§ 1116. Prepaid legal services plans and legal services insurance. (a) (1) An authorized insurer subject to the provisions of this chapter (except an insurer organized to write the kinds of insurance specified in paragraph eighteen, twenty-three or twenty-five of subsection (a) of section one thousand one hundred thirteen of this article or any corporation licensed or organized pursuant to article sixty-six of this chapter) may, if licensed to transact legal services insurance, as defined in paragraph twenty-nine of subsection (a) of section one thousand one hundred thirteen of this article, be authorized by the superintendent to issue contracts of legal services in connection with a prepaid legal services plan, if such plans satisfy the criteria set forth in subsection (b) of this section and the superintendent makes the determinations set forth in subsection (g) of this section. The provisions of this section shall be applicable to a corporation organized pursuant to article forty-three of this chapter only if the proposed plan and method of operations have been approved by a vote of at least two-thirds of the corporation's board of directors before the plan is submitted to the superintendent.

(2) A prepaid legal services plan may include legal services insurance as part of the plan, provided however, not more than an incidental amount of the premium with respect to such prepaid legal services plan shall be attributable to legal services for defense only coverages for commercial or other business related lawsuits or arbitration proceedings commenced against the business entity that purchased the policy.

(3) Legal services insurance may not be written except (i) in conjunction with prepaid legal services plans as authorized in this section, or (ii) pursuant to a regulation promulgated by the superintendent permitting legal services insurance to be written as part of a policy of liability insurance covering related risks and, provided further, that legal services for defense only coverages for commercial or other business related lawsuits or arbitration proceedings commenced against the business entity that purchased the policy is not more than an incidental part of such liability insurance.

(b) The superintendent may, in accordance with the provisions of article twenty-three of this chapter, authorize the issuance of contracts in connection with a prepaid legal services plan when such plan satisfies the following criteria:

(1) its provisions are not misleading, confusing or inconsistent with the needs of the public;

(2) it avoids interference with judicial supervision over the professional and public obligations of lawyers;

(3) it provides for prompt resolution of grievances concerning benefits;

(4) it does not restrict the beneficiary's choice of attorney, provided, however, that compensation by the plan for attorneys not participating in the plan shall be subject to the schedule of benefits and fee structure set forth in the applicable contract and, provided further, that nothing herein shall be construed as prohibiting an attorney who is not participating in the plan from charging a fee for services provided in excess of the schedule of benefits or fee structure set forth in the applicable contract;

(5) it provides for a broad range of legal services, through personal and telephone consultations, such as wills, residential real estate matters and domestic relations matters, provided nothing herein shall require or prohibit the offering of a particular type of legal services by a prepaid legal services plan;

(6) it provides for written disclosure to contract holders, including a description of the schedule of benefits, fee structure, exclusions or other limitations on benefits, and an explanation of a covered person's financial responsibility for the payment of premiums, co-payments, deductibles or amounts charged in excess of the schedule of benefits or fee structure by attorneys not participating in a plan;

(7) unless it provides for a shorter period, as provided in a paragraph two of subsection (d) of section three thousand four hundred twenty-six of this chapter, or for a longer period, the plan shall be issued or renewed for a one-year policy period;

(8) it may be cancelled by an insurer only if cancellation is based on one or more of the reasons set forth in paragraph one of subsection (c) of section three thousand four hundred twenty-six of this chapter upon no less than fifteen days written notice to a contract holder and shall include no less than a fifteen-day grace period in the event of a cancellation based on non-payment of premium, provided, however, in the event a contract is issued on a group basis, an individual group member may be canceled upon termination of his or her employment with or

membership in the group contract holder;

(9) it may be nonrenewed by an insurer for any reason upon at least forty-five, but not more than sixty, days written notice to a contract holder; and

(10) it may be cancelled by a contract holder for any reason upon thirty days written notice to an insurer.

(c) The contracts may be issued on a group basis subject to regulations promulgated by the superintendent.

(d) Such contracts shall be subject to all other applicable provisions of this chapter and regulations thereunder.

(e) The superintendent may permit an authorized insurer subject to the provisions of this section to enter into contracts with any corporation or other organization, which provides or sponsors a prepaid legal services plan not subject to this chapter, to administer such plan if the plan satisfies the criteria set forth in subsection (b) of this section and provided the superintendent makes the determinations set forth in subsection (g) of this section. Such administration may include, but need not be limited to, marketing, actuarial, data processing, accounting, claims and other related services. Such contracts shall provide for the payment of a reasonable fee for such administrative services.

(f) The superintendent may permit an authorized insurer subject to the provisions of this chapter to reinsure the risk of any prepaid legal services plan as if it were legal services insurance if the plan satisfies the criteria set forth in subsection (b) of this section, provided the superintendent makes the determinations set forth in subsection (g) of this section. Such reinsurance agreements shall provide for the payment of a reasonable premium.

(g) The superintendent may take the actions set forth in subsections (a), (e) and (f) of this section only if the superintendent determines, with respect to each such action, that:

(1) the sponsors and other participants in the plan can reasonably be anticipated to be able to carry out their responsibilities under the plan, and

(2) the plan attempts to address the problem that desired legal services are unavailable to some citizens of this state because some individuals and families who are not eligible for government subsidized

programs cannot afford the cost of those services, and

(3) the proposed activity by the authorized insurer will not cause or constitute an impairment of the insurer's ability to satisfy its existing and anticipated contracts and other obligations, including such standards as the superintendent prescribes concerning adequate capital and financial requirements.

(h) The superintendent shall promulgate such regulations that are necessary to implement the provisions of this section.