

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 1116
Committee Substitute Favorable 5/3/89

Short Title: Employee Insurance Committees.

(Public)

Sponsors:

Referred to:

April 7, 1989

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH A SEALED PROPOSAL PROCEDURE FOR SELECTION
3 OF PAYROLL DEDUCTION INSURANCE PRODUCTS AND TO IMPOSE
4 PENALTIES FOR OPENING A SEALED PROPOSAL PRIOR TO PUBLIC
5 OPENING.

6 The General Assembly of North Carolina enacts:

7 Section 1. G.S. 58-194.3 reads as rewritten:

8 **"§ 58-194.3. Competitive selection of payroll deduction insurance products paid**
9 **for by State employees.**

10 (a) Employee Insurance Committee. – The head of each State government
11 employee payroll unit offering payroll deduction insurance products to employees shall
12 appoint an Employee Insurance Committee for the following purposes:

13 (1) To review insurance products currently offered through payroll
14 deduction to the State employees in the Employee Insurance
15 Committee's payroll unit to determine if those products meet the needs
16 and desires of employees in the Employee Insurance Committee's
17 payroll unit.

18 (2) To select the types of insurance products that reflect the needs and
19 desires of employees in the Employee Insurance Committee's payroll
20 unit.

21 (3) To competitively select the best insurance products of the types
22 determined by the Employee Insurance Committee to reflect the needs
23 and desires of the employees of that payroll unit.

1 (b) Appointment of Employee Insurance Committee Members. – The members
2 of the Employee Insurance Committee shall be appointed by the head of the payroll
3 unit. The Committee shall consist of not less than five or more than nine individuals a
4 majority of whom have been employed in the payroll unit for at least one year. The
5 committee members shall, except where necessary initially to establish the rotation
6 herein prescribed, serve three-year terms with approximately one-third of the terms
7 expiring annually. Committee membership make-up shall fairly represent the work
8 force in the payroll unit and be selected without regard to any political or other
9 affiliations. It shall be the duty of the payroll unit head to assure that the Employee
10 Insurance Committee is completely autonomous in its selection of insurance products
11 and insurance companies and that no member of the Employee Insurance Committee
12 has any conflict of interest in serving on the Committee. A committee on employee
13 benefits elected or appointed by the faculty representative body of a constituent
14 institution of The University of North Carolina shall be deemed constituted and
15 functioning as an employee insurance committee in accordance with this section. Any
16 decision rendered by the Employee Insurance Committee where the autonomy of the
17 Committee or a conflict of interest is questioned shall be subject to appeal pursuant to
18 the Administrative Procedure Act, or in the case of departments, boards and
19 commissions which are specifically exempt from the Administrative Procedure Act,
20 pursuant to the appeals procedure prescribed for such department, board or commission.

21 All payroll units in existence on May 21, 1985, shall continue to be deemed payroll
22 units, regardless of any subsequent consolidation of such payroll units, for purposes of
23 the appointment of the members of the Employee Insurance Committee in order to
24 assure such units the continuing ability to meet the needs and desires of the employees
25 of such units by having the right to select insurance carriers and insurance products. In
26 the event of the consolidation of a payroll unit, the head of the former payroll unit shall
27 appoint the members of the Committee in accordance with the provisions of this section.

28 (c) Payroll Deduction Slots. – Each payroll unit shall be entitled to not less than
29 four payroll deduction slots to be used for payment of insurance premiums for products
30 selected by the Employee Insurance Committee and offered to the employees of the
31 payroll unit. The Employee Insurance Committee shall select only one company per
32 payroll deduction slot. The Company selected by the Employee Insurance Committee
33 shall be permitted to sell through payroll deduction only the products specifically
34 approved by the Employee Insurance Committee. The assignment by the Employee
35 Insurance Committee of a payroll deduction slot shall be for a period of not less than
36 two years unless the insurance company shall be in violation of the terms of the written
37 agreement specified in this subsection. The insurance company awarded a payroll
38 deduction slot shall, pursuant to a written agreement setting out the rights and duties of
39 the insurance company, be afforded an adequate opportunity to solicit employees of the
40 payroll unit by making such employees aware that a representative of the company will
41 be available at a specified time and at a location convenient to the employees.

42 Notwithstanding any other provision of the General Statutes, once an employee has
43 selected an insurance product for payroll deduction, that product may not be removed
44 from payroll deduction for that employee without his or her specific written consent.

1 When an employee retires from State employment and payroll deduction under this
2 section is no longer available, the insurance company may not terminate life insurance
3 products purchased under the payroll deduction plan without the retiree's specific
4 written consent solely because the premium is no longer deducted from payroll.

5 (c1) Procedure for Selection of Insurance Product Proposals. – An Employee
6 Insurance Committee shall invite proposals for payroll deduction insurance products by
7 advertisement at least 10 full days before the date specified for the opening of the
8 proposals in a newspaper that has general circulation in the State. The advertisement
9 shall state the date of and place for opening of the proposals.

10 All insurance product proposals shall be sealed. The Committee shall open all
11 proposals in public and record them in the minutes of the Committee, at which time the
12 proposals become public records open to public inspection.

13 After the public opening, the Committee shall review the proposals, examining the
14 cost and quality of the products, the reputation and capabilities of the insurance
15 companies submitting the proposals, and other appropriate criteria. The Committee
16 shall determine which proposal, if any, would meet the needs and desires of the
17 employees of that Committee's payroll unit and shall award a payroll deduction slot to
18 the company submitting the proposal that meets those needs and desires. The
19 Committee may reject any or all proposals.

20 A company may seek to modify or withdraw a proposal only after the public opening
21 and only on the basis that the proposal contains an unintentional clerical error as
22 opposed to an error in judgement. A company seeking to modify or withdraw a
23 proposal shall submit to the Committee a written request, with facts and evidence in
24 support of its position, prior to the award of the payroll deduction slot, but not later than
25 two days after the public opening of the proposals. The Committee shall promptly
26 review the request, examine the nature of the error, and determine whether to permit or
27 deny the request.

28 (d) Criminal Penalty. – It shall be a misdemeanor punishable by a fine not to
29 exceed five hundred dollars (\$500.00), imprisonment for not more than 30 days, or
30 both for any State employee, who has supervisory authority over any member of the
31 Employee Insurance Committee, to attempt to influence the autonomy of any Employee
32 Insurance Committee either in the appointment of members to such Committee or in the
33 operation of such Committee; or for anyone to open a sealed insurance product proposal
34 or disclose or exhibit the contents of a sealed insurance product proposal, prior to the
35 public opening of the proposal. The Commissioner of Insurance shall have the authority
36 to investigate complaints alleging acts subject to the criminal penalty and shall report
37 his findings to the Attorney General of North Carolina."

38 Sec. 2. This act is effective upon ratification and applies to offenses that
39 occur on or after that date.