

SENATE BILL 651

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2002 Regular Session
2lr2353
CF 2lr2377

By: **Senator Bromwell**

Introduced and read first time: February 1, 2002

Assigned to: Finance

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 19, 2002

CHAPTER _____

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

1 Article - Health - General
2 Section 19-706(ww)
3 Annotated Code of Maryland
4 (2000 Replacement Volume and 2001 Supplement)

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

7 **Article - Insurance**

8 15-1308.

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

12 [(a)] (B) Subject to subsections [(c)] (D) and [(g)] (K) of this section, a carrier
13 shall issue the individual health benefit plan elected under § 15-1305 or §
14 15-1306(a)(1) of this subtitle to any eligible individual.

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

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

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

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

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

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

29 (ii) whether the individuals are eligible individuals.

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

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

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

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

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

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

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

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

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

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

24 (I) A CARRIER THAT ISSUES COVERAGE UNDER SUBSECTION (H) OF THIS
25 SECTION MAY NOT RATE THE COVERAGE ON A SUBSTANDARD BASIS UNLESS THE
26 INDIVIDUAL WAS RATED ON A SUBSTANDARD BASIS UNDER THE PRIOR COVERAGE
27 PROVIDED TO THE INDIVIDUAL BY THE AFFILIATE OF THE CARRIER.

28 (J) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, A CARRIER THAT
29 ISSUES COVERAGE UNDER SUBSECTION (H) OF THIS SECTION SHALL WAIVE THE
30 WAITING PERIOD FOR COVERAGE OF A PREEXISTING CONDITION TO THE EXTENT
31 THAT THE INDIVIDUAL HAS SATISFIED A WAITING PERIOD UNDER THE INDIVIDUAL'S
32 PRIOR CONTRACT OR POLICY.

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

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

4 15-1309.

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

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

9 (1) for nonpayment of the required premiums;

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

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

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

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

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

24 27-603.

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

29 **Article - Health - General**

30 19-706.

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

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

