

HOUSE BILL 1434

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By: **Delegates Montgomery, Barkley, Carr, and Lee**

Introduced and read first time: February 11, 2008

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance – Conversion from Group to Individual Policy –**
3 **Preexisting Conditions While Under Group Coverage**

4 FOR the purpose of prohibiting certain individual policies of health insurance issued
5 after coverage under certain group health insurance policies is terminated
6 under certain circumstances from denying, excluding, or limiting certain
7 benefits related to certain preexisting conditions under certain circumstances;
8 altering the authority of the Maryland Insurance Commissioner to establish
9 certain benefit limitations for certain individual policies of health insurance;
10 providing for the application of this Act; defining a certain term; making
11 stylistic changes; and generally relating to conversion from a group policy to an
12 individual policy of health insurance.

13 BY repealing and reenacting, with amendments,
14 Article – Insurance
15 Section 15–412
16 Annotated Code of Maryland
17 (2006 Replacement Volume and 2007 Supplement)

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

20 **Article – Insurance**

21 15–412.

22 (a) (1) In this section[,], **THE FOLLOWING WORDS HAVE THE MEANINGS**
23 **INDICATED.**

24 (2) [“insured”] **“INSURED individual”** includes:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 [(1)] (I) an employee or member who is covered under a group policy;
2 and

3 [(2)] (II) an eligible dependent of an employee or member who is
4 covered under a group policy.

5 (3) **“PREEXISTING CONDITION” MEANS:**

6 (I) **A CONDITION EXISTING DURING A SPECIFIED PERIOD**
7 **IMMEDIATELY PRECEDING THE EFFECTIVE DATE OF INDIVIDUAL COVERAGE**
8 **AND DURING WHICH THE INSURED INDIVIDUAL WAS COVERED UNDER THE**
9 **GROUP POLICY, THAT WOULD HAVE CAUSED AN ORDINARILY PRUDENT PERSON**
10 **TO SEEK MEDICAL ADVICE, DIAGNOSIS, CARE, OR TREATMENT; OR**

11 (II) **A CONDITION FOR WHICH MEDICAL ADVICE, DIAGNOSIS,**
12 **CARE, OR TREATMENT WAS RECOMMENDED OR RECEIVED DURING A SPECIFIED**
13 **PERIOD IMMEDIATELY PRECEDING THE EFFECTIVE DATE OF INDIVIDUAL**
14 **COVERAGE AND DURING WHICH THE INSURED INDIVIDUAL WAS COVERED**
15 **UNDER THE GROUP POLICY.**

16 (b) (1) This section applies to:

17 (i) each group insurance policy that insures employees or
18 members for hospital, surgical, or major medical insurance on an expense-incurred or
19 service basis, other than a policy that provides coverage only for specific diseases or for
20 accidental injuries; and

21 (ii) each group insurance policy that is delivered or issued for
22 delivery in the State by a nonprofit health service plan and that insures employees or
23 members and their dependents for hospital, medical, major medical, or surgical
24 insurance on an expense-incurred or service basis, other than a policy that provides
25 coverage only for specific diseases or for accidental injuries.

26 (2) This section applies to each group policy that is delivered or
27 renewed in the State on the effective date or renewal anniversary date, whichever is
28 later, of the policy.

29 (c) Each group policy subject to this section shall provide that an insured
30 individual whose coverage under the group policy is terminated for any reason other
31 than failure of the insured individual to pay a required premium or contribution is
32 entitled, on timely written request and without evidence of insurability, to an
33 individual policy of hospital and medical insurance.

34 (d) The Commissioner may:

1 (1) exempt from the requirements of this section certain types of group
2 policies or certain types of coverage under group policies that the Commissioner
3 considers appropriate; and

4 (2) establish conditions under which the conversion privilege does not
5 apply, which may include the replacement of terminated coverage by similar group
6 coverage or by a health program sponsored by a government or the group policyholder.

7 (e) An individual policy issued under this section shall cover the insured
8 individual whose coverage under the group policy is terminated and any eligible
9 dependents of that insured individual who were covered under the group policy.

10 (f) An individual policy issued under this section shall take effect
11 immediately after the termination of coverage under the group policy.

12 (g) (1) **[An] SUBJECT TO SUBSECTION (H) OF THIS SECTION, AN**
13 individual policy issued under this section shall provide the benefits that the
14 Commissioner requires.

15 (2) The Commissioner may establish different requirements and levels
16 of benefits for various types of group policies and coverage.

17 (3) In establishing minimum requirements, the Commissioner may
18 establish exclusions and benefit limitations that the Commissioner considers
19 appropriate.

20 **(H) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, AN**
21 **INDIVIDUAL POLICY ISSUED UNDER THIS SECTION MAY NOT DENY, EXCLUDE, OR**
22 **LIMIT BENEFITS FOR EXPENSES OR SERVICES RELATED TO A PREEXISTING**
23 **CONDITION FOR AN INSURED INDIVIDUAL WHOSE COVERAGE UNDER THE**
24 **GROUP POLICY IS TERMINATED IF THE INSURED INDIVIDUAL HAD COVERAGE**
25 **UNDER A PREVIOUS POLICY FOR THE PREEXISTING CONDITION WITH THE SAME**
26 **INSURER OR NONPROFIT HEALTH SERVICE PLAN.**

27 **[(h)] (I)** The premium for an individual policy issued under this section
28 shall be determined in accordance with the insurer's or nonprofit health service plan's
29 table of premium rates that is applicable to the age and class of risk of each individual
30 covered under the policy and to the type and amount of insurance provided.

31 **[(i)] (J)** (1) The Commissioner shall establish requirements that govern:

32 (i) notification by the insurer or nonprofit health service plan to
33 the insured individual whose coverage under the group policy is being terminated of
34 the right of conversion to an individual policy; and

35 (ii) the timely election of the conversion privilege.

1 (2) The notification requirements shall include a provision in each
2 certificate provided to individuals covered under group or blanket health insurance
3 policies that set forth the conditions applicable to election of the conversion privilege.

4 [(j)] (k) Except as otherwise provided in this article, continuation of group
5 coverage at the expense of the insured individual may be required for a period not
6 exceeding 6 months.

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all
8 individual policies of health insurance subject to this Act that are issued, delivered, or
9 renewed in the State on or after October 1, 2008.

10 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
11 October 1, 2008.