
By: **Delegate Busch**

Introduced and read first time: February 6, 2002

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Nonrenewal of Individual Health Benefit Plans -**
3 **Requirements for Carriers with Affiliates**

4 FOR the purpose of requiring carriers to provide certain notice of a certain option to
5 purchase certain coverage offered by an affiliate of the carrier under certain
6 circumstances; requiring carriers to offer certain coverage on a guarantee issue
7 basis under certain circumstances; prohibiting carriers from rating certain
8 coverage on a substandard basis under certain circumstances; requiring carriers
9 that offer certain coverage to waive the waiting period under certain
10 circumstances; authorizing the Insurance Commissioner to disapprove a plan of
11 withdrawal under certain circumstances; defining a certain term; and generally
12 relating to requirements for carriers with affiliates when individual health
13 benefit plans are nonrenewed.

14 BY repealing and reenacting, with amendments,
15 Article - Insurance
16 Section 15-1308 and 15-1309
17 Annotated Code of Maryland
18 (1997 Volume and 2001 Supplement)

19 BY adding to
20 Article - Insurance
21 Section 27-603(g)
22 Annotated Code of Maryland
23 (1997 Volume and 2001 Supplement)

24 BY adding to
25 Article - Health - General
26 Section 19-706(w)
27 Annotated Code of Maryland
28 (2000 Replacement Volume and 2001 Supplement)

1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
2 MARYLAND, That the Laws of Maryland read as follows:

3 **Article - Insurance**

4 15-1308.

5 (A) IN THIS SECTION "AFFILIATE" MEANS A PERSON THAT DIRECTLY OR
6 INDIRECTLY, THROUGH ONE OR MORE INTERMEDIARIES, CONTROLS, IS
7 CONTROLLED BY, OR IS UNDER COMMON CONTROL WITH ANOTHER PERSON.

8 [(a)] (B) Subject to subsections [(c)] (D) and [(g)] (K) of this section, a carrier
9 shall issue the individual health benefit plan elected under § 15-1305 or §
10 15-1306(a)(1) of this subtitle to any eligible individual.

11 [(b)] (C) (1) A carrier may not limit coverage under any individual health
12 benefit plan issued to an eligible individual under a preexisting condition provision.

13 (2) A carrier may impose a preexisting condition provision on an
14 individual who has had a period of at least 63 days during all of which the individual
15 was not covered under any creditable coverage and who would otherwise have been
16 an eligible individual.

17 [(c)] (D) A carrier may refuse to issue an individual health benefit plan to an
18 eligible individual, if the carrier demonstrates to the satisfaction of the Commissioner
19 that:

20 (1) it does not have the policyholder surplus necessary to underwrite
21 additional coverage; and

22 (2) it is applying this section uniformly to all individuals in the
23 individual market in this State without regard to:

24 (i) any health status-related factor; and

25 (ii) whether the individuals are eligible individuals.

26 [(d)] (E) A carrier that denies individual health insurance coverage under
27 subsection [(c)] (D) of this section may not offer coverage in the individual market
28 until the later of:

29 (1) a period of 180 days after the date the coverage is denied; or

30 (2) until the carrier has demonstrated, to the Commissioner's
31 satisfaction that the carrier has sufficient policyholder surplus to underwrite
32 additional coverage.

33 [(e)] (F) A carrier may elect not to renew all individual health benefit plans in
34 the State.

1 [(f)] (G) When a carrier elects not to renew all individual health benefit plans
2 in the State, the carrier:

3 (1) shall give notice of its decision to the affected individuals at least 180
4 days before the effective date of nonrenewal;

5 (2) at least 30 working days before that notice, shall give notice to the
6 Commissioner; [and]

7 (3) IF THE CARRIER HAS AN AFFILIATE IN THE INDIVIDUAL MARKET,
8 SHALL GIVE NOTICE TO EACH AFFECTED INDIVIDUAL AT LEAST 180 DAYS BEFORE
9 THE EFFECTIVE DATE OF NONRENEWAL OF THE INDIVIDUAL'S OPTION TO
10 PURCHASE ALL OTHER INDIVIDUAL HEALTH BENEFIT PLANS CURRENTLY OFFERED
11 BY THE AFFILIATE OF THE CARRIER; AND

12 (4) may not write new business for individuals in the State for a 5-year
13 period beginning on the date of notice to the Commissioner.

14 [(g)] (H) A CARRIER THAT OFFERS AN INDIVIDUAL HEALTH BENEFIT PLAN
15 SHALL OFFER AN INDIVIDUAL HEALTH BENEFIT PLAN TO AN INDIVIDUAL WHO IS
16 NONRENEWED BY AN AFFILIATE OF THE CARRIER UNDER SUBSECTION (G) OF THIS
17 SECTION ON A GUARANTEE ISSUE BASIS, IF THE INDIVIDUAL APPLIES FOR
18 COVERAGE NO LATER THAN 63 DAYS AFTER THE EFFECTIVE DATE OF NONRENEWAL.

19 (I) A CARRIER THAT ISSUES COVERAGE UNDER SUBSECTION (H) OF THIS
20 SECTION MAY NOT RATE THE COVERAGE ON A SUBSTANDARD BASIS UNLESS THE
21 INDIVIDUAL WAS RATED ON A SUBSTANDARD BASIS UNDER THE PRIOR COVERAGE
22 PROVIDED TO THE INDIVIDUAL BY THE AFFILIATE OF THE CARRIER.

23 (J) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, A CARRIER THAT
24 ISSUES COVERAGE UNDER SUBSECTION (H) OF THIS SECTION SHALL WAIVE THE
25 WAITING PERIOD FOR COVERAGE OF A PREEXISTING CONDITION TO THE EXTENT
26 THAT THE INDIVIDUAL HAS SATISFIED A WAITING PERIOD UNDER THE INDIVIDUAL'S
27 PRIOR CONTRACT OR POLICY.

28 (2) THE CARRIER THAT ISSUES COVERAGE UNDER SUBSECTION (H) OF
29 THIS SECTION MAY REQUIRE THE INDIVIDUAL TO SATISFY THE REMAINING PART OF
30 THE WAITING PERIOD IF ANY PART OF THE WAITING PERIOD UNDER THE
31 INDIVIDUAL'S PRIOR CONTRACT OR POLICY HAS NOT BEEN SATISFIED, UNLESS THE
32 COVERAGE ISSUED UNDER SUBSECTION (H) OF THIS SECTION HAS A SHORTER
33 WAITING PERIOD.

34 (K) A health maintenance organization need not offer coverage to an
35 individual who does not live, reside, or work within the health maintenance
36 organization's approved service areas.

37 15-1309.

38 (a) Except as provided in subsection (b) of this section, a carrier shall renew
39 an individual health benefit plan at the option of the eligible individual.

1 (b) A carrier may not cancel or refuse to renew an individual health benefit
2 plan except:

3 (1) for nonpayment of the required premiums;

4 (2) where the individual has performed an act or practice that
5 constitutes fraud;

6 (3) where the individual has made an intentional misrepresentation of
7 material fact under the terms of the coverage;

8 (4) where the carrier elects not to renew all of its individual health
9 benefit plans in the State IN ACCORDANCE WITH THIS ARTICLE;

10 (5) where the eligible individual no longer resides, lives, or works in the
11 service area, provided that the coverage is terminated under this provision uniformly
12 without regard to any health status-related factor of covered individuals; or

13 (6) where, in the case of health insurance coverage that is made
14 available in the individual market only through one or more bona fide associations,
15 the membership of the eligible individual in the association ceases but only if such
16 coverage is terminated under this paragraph uniformly without regard to any health
17 status-related factor of covered individuals.

18 27-603.

19 (G) IF APPLICABLE, THE COMMISSIONER MAY DISAPPROVE A PLAN OF
20 WITHDRAWAL FOR HEALTH INSURANCE IF AN INSURER, NONPROFIT HEALTH
21 SERVICE PLAN, OR HEALTH MAINTENANCE ORGANIZATION HAS FAILED TO
22 DEMONSTRATE COMPLIANCE WITH § 15-1212 OR § 15-1308 OF THIS ARTICLE.

23 **Article - Health - General**

24 19-706.

25 (WW) THE PROVISIONS OF § 27-603 OF THE INSURANCE ARTICLE APPLY TO
26 HEALTH MAINTENANCE ORGANIZATIONS.

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
28 effect June 1, 2002.