

1 ENGROSSED SENATE
2 BILL NO. 557

By: Montgomery of the Senate

3 and

4 Sneed of the House

5
6 An Act relating to the Unfair Claims Settlement
7 Practices Act; amending 36 O.S. 2021, Section 1250.5,
8 as amended by Section 1, Chapter 266, O.S.L. 2022 (36
9 O.S. Supp. 2022, Section 1250.5), which relates to
10 acts by an insurer; providing that denial of payment
11 to claimant for certain services by certain providers
12 shall constitute an unfair claim settlement practice;
13 requiring review of certain mental health and
14 substance use disorder claims by provider with
15 certain credentials; and providing an effective date.

16 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

17 SECTION 1. AMENDATORY 36 O.S. 2021, Section 1250.5, as
18 amended by Section 1, Chapter 266, O.S.L. 2022 (36 O.S. Supp. 2022,
19 Section 1250.5), is amended to read as follows:

20 Section 1250.5. Any of the following acts by an insurer, if
21 committed in violation of Section 1250.3 of this title, constitutes
22 an unfair claim settlement practice exclusive of paragraph 16 of
23 this section which shall be applicable solely to health benefit
24 plans:

1. Failing to fully disclose to first-party claimants,
benefits, coverages, or other provisions of any insurance policy or

1 insurance contract when the benefits, coverages or other provisions
2 are pertinent to a claim;

3 2. Knowingly misrepresenting to claimants pertinent facts or
4 policy provisions relating to coverages at issue;

5 3. Failing to adopt and implement reasonable standards for
6 prompt investigations of claims arising under its insurance policies
7 or insurance contracts;

8 4. Not attempting in good faith to effectuate prompt, fair and
9 equitable settlement of claims submitted in which liability has
10 become reasonably clear;

11 5. Failing to comply with the provisions of Section 1219 of
12 this title;

13 6. Denying a claim for failure to exhibit the property without
14 proof of demand and unfounded refusal by a claimant to do so;

15 7. Except where there is a time limit specified in the policy,
16 making statements, written or otherwise, which require a claimant to
17 give written notice of loss or proof of loss within a specified time
18 limit and which seek to relieve the company of its obligations if
19 the time limit is not complied with unless the failure to comply
20 with the time limit prejudices the rights of an insurer. Any policy
21 that specifies a time limit covering damage to a roof due to wind or
22 hail must allow the filing of claims after the first anniversary but
23 no later than twenty-four (24) months after the date of the loss, if
24 the damage is not evident without inspection;

1 8. Requesting a claimant to sign a release that extends beyond
2 the subject matter that gave rise to the claim payment;

3 9. Issuing checks, drafts or electronic payment in partial
4 settlement of a loss or claim under a specified coverage which
5 contain language releasing an insurer or its insured from its total
6 liability;

7 10. Denying payment to a claimant on the grounds that services,
8 procedures, or supplies provided by a treating physician, ~~or a~~
9 hospital, or person or entity licensed or otherwise authorized to
10 provide health care services were not medically necessary unless the
11 health insurer or administrator, as defined in Section 1442 of this
12 title, first obtains an opinion from any provider of health care
13 licensed by law and preceded by a medical examination or claim
14 review, to the effect that the services, procedures or supplies for
15 which payment is being denied were not medically necessary. In the
16 event that claims for mental health or substance use disorder
17 treatments and services are under review, the reviewing health care
18 provider shall have appropriate, qualified, and specialized
19 credentials with respect to the services and treatments. Upon
20 written request of a claimant, treating physician, ~~or~~ hospital, or
21 authorized person or entity, the opinion shall be set forth in a
22 written report, prepared and signed by the reviewing physician. The
23 report shall detail which specific services, procedures, or supplies
24 were not medically necessary, in the opinion of the reviewing

1 physician, and an explanation of that conclusion. A copy of each
2 report of a reviewing physician shall be mailed by the health
3 insurer, or administrator, postage prepaid, to the claimant,
4 treating physician, ~~or~~ hospital, or authorized person or entity
5 requesting same within fifteen (15) days after receipt of the
6 written request. As used in this paragraph, "physician" means a
7 person holding a valid license to practice medicine and surgery,
8 osteopathic medicine, podiatric medicine, dentistry, chiropractic,
9 or optometry, pursuant to the state licensing provisions of Title 59
10 of the Oklahoma Statutes;

11 11. Compensating a reviewing physician, as defined in paragraph
12 10 of this section, on the basis of a percentage of the amount by
13 which a claim is reduced for payment;

14 12. Violating the provisions of the Health Care Fraud
15 Prevention Act;

16 13. Compelling, without just cause, policyholders to institute
17 suits to recover amounts due under its insurance policies or
18 insurance contracts by offering substantially less than the amounts
19 ultimately recovered in suits brought by them, when the
20 policyholders have made claims for amounts reasonably similar to the
21 amounts ultimately recovered;

22 14. Failing to maintain a complete record of all complaints
23 which it has received during the preceding three (3) years or since
24 the date of its last financial examination conducted or accepted by

1 the Commissioner, whichever time is longer. This record shall
2 indicate the total number of complaints, their classification by
3 line of insurance, the nature of each complaint, the disposition of
4 each complaint, and the time it took to process each complaint. For
5 the purposes of this paragraph, "complaint" means any written
6 communication primarily expressing a grievance;

7 15. Requesting a refund of all or a portion of a payment of a
8 claim made to a claimant more than twelve (12) months or a health
9 care provider more than eighteen (18) months after the payment is
10 made. This paragraph shall not apply:

- 11 a. if the payment was made because of fraud committed by
12 the claimant or health care provider, or
- 13 b. if the claimant or health care provider has otherwise
14 agreed to make a refund to the insurer for overpayment
15 of a claim;

16 16. Failing to pay, or requesting a refund of a payment, for
17 health care services covered under the policy if a health benefit
18 plan, or its agent, has provided a preauthorization or
19 precertification and verification of eligibility for those health
20 care services. This paragraph shall not apply if:

- 21 a. the claim or payment was made because of fraud
22 committed by the claimant or health care provider,
- 23 b. the subscriber had a preexisting exclusion under the
24 policy related to the service provided, or

1 c. the subscriber or employer failed to pay the
2 applicable premium and all grace periods and
3 extensions of coverage have expired;

4 17. Denying or refusing to accept an application for life
5 insurance, or refusing to renew, cancel, restrict or otherwise
6 terminate a policy of life insurance, or charge a different rate
7 based upon the lawful travel destination of an applicant or insured
8 as provided in Section 4024 of this title; or

9 18. As a health insurer that provides pharmacy benefits or a
10 pharmacy benefits manager that administers pharmacy benefits for a
11 health plan, failing to include any amount paid by an enrollee or on
12 behalf of an enrollee by another person when calculating the
13 enrollee's total contribution to an out-of-pocket maximum,
14 deductible, copayment, coinsurance or other cost-sharing
15 requirement.

16 However, if, under federal law, application of this paragraph
17 would result in health savings account ineligibility under Section
18 223 of the federal Internal Revenue Code, as amended, this
19 requirement shall apply only for health savings accounts with
20 qualified high-deductible health plans with respect to the
21 deductible of such a plan after the enrollee has satisfied the
22 minimum deductible, except with respect to items or services that
23 are preventive care pursuant to Section 223(c)(2)(C) of the federal
24 Internal Revenue Code, as amended, in which case the requirements of

