

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document

No. 1575

S. P. 514

In Senate, April 20, 1979

Reported by Senator Chapman of Sagadahoc, from the Committee on Business Legislation. Pursuant to Resolve 1977, Chapter 66 and Printed under Joint Rules No. 17.

MAY M. ROSS, Secretary of the Senate

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-NINE

**AN ACT to Require Conversion of Group Medical Coverage and Extension of Benefits.**

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

**Sec. 1. 24 MRSA § 2316, 4th sentence**, as amended by PL 1973, c. 585, § 12, is further amended to read:

The superintendent shall have power, from time to time, to make, alter, and supersede reasonable regulations prescribing the required, optional and prohibited provisions in such contracts, and such regulations shall conform, as far as practicable, **and unless inconsistent with the provisions of this chapter**, to Title 24-A, chapters 33 and 35.

**Sec. 2. 24 MRSA § 2324** is enacted to read:

**§ 2324. Right to conversion for terminated group subscribers**

**1. Conversion**

**A. Any group, hospital, medical or health care service contract delivered or issued for delivery in this State by a nonprofit hospital or medical service organization shall provide that an employee or member of a group whose coverage under the group contract has been terminated for any reason, other**

than those reasons expressed in subsection 2, paragraphs B and C, including discontinuance of the group contract in its entirety or with respect to a covered class or individual, is entitled to have a converted contract issued to the employee or member on a nongroup basis provided that person has been continuously covered under a group contract or contracts for at least 3 months immediately prior to termination.

**B. The conversion privilege shall also be available:**

(1) To the surviving spouse, if any, at the death of the employee or member, with respect to the spouse and such children whose coverage under the group contract terminates by reason of that death, otherwise to each surviving child whose coverage under the group contract terminates by reason of that death, or, if the group contract provides for continuation of dependents' coverage following the employee's or member's death, at the end of that continuation;

(2) To the spouse of the employee or member upon termination of coverage of the spouse, while the employee or member remains covered under the group contract, by reason of ceasing to be a qualified family member under the group contract, with respect to the spouse and such children whose coverage under the group contract terminates at the same time; or

(3) To a child solely with respect to himself upon termination of this coverage by reason of ceasing to be a qualified family member under the group contract, if a conversion privilege is not otherwise provided in this section with respect to that termination.

**2. Conditions and limitations.**

**A. Issuance of a converted contract shall be subject to the following conditions:**

(1) Written application for the converted contract shall be made by the subscriber within 15 days of notice of termination rendered pursuant to subsection 3.

(2) The converted contract shall not exclude from coverage a preexisting condition not excluded by the prior group contract.

(3) The converted contract shall cover the employee or member of the group, spouse and the dependents, if any, who were covered by the group contract on the date of termination of group coverage, as is consistent with subsection 1, paragraph B.

**B. A converted contract may be issued at the discretion of the nonprofit service organization to an employee or member of a group contract if termination of the individual's coverage occurred because:**

(1) The individual failed to pay to the employer any required employee or member contribution;

(2) The individual failed to pay a required subscription charge to the nonprofit service corporation; or

(3) Any discontinued group coverage was replaced by similar group coverage within 31 days.

C. The nonprofit service corporation shall not be required to issue a converted contract covering any person if:

(1) That person is or could be covered by Medicare, the United States Social Security Act, Title XVIII, as added by the Social Security Amendments of 1965 or as later amended or superseded;

(2) That person is covered for similar benefits by another hospital, medical or health care service contract or by any other plan; or

(3) Similar benefits are provided for or available to that person pursuant to or in accordance with the requirements of any state or federal law.

3. Notice. Upon knowledge of termination of an individual's group coverage pursuant to subsection 1, the nonprofit service corporation shall notify the individual of the date the group coverage terminated, the right to continue coverage on a nongroup basis and the conditions, if any, upon which the converted contract will be issued.

4. Effective date. The effective date of the converted contract shall be the day following the termination of coverage under the group contract.

Sec. 3. 24 MRSA § 2325 is enacted to read:

§ 2325. Maternity claims incurred at time of conception

Any group contract issued or renewed after January 1, 1980, which contains maternity benefits, shall provide that maternity claims are considered incurred at the time of conception or commencement of pregnancy.

Sec. 4. 24-A MRSA § 2820-A is enacted to read:

§ 2820-A. Termination of insurance

There shall be a provision that, when an employee's medical expense insurance under a group policy has been terminated for any reason, with certain exceptions as the superintendent may provide, including, but not limited to, termination due to eligibility for Medicare, failure of insured to pay the required contribution or replacement of the policy by the same or another insurer, an employee who has been continually insured under the group policy for at least 3 months immediately prior to termination shall be entitled to have issued to him a policy of health insurance approved as to premiums, form, notice and benefits by the superintendent. In addition, there shall be reasonable provisions, as determined by the superintendent, for extension of benefits in the event of the total disability and for extension of maternity benefits at the date of discontinuance of the group policy.

**This section shall apply to any group policy delivered or issued for delivery in this State and to any group policy under which the level of benefits or premiums is altered, modified or amended in any way on and after January 1, 1980.**

#### STATEMENT OF FACT

The purpose of this bill is to protect employees insured under a group policy from a sudden loss of coverage. This bill would require that group medical expense policies contain a provision extending a conversion privilege to all employees who were continually covered for at least 3 months under a group medical expense policy and whose coverage is terminated, with certain exceptions. The bill would also require that, in the event that the master policy is terminated, benefits shall be extended for a reasonable period of time past the termination date in the case of total disability and pregnancy.