

MAINE STATE LEGISLATURE

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L.D. 1845

(Filing No. S-405)

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STATE OF MAINE
SENATE
110TH LEGISLATURE
SECOND REGULAR SESSION

6 COMMITTEE AMENDMENT "A" to S.P. 774, L.D. 1845, Bill,
7 "AN ACT to Permit the Superintendent of Insurance to Promul-
8 gate Rules Requiring Provisions in Group Health Contracts
9 Providing for Conversion to Individual Coverage Upon Termi-
10 nation of Group Coverage."

11 Amend the bill by striking out all of section 1 and
12 inserting in its place the following:

13 'Sec. 1. 24 MRSA §2330 is enacted to read:

14 §2330. Conversion on termination of contracts or eligibility

15 1. Conversion provision required. A group hospital,
16 medical or health care service contract issued for delivery
17 in this State by a nonprofit hospital, medical or health
18 service organization, other than a contract which provides
19 benefits for specific diseases or accidental injuries only,
20 shall contain a provision that if the health coverage on an
21 employee or member ceases because of termination of employ-
22 ment or termination of the contract or any portion thereof,
23 and the person has been continuously insured for a period of
24 at least 3 months under the group contract or under the
25 group contract and any prior group contract or policy pro-
26 viding similar benefits which it replaces, that person shall
27 be entitled to have issued to him by the nonprofit service
28 corporation, without evidence of insurability, a nongroup
29 health care contract or, at the option of the nonprofit ser-
30 vice corporation, a group certificate, provided that appli-
31 cation shall be made and the first subscription charge paid
32 to the nonprofit service corporation within 31 days after
33 that termination. At the option of the employee or member,
34 the converted contract may cover the employee or member, the
35 employee or member and his dependents or the dependents of
36 the employee or member; provided that, in the latter 2
37 cases, the dependents had been covered for a period of at
38 least 3 months under the group contract, unless the depend-
39 ent persons were not eligible for coverage until after the

1 COMMITTEE AMENDMENT "A" to S.P. 774, L.D. 1845

2 beginning of the 3-month period. The nonprofit service cor-
3 poration shall have the option to provide the required cov-
4 erage upon conversion through either a group or nongroup
5 health care contract, and may issue a separate converted
6 contract to cover any dependent. A nonprofit service corpo-
7 ration shall not be required to provide a conversion privi-
8 lege if termination of coverage under the group contract
9 occurred because the employee or member failed to pay any
10 required contribution or if any discontinued group coverage
11 is replaced by continuous and substantially similar group
12 coverage within 31 days.

13 2. Other circumstances where conversion provision
14 shall be required. The conversion privilege shall also be
15 available:

16 A. Upon the death of an employee or member, to the
17 surviving spouse with respect to the spouse and the
18 children whose coverage terminates by reason of that
19 death, or if there is no surviving spouse to each sur-
20 viving child whose coverage so terminates. If the
21 group contract provides for continuation of dependents'
22 coverage upon the death of the employee or member, the
23 conversion privilege shall be made available at the end
24 of that continuation;

25 B. To the spouse of a member or employee upon termina-
26 tion of coverage by reason of ceasing to be a qualified
27 family member under the group policy whether by divorce
28 or otherwise, whether or not the employee or member
29 remains covered, with respect to the spouse and the
30 children whose coverage terminates at the same time;

31 C. To a child upon termination of coverage by reason
32 of ceasing to be a qualified family member under the
33 group contract if a conversion privilege is not other-
34 wise provided with respect to him in this subsection;
35 or

36 D. To an employee or member whose coverage would
37 otherwise continue under the group contract upon
38 retirement prior to eligibility for coverage under
39 Medicare, "United States Insurance for the Aged Act,"
40 Title XVIII of the Social Security Amendments of 1965,
41 Public Law 89-97, as amended, at the option of that

1 COMMITTEE AMENDMENT "A" to S.P. 774, L.D. 1845

2 employee or member in lieu of continued coverage under
3 the group contract.

4 3. Converted contract not required. The nonprofit
5 service corporation shall not be required to issue a con-
6 verted contract covering an otherwise eligible person:

7 A. If:

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

9 (2) That person:

10 (a) Is covered for similar benefits by any
11 other plan or program;

12 (b) Is eligible for similar benefits under
13 any group coverage arrangement whether on an
14 insured or uninsured basis; or

15 (c) Has similar benefits provided for or
16 available to him pursuant to requirements of
17 any state or federal law; and

18 B. The benefits as described in paragraph A,
19 subparagraph 2, division (a), (b) or (c) provided for
20 or available to the person, together with the benefits
21 provided by the converted contract, would result in
22 over-insurance according to standards which have been
23 filed by the nonprofit service corporation prior to
24 denial of coverage and approved by the superintendent.

25 4. Premium. The premium on the converted contract
26 shall be determined in accordance with premium rates appli-
27 cable to individually underwritten standard risks for the
28 age and class of risk of each person to be covered and the
29 type and amount of coverage provided. Experience under con-
30 verted contracts shall not be an acceptable basis for estab-
31 lishing rates for converted contracts, except to the extent
32 permitted by regulations promulgated by the superintendent.

33 5. Effective date. The effective date of the con-
34 verted contract shall be the date of termination of the
35 individual's coverage under the group contract.

1 COMMITTEE AMENDMENT "A" to S.P. 774, L.D. 1845

2 6. Conformity to regulations. A converted contract
3 issued under this section shall conform to regulations
4 promulgated by the superintendent. These regulations shall
5 ensure that continuity of coverage with similar benefits as
6 determined by the superintendent is provided, but shall not
7 require a nonprofit service corporation to provide benefits
8 in excess of those provided under the group contract from
9 which conversion is made.

10 7. Notice. Notice of the conversion privilege shall
11 be included in each certificate of coverage.

12 8. Form for contracts delivered outside the State. A
13 converted contract issued pursuant to this section which is
14 delivered outside this State may be on such form as the non-
15 profit service corporation may then be offering for that
16 conversion in the jurisdiction where the delivery is to be
17 made.

18 9. Refusal to renew. A contract issued pursuant to
19 the conversion privilege provided by this section may pro-
20 vide that the nonprofit service corporation may refuse to
21 renew the contract or coverage of any person covered there-
22 under for the following reasons only:

23 A. Fraud or material misrepresentation in applying for
24 any benefits under the converted contract; or

25 B. Any reason for which the nonprofit service corpora-
26 tion may refuse to issue a converted contract under
27 subsection 3.

28 Further amend the bill in section 2, subsection 1, in
29 the 10th line (page 2, line 10 in L.D.) by inserting after
30 the underlined words "group policy" the underlined words 'or
31 contract'

32 Further amend the bill in section 2, subsection 1, in
33 the 13th line, (page 2, line 13 in L.D.) by inserting after
34 the underlined word "policy" the following underlined words
35 and punctuation 'or, at the insurer's option, a group cer-
36 tificate'

37 Further amend the bill in section 2, subsection 1, in
38 the 18th line (page 2, line 18 in L.D.) by inserting after

1 COMMITTEE AMENDMENT "A" to S.P. 774, L.D. 1845

2 the underlined words "or member" the following:

3 '; provided that, in the latter 2 cases, the dependents have
4 been covered for a period of at least 3 months under the
5 group policy, unless the dependent persons were not eligible
6 for coverage until after the beginning of the 3-month
7 period'

8 Further amend the bill in section 2 by striking out all
9 of subsection 7 and inserting in its place the following:

10 '7. Notice. Notice of the conversion privilege shall
11 be included in each certificate of coverage.'

12 STATEMENT OF FACT

13 The purposes of this amendment are to:

14 1. Maintain the distinction between corporations gov-
15 erned by Titles 24 and 24-A;

16 2. Simplify the requirements for notice of conversion
17 privileges;

18 3. Provide for a single 31-day conversion period;

19 4. Clarify the rights of individuals who have been
20 continuously covered under a combination of group policies
21 issued by insurers and group contracts issued by nonprofit
22 service corporations; and

23 5. Clarify that conversion is available to an
24 employee's or member's dependents only if they had been cov-
25 ered under the group policy or contract for 3 months at the
26 time of termination.

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Reported by the Committee on Business Legislation.

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