.54.050(c), _ AS 22.25, AS 26.05.222 - 26.05.226, or AS 39.35, the
24 judgment must meet the requirements of a qualified domestic relations
25 order under the definition of that phrase that is applicable to those
26 provisions.

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

28 (g) If a judgment under this section distributes benefits to an
29 alternate payee under AS 14.25, _AS 21.51.120(a), AS 21.54.020(c),
1 21.54.050(c), _ AS 22.25, AS 26.05.222 - 26.05.226, or AS 39.35, the
2 judgment must meet the requirements of a qualified domestic relations
3 order under the definition of that phrase that is applicable to those
4 provisions.

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