

MAINE STATE LEGISLATURE

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1 (Governor's Bill)
2 SECOND REGULAR SESSION
3

4 ONE HUNDRED AND TENTH LEGISLATURE
5

6 **Legislative Document**

No. 1845

7
8 S. P. 774 In Senate, January 14, 1982
Referred to the Committee on Business Legislation and ordered
printed. Sent down for concurrence. Motion to Table 1 day lost - (8-11).
Ordered sent forthwith.

MAY M. ROSS, Secretary of the Senate
Presented Senator Bustin of Kennebec.

9 Cosponsors: Representative Hickey of Augusta, Representative
Murphy of Kennebunk and Senator Hichens of York.

10 STATE OF MAINE
11

12 IN THE YEAR OF OUR LORD
13 NINETEEN HUNDRED AND EIGHTY-TWO
14

15 AN ACT to Permit the Superintendent of Insurance to
16 Promulgate Rules Requiring Provisions in Group Health
17 Contracts Providing for Conversion to Individual
18 Coverage Upon Termination of Group Coverage.
19

20 Be it enacted by the People of the State of Maine as follows:

21 **Sec. 1.** 24 MRSA §2316, 6th sentence, as amended by PL
22 1981, c. 205, §1, is further amended to read:

23 No contracts may be delivered or issued for delivery in this
24 State unless they meet the requirements of Title 24-A, sec-
25 tions 2438 to 2445 and section 2747 and section 2809-A.

26 **Sec. 2.** 24-A MRSA §2809-A is enacted to read:

27 §2809-A. Conversion on termination of policy or eligibility.

1 1. A group policy which provides hospital, surgical or
2 major medical expense insurance or any combination thereof,
3 other than a policy which provides benefits for specific
4 diseases or accidental injuries only, shall contain a provi-
5 sion that if the insurance on an employee or member ceases
6 because of termination of employment or termination of the
7 policy or any portion thereof, and the person has been con-
8 tinuously insured for a period of at least 3 months under
9 the group policy or under the group policy and any prior
10 group policy providing similar benefits which it replaces,
11 that person shall be entitled to have issued to him by the
12 insurer, without evidence of insurability, an individual
13 policy of health insurance, provided that application shall
14 be made and the first premium paid to the insurer within 31
15 days after that termination. At the option of the employee
16 or member, the converted policy may cover the employee or
17 member, the employee or member and his dependents or the
18 dependents of the employee or member. The insurer shall
19 have the option to provide the required coverage upon con-
20 version through either a group or individual policy, and may
21 issue a separate converted policy to cover any dependent.
22 An insurer shall not be required to provide a conversion
23 privilege if termination of insurance under the group policy
24 occurred because the employee or member failed to pay any
25 required contribution or if any discontinued group coverage
26 is replaced by continuous and substantially similar group
27 coverage within 31 days.

28 2. The conversion privilege shall also be available:

29 A. Upon the death of an employee or member, to the
30 surviving spouse with respect to the spouse and the
31 children whose coverage terminates by reason of that
32 death, or if there is no surviving spouse to each sur-
33 viving child whose coverage so terminates. If the
34 group policy provides for continuation of dependents'
35 coverage upon the death of the employee or member, the
36 conversion privilege shall be made available at the end
37 of that continuation;

38 B. To the spouse of a member or employee upon termina-
39 tion of coverage by reason of ceasing to be a qualified
40 family member under the group policy whether by divorce
41 or otherwise, whether or not the employee or member
42 remains insured, with respect to the spouse and the
43 children whose coverage terminates at the same time;

44 C. To a child upon termination of coverage by reason
45 of ceasing to be a qualified family member under the

1 group policy if a conversion privilege is not otherwise
2 provided with respect to him in this subsection; or

3 D. To an employee or member whose coverage would otherwise
4 continue under the group policy upon retirement prior
5 to eligibility for coverage under Medicare,"United
6 States Insurance for the Aged Act," Title XVIII of the
7 Social Security Amendments of 1965, Public Law 89-97,
8 as amended, at the option of that employee or member in
9 lieu of continued coverage under the group policy.

10 3. The insurer shall not be required to issue a con-
11 verted policy covering an otherwise eligible person:

12 A. If:

13 (1) That person is eligible for Medicare; or

14 (2) That person:

15 (a) Is covered for similar benefits by any
16 other plan or program;

17 (b) Is eligible for similar benefits under
18 any group coverage arrangement whether on an
19 insured or uninsured basis; or

20 (c) Has similar benefits provided for or
21 available to him pursuant to requirements of
22 any state or federal law; and

23 B. The benefits as described in paragraph A,
24 subparagraph 2, division (a), (b) or (c) provided for
25 or available to the person together with the benefits
26 provided by the converted policy would result in
27 overinsurance according to standards which have been
28 filed by the insurer prior to denial of coverage and
29 approved by the superintendent.

30 4. The premium on the converted policy shall be deter-
31 mined in accordance with premium rates applicable to indi-
32 vidually underwritten standard risks for the age and class
33 of risk of each person to be covered and the type and amount
34 of insurance provided. Experience under converted policies
35 shall not be an acceptable basis for establishing rates for
36 converted policies except to the extent permitted by regula-
37 tions promulgated by the superintendent.

38 5. The effective date of the converted policy shall be

1 the date of termination of the individual's insurance under
2 the group policy.

3 6. A converted policy issued under this section shall
4 conform to regulations promulgated by the superintendent.
5 These regulations shall ensure that continuity of coverage
6 with similar benefits as determined by the superintendent is
7 provided, but shall not require an insurer to provide bene-
8 fits in excess of those provided under the group policy from
9 which conversion is made.

10 7. Notice of the conversion privilege shall be
11 included in each certificate of coverage. Each certificate
12 holder shall be given written notice of the conversion
13 privilege, its duration, the effective date of termination
14 of group coverage, and the conditions, if any, upon which
15 the converted policy will be issued, within 15 days before
16 or after the date of termination of that group coverage. If
17 the notice is given more than 15, days but less than 90 days
18 after the date of termination of group coverage, the time
19 allowed under subsection 1 for the exercise of the privilege
20 of conversion shall be extended for 15 days after the giving
21 of that notice. If the notice is not given within 90 days
22 after the date of termination of group coverage, the time
23 allowed under subsection 1 for the exercise of the conver-
24 sion privilege shall expire at the end of 90 days. Written
25 notice by the policyholder given to the certificate holder
26 or mailed to the certificate holder at his last known ad-
27 dress, or, written notice by the insurer mailed to the cer-
28 tificate holder at the last address furnished to the insurer
29 by the policyholder, shall be deemed full compliance with
30 this subsection for the giving of notice. A group contract
31 issued by an insurer may contain a provision to the effect
32 that the notice of the conversion privilege and its duration
33 shall be given by the policyholder to each certificate
34 holder upon termination of his group coverage.

35 8. A converted policy issued pursuant to this section
36 which is delivered outside this State may be on such form as
37 the insurer may then be offering for that conversion in the
38 jurisdiction where the delivery is to be made.

39 9. A policy issued pursuant to the conversion privi-
40 lege provided by this section may provide that the insurer
41 may refuse to renew the policy or coverage of any person
42 insured thereunder for the following reasons only:

43 A. Fraud or material misrepresentation in applying for
44 any benefits under the converted policy; or

