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By: **Delegate Hurson**

Introduced and read first time: February 1, 2005

Assigned to: Health and Government Operations

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A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Small Group Market - Small Employer Criteria and**  
3 **Cancellation and Nonrenewal Procedures**

4 FOR the purpose of altering the criteria an individual must meet to be considered a  
5 small employer for purposes of health insurance in the small group market;  
6 requiring a carrier in the small group market that intends to cancel or refuse to  
7 renew a health benefit plan for certain reasons to send written notice of the  
8 cancellation or refusal to renew by certified mail to the affected small employer  
9 within a certain time period; and generally relating to criteria that must be met  
10 to be considered a small employer and procedures for cancellation and  
11 nonrenewal of health benefit plans in the small group health insurance market.

12 BY repealing and reenacting, without amendments,  
13 Article - Insurance  
14 Section 15-1203(a) and 15-1212(b) and (e)  
15 Annotated Code of Maryland  
16 (2002 Replacement Volume and 2004 Supplement)

17 BY repealing and reenacting, with amendments,  
18 Article - Insurance  
19 Section 15-1203(c)  
20 Annotated Code of Maryland  
21 (2002 Replacement Volume and 2004 Supplement)

22 BY adding to  
23 Article - Insurance  
24 Section 15-1212(f)  
25 Annotated Code of Maryland  
26 (2002 Replacement Volume and 2004 Supplement)

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

1 **Article - Insurance**

2 15-1203.

3 (a) A small employer under this subtitle is a person that meets the criteria  
4 specified in any subsection of this section.5 (c) (1) An individual is considered a small employer under this subtitle if  
6 the individual:

7 [(1)] (I) works and resides in the State; and

8 [(2)] (II) is a self-employed individual organized as a sole proprietorship  
9 or in any other legally recognized manner that a self-employed individual may  
10 organize:11 [(i)] 1. a substantial part of whose income derives from a trade or  
12 business through which the individual has attempted to earn taxable income;13 [(ii)] 2. who has filed the appropriate Internal Revenue form for  
14 the previous taxable year; and15 [(iii)] 3. for whom a copy of the appropriate Internal Revenue form  
16 or forms and schedule has been filed with the carrier.17 (2) NOTWITHSTANDING PARAGRAPH (1)(II)2 AND 3 OF THIS SUBSECTION,  
18 AN INDIVIDUAL IS CONSIDERED A SMALL EMPLOYER UNDER THIS SUBTITLE IF THE  
19 INDIVIDUAL:20 (I) HAS FILED FOR AN EXTENSION WITH THE INTERNAL REVENUE  
21 SERVICE FOR THE PREVIOUS TAXABLE YEAR;22 (II) HAS FILED THE APPROPRIATE INTERNAL REVENUE FORM FOR  
23 THE YEAR PRIOR TO THE PREVIOUS TAXABLE YEAR;24 (III) HAS PROVIDED A COPY OF THE EXTENSION FILING AND  
25 APPROPRIATE INTERNAL REVENUE FORM WITH THE CARRIER; AND26 (IV) OTHERWISE MEETS THE REQUIREMENTS OF THIS SUBSECTION.  
27 15-1212.

28 (b) A carrier may cancel or refuse to renew a health benefit plan only:

29 (1) for nonpayment of premiums;

30 (2) for fraud or intentional misrepresentation of material fact by the  
31 small employer;32 (3) for noncompliance with a material plan provision relating to  
33 employer contributions or group participation rules;

- 1                   (4)     when the carrier elects not to renew:
- 2                                 (i)     all of its health benefit plans that are issued to small employers  
3 in the State; or
- 4                                 (ii)    the particular health benefit plan for all small employers in the  
5 State; or
- 6                   (5)     in the case of a health maintenance organization, where there is no  
7 longer any enrollee who lives, resides, or works in the health maintenance  
8 organization's approved service area.
- 9           (e)     Within 7 days after cancellation or nonrenewal of a health benefit plan,  
10 the carrier shall send to each enrolled employee written notice of its action and the  
11 conversion rights available to each enrolled employee under § 15-412 of this article.

12   (F)     IF A CARRIER INTENDS TO CANCEL OR REFUSE TO RENEW A HEALTH  
13 BENEFIT PLAN UNDER SUBSECTION (B)(3) OF THIS SECTION, THE CARRIER SHALL  
14 SEND WRITTEN NOTICE OF THE CANCELLATION OR REFUSAL TO RENEW BY  
15 CERTIFIED MAIL TO THE AFFECTED SMALL EMPLOYER AT LEAST 10 DAYS BEFORE  
16 THE EFFECTIVE DATE OF THE CANCELLATION OR NONRENEWAL.

17   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
18 October 1, 2005.