
By: ~~Delegate Hurson~~ Delegates Hurson, Benson, Boteler, Boutin, Bromwell, Costa, Donoghue, Elliott, Frank, Hammen, Kach, Kullen, Mandel, Morhaim, Murray, Nathan-Pulliam, Oaks, Pendergrass, Rudolph, V. Turner, and Weldon

Introduced and read first time: February 1, 2005
Assigned to: Health and Government Operations

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 8, 2005

CHAPTER _____

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)

1 BY adding to
2 Article - Insurance
3 Section 15-1212(f)
4 Annotated Code of Maryland
5 (2002 Replacement Volume and 2004 Supplement)

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

8 **Article - Insurance**

9 15-1203.

10 (a) A small employer under this subtitle is a person that meets the criteria
11 specified in any subsection of this section.

12 (c) (1) An individual is considered a small employer under this subtitle if
13 the individual:

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

15 [(2)] (II) is a self-employed individual organized as a sole proprietorship
16 or in any other legally recognized manner that a self-employed individual may
17 organize:

18 [(i)] 1. a substantial part of whose income derives from a trade or
19 business through which the individual has attempted to earn taxable income;

20 [(ii)] 2. who has filed the appropriate Internal Revenue form for
21 the previous taxable year; and

22 [(iii)] 3. for whom a copy of the appropriate Internal Revenue form
23 or forms and schedule has been filed with the carrier.

24 (2) NOTWITHSTANDING PARAGRAPH (1)(II)2 AND 3 OF THIS SUBSECTION,
25 AN INDIVIDUAL IS CONSIDERED A SMALL EMPLOYER UNDER THIS SUBTITLE IF THE
26 INDIVIDUAL:

27 (I) HAS FILED FOR AN EXTENSION WITH THE INTERNAL REVENUE
28 SERVICE FOR THE PREVIOUS TAXABLE YEAR;

29 (II) HAS FILED THE APPROPRIATE INTERNAL REVENUE FORM FOR
30 THE YEAR PRIOR TO THE PREVIOUS TAXABLE YEAR;

31 (III) HAS PROVIDED A COPY OF THE EXTENSION FILING AND
32 APPROPRIATE INTERNAL REVENUE FORM WITH THE CARRIER; AND

33 (IV) OTHERWISE MEETS THE REQUIREMENTS OF THIS SUBSECTION.

1 15-1212.

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

3 (1) for nonpayment of premiums;

4 (2) for fraud or intentional misrepresentation of material fact by the
5 small employer;

6 (3) for noncompliance with a material plan provision relating to
7 employer contributions or group participation rules;

8 (4) when the carrier elects not to renew:

9 (i) all of its health benefit plans that are issued to small employers
10 in the State; or

11 (ii) the particular health benefit plan for all small employers in the
12 State; or

13 (5) in the case of a health maintenance organization, where there is no
14 longer any enrollee who lives, resides, or works in the health maintenance
15 organization's approved service area.

16 (e) Within 7 days after cancellation or nonrenewal of a health benefit plan,
17 the carrier shall send to each enrolled employee written notice of its action and the
18 conversion rights available to each enrolled employee under § 15-412 of this article.

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

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