

HOUSE BUSINESS AND INDUSTRY COMMITTEE

March 11, 1981

SUMMARY OF BILLS TO BE HEARD TODAY

SENATE BILL 314 -

Introduced by Senator Anderson by request of the Insurance Department, is called the "Individual Family Disability Insurance Continuity of Coverage Act" and allows family members to continue individual family disability insurance coverage upon death of the named insured or divorce, separation, or annulment of marriage. Continuance of coverage, at the option of the insurer may be by continuation of the original policy or by a converted policy. The bill requires the person desiring the continuation or conversion to notify the carrier and pay the applicable premium within 31 days following the date that coverage would otherwise terminate. Overinsurance is not permitted, and the bill would be applicable to policies or contracts issued 120 days after the effective date of the act and does not apply to disability income policies, accidental death or dismemberment policies, or single-term, non-renewable policies.

SENATE BILL 334 -

Introduced by Senator Anderson, by request of the Insurance Department, is a general revision and clarification of the insurance law of Montana. Among other provisions, the bill:

Changes from 30 to 60 days the requirement for advance filing with the department before use of a form.

Allows the commissioner to suspend or revoke the certificate of authority of an insurer who has reinsured all of his risks.

Raises from \$400,000 to \$1,000,000 the trust fund required to be maintained by an alien insurer (one formed under the laws of a country other than the U.S.) who offers surplus lines (certain coverages that cannot be obtained from authorized insurers).

Raises fees for agents' licenses from \$5 to \$10 for appointment, from \$5 to \$10 for annual renewal, establishes a new fee of \$10 for amendment of license or issuance of master license.

Requires that a newly-organized domestic mutual insurer must have surplus equal to paid-in capital stock required of a domestic stock company and raises the bond required on formation of a mutual company from \$15,000 to \$50,000.

Changes from 3 to 2 years the time limit on provisions of defenses on policy misstatements in disability contracts.

Requires notification to the company and payment of premium within 31 days of birth to qualify a new-born for coverage under the parent's disability policy.

SUMMARY OF SENATE BILL 335 -

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Introduced by Senator Hazelbaker, by request of the Insurance Department is entitled the "Nationwide Inland Marine Definition Act". The bill enacts new definitions of marine, inland marine, and transportation insurance and describes the risks and coverages that may be insured by each.

SENATE BILL 370 -

Introduced by Senators Anderson and Brown, regulates the sale of hamburger and ground beef, which are defined as ground fresh or frozen beef, with or without on addition of suet to which no water, binder or extenders are added and which are divided into three grades:

"Economy" which can have no more fat content than allowed by federal standards.

"Regular" which can have no more than 24% fat.

"Extra lean" which can have no more than 18% fat.

Stricken from the law is the authorization for "imitation hamburger."

"Beef patty mix" is defined as hamburger or ground beef to which has been added binders or extenders. No restaurant or store may call "beef patty mix" hamburger or ground beef and the ingredients of beef patty mix must be listed on the menu or label.

SENATE BILL 129 -

Introduced by Senators Turnage and Norman, regulates conversions of group life and group disability insurance and provides for continuation of group coverage. This bill guarantees a person the right to continue his group insurance coverage, without providing evidence of insurability, upon termination of employment.

HOUSE BUSINESS AND INDUSTRY COMMITTEE

Rep. W. J. Fabrega, Chairman, called the meeting to order at 8:00 a.m., in room 129, Capitol Building, Helena, on March 11, 1981. All members were present except Rep. Darryl Meyer who was excused. Bills to be heard were Senate Bills 314, 334, 335, 370, 129.

SENATE BILL 129 -

SENATOR JEAN TURNAGE, District 13, Lake County, co-sponsor of SB 129 explained this bill has to do with the coverage of insurance for life, disability and hospital. It has been severely amended from introduction in the Senate. Most all the amendments were discussed and agreed upon with insurance industry representatives and himself. However, there is one they don't agree upon. In a group policy almost without exception, you will find language such as "the term person as used in the policy means any employee employed and compensated under a group policy who usually works full time at his customary place of employment at least 20 hours a week". You need your insurance if you are stricken with a serious sickness or accident, and you won't be able to work 20 hours a week.

The employee feels comfortable because the policy is a \$500,000 major medical benefit, but he hasn't read the policy. He had better not be sick enough to not be able to work 20 hours a week.

Section 1 deals with termination of a life policy. Now the policy can be converted on determination of eligibility and there are some conversion rights. Previously, the law allowed conversion without disability and now that is proposed being taken out of the code. Page 2 speaks in terms including but not limited to term. Now we are trying to allow term because if you are afflicted with a terminal illness, you should have some ability to convert. That is a plus in the bill that the law didn't allow.

The next committee amendments provide that the individual policy is at the option of the insured, but a life policy may not be in excess of what it had been less any other insurance the individual was covered under within 31 days after such termination. What you are going to pay for that converted policy will be greater than what we had hoped, but that on conversion the insurer should have the right to consider the facts of the risk involved and they can increase the premium to meet the risk. The important part of the life insurance section is subsection (2). He will be covered even if he doesn't work 20 hours per week, but coverage will cease if he becomes eligible under another policy.

Under conversion rights on termination the old law said the amount of insurance was subject to the same conditions and limitations except that the group policy may provide that such individual policy may not exceed the smaller of the person's life insurance protection ceasing because of termination less the amount of any life insurance for which he is or becomes eligible within 31 days after such termination or \$10,000. The old law said you had to be insured five years - they compromised for three years before termination to be eligible to convert to an individual life policy or become insured under another group plan.

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Amendments are practically the same now - the rest of the bill tracks pretty much as does the life section. It relates to similar coverage under group hospital and medical plans. Conversion on termination of eligibility - after October 1, 1981, a group disability insurance policy shall contain a provision that insurance ceasing because of several reasons, providing the insured had been covered for 3 months, then the insured is entitled to have such insurance issued to him on an individual policy if he so requests within 31 days after the termination of group coverage.

ALAN CAIN, Blue Shield, Helena, supports SB 129 saying the Senate had been good enough to accommodate them. He called to the committee's attention some extra language on page 9, line 13, after the word 'ENTITY' there should be a period and that language should be stricken.

JO DRISCOLL, Chief Deputy of the Insurance Department, said they are in support of Senator Turnage's present bill, however, they feel there are a couple of essential provisions that were not included in this bill that she would like to propose be added to SB 129. Although reference is made to those who do not work enough hours, there wasn't enough provision to cover those who terminate and aren't covered for awhile. She offered amendments providing that an employee would remain covered under both for life policies and disability policies. AMENDMENT is attached.

C. RAY FISCHER, Blue Cross, Great Falls, supports Senator Turnage's bill as it was amended by himself and other people and asks support for it as it now stands.

ED SHEEHY, Jr., Montana Association of Life Underwriters, supported SB 129 in the form in which Senator Turnage presented it to this committee and has no objection to the amendments proposed by Mrs. Driscoll.

FRANK STOCK, Polson, supports SB 129. Testimony attached EXHIBIT A. BILL NELSON, Helena, supports SB 129. Testimony attached EXHIBIT B.

QUESTIONS -

Rep. Robbins asked Senator Turnage if an employer would have to continue to pay the premium for an employee who was disabled. Usually an employer will allow an employee to stay on the group plan, but he will have to pay his own premium.

Rep. Kitselman mentioned that rates for a group plan are based on a 3-5 year cost experience, and allowing a disabled employee to remain on the plan might raise the employers premium rates; however, the employer wouldn't have to agree to do this.

Rep. Wallin asked if a retiring senior employer can get his life insurance converted? Senator Turnage said the life limitation is pretty severe since it is only \$10,000. It should be the same amount as before, but he wasn't suggesting an amendment. They will send you some insurance, but it will cost a great deal at the older age.

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Senator Turnage closed saying he hadn't really studied the proposed amendments that were suggested by the Department of Insurance. If they don't wreck the intent of the bill but improve it and don't hurt the people, he would like to look at them and will study them.

SENATE BILL 335 -

SENATOR HAZELBAKER, District 31, Beaverhead County, sponsored SB 335 at the request of the state Insurance Department. The National Council of State Insurance Commissioners thought it should be mandatory that they all work in concert for nationwide definitions, and for states to conform, so this bill has definitions of different kinds of insurance.

He explained the beginning of marine insurance was instigated by the loss of ships, so the owners of ships got together and said they would pool their money and pay any balance for loss of cargoes and ships, so Lloyd's of London was started. This was such a good idea that it caught on and inland insurance was started. They called it "inland marine" insurance.

JO DRISCOLL, Insurance Department Deputy, said this type of coverage affects many, many states, and it is very beneficial that all the definitions are alike in the states and this is primarily what SB 335 is all about.

OPPONENTS: None.

QUESTIONS: None.

Senator Hazelbaker closed saying the bill explains itself.

SENATE BILL 314 -

SENATOR MIKE ANDERSON, District 40, Gallatin, sponsor of SB 314, said this bill is an act to allow family members to continue insurance as basically the title covers. It requires the industry in the event that one spouse or another buys coverage, and this may go on for several years, that if the primary insured dies, divorces, separates, or the marriage is annulled, the dependent covered then has developed some very serious illness which would result in him not being able to get other insurance, SB 314 provisions would make the first insurance convertible to the dependent so there would be coverage.

JO DRISCOLL, Chief Deputy Insurance Commissioner, explained SB 314 is to take care of a situation where a family is split, and oftentimes the spouse has to get other insurance. This would give them time to get another insurance policy. She feels it is a good piece of legislation and asked for the committee's support.

RAY FISCHER, Blue Cross, said even though they do provide this privilege, they do support HB 314.

ALLEN CAIN, Blue Shield, said their company already does what this bill requires others to do.

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OPPONENTS: None

QUESTIONS: None

Rep. Andersen closed.

SENATE BILL 334 -

SENATOR MIKE ANDERSEN, District 40, Gallatin County, sponsored SB 334 at the request of the State Insurance Department. It updates laws relating to insurance.

JO DRISCOLL, Chief Deputy Insurance Commissioner, said there are a lot of changes in this bill which they feel are all necessary. Under the old law the department had to act on all filings within 30 days. All forms must be filed with their office for prior approval and the department has 30 days to approve or disapprove and 30 days is just inadequate, so they are asking for 60 days. Some companies deem approval if they have not heard from the department for 30 days, but she thinks the companies should write the department asking if they have received the form before using it.

They are asking for six months time in which to review reciprocal forms that apply to Montana laws as well as to those of other states. It is impossible for their hard working crew to get it done in 30 days.

The fee for appointment of agents and renewal of agents is being raised from \$5 to \$10. There are reciprocal laws in the state which say that the fees charged by other states are greater than ours, those fees will apply. There is a lot of administrative work to keep track of all the other 50 states.

They need some more staffing to go out and talk to senior citizens. Fees will bring in approximately \$120,000 additional money when raised. It seems the appropriations committee has not given the department their total request. The total revenue, however, should cover the cost of a couple more people which are desperately needed. The \$10 fee will not be refundable because it is felt the department has earned it and it costs too much to refund.

Domestic mutual companies are now allowed to write insurance on homes up to \$50,000. Cash valuations of policies are amended. They are adopting some provisions that were approved by the National Insurance Association of Commissioners that would allow an insurer to cancel a policy because of a geographic area. They had an insurer who started reducing the insurance on all the homes in Anaconda because of its economic depression. An insurer may not refuse to insure solely because of others physical handicap - she feels that is unfair discrimination.

The amount of time after which a policy cannot be cancelled because of fraudulent statements by the insured is reduced to two years from three.

The law relating to insurance on a newborn infant has been unclear and was amended. Maternity benefits must apply to single persons as well as married. If a husband is not covered under his wife's policy because

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he is a veteran, she should be covered for maternity and newborn infants benefits.

The valued property law provides that if you insure your home for \$50,000 and the home is a total loss, the insurer isn't going to argue with you that it wasn't worth \$50,000, but if it isn't burned completely down, there is room for argument. It is required that the insurer go out and determine the value of that home before insuring it so any loss will have a value. Whatever that risk is, you cover the total amount of insurance.

Eliminating alternative values applies to personal property. The department feels the same way about personal property as about real property insurance. If you insure items destroyed the company should have to pay for the total loss.

The department is requesting that title insurance rates shall be all-inclusive. The present law requires that an insurer must file risk rates that go to the insurance company which is a small portion of the total charge for insurance. They are asking that total charges be filed so that title insurance companies will have to pay premium tax on the total amount of insurance. This tax is 2-3/4%.

OPPONENTS:

PAT MELBY, Alliance of American Insurers, Helena, said the Insurance Department is very courteous, professional and competent, and is very, very overworked. He opposes the amendment on page 2 dealing with the filing of approval of forms for contracts. Lines 15-19 changes the procedure under which an insurer submits to the office allowing 30 days to review the form and notify the insurance company that they approve to give the Commissioner's office 60 days to review. He feels under present law the insurance department by asking for extensions has 40 days time and that if the company had not heard from the department by then, it should automatically be approved. They support the current provision. The department should have the proper staffing so it doesn't delay the activity of the industry.

QUESTIONS -

Rep. Fabrega asked Mr. Melby if he wanted the 30-day review period? Mr. Melby said they would prefer having the demurrer provision kept which has the automatic provision if no action is taken within a 30-day extension, if the office needs it, that the form is automatically approved. He would like to see the department properly staffed to prevent foreseeable log jams. Jo Driscoll said they just can't handle the load the present Legislature has imposed on them requiring refiling and reapproval of certain forms.

Rep. Andreason asked Jo Driscoll about infant coverage and she explained that an infant would not be covered at birth unless a person had dependent coverage. He opposes the amendments.

Senator Andersen closed.

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SENATE BILL 370 -

SEN. MIKE ANDERSEN, District 40, Gallatin County, co-sponsor of SB 370, said this bill is an act to clarify the law originally proposed by the Department of Health; defines what a "beef patty mix" is and what "hamburger" is. He has not seen this food advertised as "beef patty mix" but it can be bought already made up. This bill addresses what a beef patty is and what a hamburger is.

The present federal standard is 30% for extenders. From the standpoint of supermarkets and grocery stores and consumers who want to have different grades of hamburger for making different dishes that require different fat contents, there should be various amounts of fat in the raw hamburger.

The term "hamburger" was kind of unique to Montana - most other states describe it as "beef patty mix." The bill explains other definitions. No one can sell hamburger or a beef patty mix without an explanation of what it contains on the label.

Each one of the fast food service establishments use the same mix. Each one of them use about 17% fat in their Big Mac's, 20-21% in 1/4# hamburgers for proper kind of cooking. Some other fast food chains like a little more fat, and may have the full federal 30%. SB 314 will allow a standard to be set for whatever they want in their hamburgers.

VERN SLOULIN, Department of Health, administrator of the Food and Drug Division under which this is included, advised the prime purpose of SB 314 is to amend the Food and Drug Law standards that have been in effect since 1940. Montana is the last state in the Union to make the change from 20% to 30%. Restaurants say 18-22% is the best hamburger and has the least cookoff. The retail meat industry was opposed to this bill because it referred to imitation hamburger. When using 'imitation' it is a very difficult thing to define. If it is comparable in nutritional value, it would be very difficult and require a great deal of laboratory process. Going along with a compromise with both industrys in SB 314. Some restaurants called it hamburger even if it had some extenders such as soy flour. They were willing to do this but this was not consistent with other state and federal laws.

Montanans have been used to having 20% hamburger. Packages are to be labeled so the buyer knows what he is getting. This will cause some problems because Montanans are used to the 20% and they will be getting mighty cross when so much fat goes down the drain. The Department collects and examines some 300 samples a year.

They do support this bill as a compromise between the industry and consumers and the department.

MONS TEIGEN, Montana Stockgrowers and Cowbells, supported this two years ago, but find the bill passed then is not working to the satisfaction of the trade. If we are going to sell beef, the retailers are going

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to have to sell for us. Cattle produce lean meat and fat meat, and it is necessary to get rid of the fat, and he thinks the consumer is the best judge of what kind of hamburger they want.

The word 'imitation' was preferred to describe extended hamburger, but the federal government describes it as 'beef patty mix', the Stock-growers and Cowbells will have to go along with it. They support 314.

JO BRUNNER, Women Involved in Farm Economics (WIFE), concurs with the third reading copy of SB 314 although they prefer the word 'imitation' to 'beef patty mix'. WIFE also asks any advertising of hamburger indicate whether it is pure hamburger or extender and what the extenders are. See her testimony attached.

JOHN ASAY, Montana Cattle Feeders Association, Deer Lodge, and Montana Cattle Association, support SB 314.

OPPONENTS: None

QUESTIONS -

Rep. Vincent asked Mons Teigen why the cattlemen of the state would approve the dilution of their product, to which Mr. Teigen said that as long as a consumer is aware of what she is buying, and it is on the label, this sells at least some beef. Competition from chicken, turkey, fish is becoming quite an inroad into beef consumption. They do not want to put a roadblock on the sale of beef.

Mr. Sloulin explained the federal government doesn't prohibit the use of the word 'imitation', but legal precedence in the use of the word has come up with the theory that it would then have to be of equal nutritional value. He felt it was unfair for restaurants to have to label hamburgers that had the permitted amount of fat extender, but those that served hamburgers extended by soy flour or other extenders would have to use the term 'beef patty mix'.

x When asked by Rep. Vincent if he favored labeling the different grades of hamburger in stores relative to their fat content, Mr. Sloulin said there are three grades that must be shown on labels indicating percentages of fat. The 30% labeling by the government on economy hamburger was used to stretch meat supply during the war. He thought a restaurant would have to label the ingredients if they used a beef patty mix. There is a limit on the amount of hamburger you can use when mixed with soy flour and still get a product of reasonable quality. Competition will rate the hamburger, and if not satisfactory, that restaurant will not have the business.

Rep. Vincent felt as long as the consumer is informed, it didn't make much difference to him what they sold if a list of ingredients is in that hamburger and the percentages. If only 40% beef, the other things could be listed and it would be less than 50% beef.

Mr. Sloulin advised the Department has no authority over federally inspected plants, and they are allowed to go up to the federal meat standard. Buttreys sells stacks of beef patty mixes, and they are allowed to do so since they meet the federal law.

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Rep. Schultz said he would go along with 'beef patty mix'. Mr. Teigen didn't want to restrict the sale of beef by throwing any road-blocks up on the sale of hamburger, and if that is what the labeling states and the federally inspected plants use, apparently should join and go along with them. Prefer the term 'imitation' but if soy bean flour is mixed properly with the meat, it makes a very good hamburger. That will make it possible for more people to enjoy hamburger even if it isn't the real thing.

Rep. Andreason asked if there is any way of ascertaining the fat content a restaurant is using. Mr. Sloulin said the way it is being proposed, they can make the patty up to 30% fat - right now they can only be 20% fat. If a restaurant went to 30%, they would have so much cookoff, they would lose their customers.

Jo Brunner said WIFE prefers the word 'imitation' stay in because you should have the right to make the choice. It hasn't bothered WIFE to buck the Feds, and this isn't the time to start. However, the Senate left in the word 'mix'.

The word 'imitation' is rarely used in advertising Rep. Robbins mentioned.

Rep. Fabrega said 300 samples are being taken at this time. FDA preempts the field and we may or may not be buying a lawsuit. Montana produces cows and calves and has a great abundance of 100% beef. How do restaurants get their hamburger? Mr. Sloulin said he had no idea of what it would cost to buy and test patty mix. The person on food stamps gets a wholesome hamburger when buying a beef patty mix if it is labeled and controlled. This would take \$30-40 million to be funded to the Health Department to check for all patty mixes. Rep. Vincent would like to know what he is getting when buys a hamburger. Mr. Sloulin said restaurants can tell within 1/2% what percentage of fat they are selling. They have a place where the product goes to one location and it is very carefully packed to provide a uniform product for all their restaurants.

EXECUTIVE SESSION -

Rep. Andreason moved SENATE BILL 370 BE CONCURRED IN. Rep. Vincent voted no; Reps. O'Hara, Metcalf, Meyer were absent. Motion carried.

Rep. Kitselman moved SENATE BILL 335 BE CONCURRED IN. Reps. Metcalf, Meyer, O'Hara were absent. Motion carried.

Rep. Kitselman moved SENATE BILL 334 BE CONCURRED IN. Same members were absent. Motion carried. Representatives felt if the Department were not given more staff, they should have more time to consider forms.

Rep. Manning moved SENATE BILL 314 BE CONCURRED IN. Same members were absent. Motion carried. Members felt individual family dependents should have insurance coverage continuously.

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Rep. Kitselman moved SENATE BILL 239 BE CONCURRED IN. Rep. Harper moved proposed amendments be adopted and this motion carried unanimously. Rep. Kitselman further moved SENATE BILL 239 BE CONCURRED IN AS AMENDED. Motion carried with Reps. Wallin and Pavlovich voting no and Reps. Meyer, Metcalf and O'Hara being absent.

Meeting adjourned at 10:30 a.m.

W. J. Fabrega

REP. W. J. FABREGA, Chairman

Jo Lahti

Jo Lahti, Secretary

Jo Driscoll

Amendments to SB 129/third reading

1. Page 5, line 19.
Following: "termination."
Insert: "(1)"
2. Page 6, line 4.
Following: line 3
Insert: "(2) A group policy delivered or issued for delivery in this state which insures employees or members for hospital, surgical, or major medical insurance on an expense incurred or service basis, other than for specific diseases or for accidental injuries only, shall provide that employees or members whose insurance under the group policy would otherwise terminate because of termination of employment or membership are entitled to continue the hospital, surgical, and major medical insurance coverage of that group policy for themselves and their eligible dependents, subject to all of the group policy's terms and conditions applicable to those forms of insurance and subject to the following conditions:
 - (a) Continuation shall be available only to an employee or member who has been continuously insured under the group policy (and for similar benefits under any group policy which it replaced) during the entire 3-month period ending with such termination.
 - (b) Continuation shall not be available for a person who is or could be:
 - (i) covered by Medicare; or
 - (ii) covered by any other insured or uninsured arrangement which provides hospital, surgical, or medical coverage for individuals in a group.
- (3) An employee or member who wishes continuation of coverage must request such continuation in writing within the 31-day period following the later of:
 - (a) the date of such termination, or
 - (b) the date the employee is given notice of the right of continuation by either his employer or the group policyholder, but the employee or member must elect continuation within 31 days of the date of termination.
- (4) An employee or member electing continuation must pay to the group policyholder or his employer, on a monthly basis in advance, the amount of contribution

required by the policyholder or employer, but not more than the group rate for the insurance being continued under the group policy on the due date of each payment. The employee's or member's written election of continuation, together with the first contribution required to establish contributions on a monthly basis in advance, must be given to the policyholder or employer within 31 days of the date the employee's or member's insurance would otherwise terminate.

(5) Continuation of insurance under the group policy for any person shall terminate when he fails to satisfy the conditions of subsection (2)(b) or, if earlier, at the first to occur of the following:

(a) the date 6 months after the date the employee's or member's insurance under the policy would otherwise have terminated because of termination of employment or membership;

(b) If the employee or member fails to make timely payment of a required contribution, the end of the period for which contributions were made; or

(c) the date on which the group policy is terminated or, in the case of an employee, the date his employer terminates participation under the group policy.

(6) If subsection (5)(c) applies and the coverage ceasing by reason of such termination is replaced by similar coverage under another group policy, the following shall apply:

(a) The employee or member shall have the right to become covered under that other group policy for the balance of the period that he would have remained covered under the prior group policy in accordance with subsection (5) had a termination described in subsection (5)(c) not occurred.

(b) The minimum level of benefits to be provided by the other group policy shall be the applicable level of benefits of the prior group policy reduced by any benefits payable under that prior group policy.

(c) The prior group policy shall continue to provide benefits to the extent of its accrued liabilities and extensions of benefits as if the replacement had not occurred.

(7) A notification of the continuation privilege must be included in each certificate of coverage."

3. Page 8, line 2

Following: line 1

Insert: "NEW SECTION. Section 5. Other health coverage -- limitations on issuance of converted policy.⁽¹⁾ The insurer is not required to issue a converted policy covering any person if such person is or could be covered by medicare. Furthermore, the insurer is not required to issue a converted policy covering any person if:

(1) (a) such person is covered for similar benefits by another individual policy;

(b) such person is or could be covered for similar benefits under any arrangement of coverage for individuals in a group, whether insured or uninsured; or

(c) similar benefits are provided for or available to such person, by reason of any state or federal law; and

(2) the benefits under sources of the kind referred to in subsection (1)(a) for such person or benefits provided or available under sources of the kind referred to in subsections (1)(b) and (1)(c) for such person, together with the converted policy's benefits would result in a duplication of benefits.

NEW SECTION. Section 6. Benefit levels -- converted policy need be no greater than group policy. An insurer is not required to issue a converted policy providing benefits in excess of the hospital, surgical, or major medical insurance under the group policy from which conversion is made.

NEW SECTION. Section 7. Pre-existing conditions -- total benefits payable first policy year. The converted policy may not exclude, as a pre-existing condition, any condition covered by the group policy.

However, the converted policy may provide for a reduction of its hospital, surgical, or medical benefits by the amount of any such benefits payable under the group policy after the individual's insurance terminates thereunder. The converted policy may also provide that during the first policy year, the benefits payable under the converted policy, together with the benefits payable under the group policy, may not exceed those that would have been payable had the individual's insurance under the group policy remained in force.

NEW SECTION. Section 8. Continued group insurance upon retirement -- conversion election. If coverage would be continued under the group policy on an employee or member following his retirement prior to the time he is or could be covered by medicare, the employee or member may elect, in lieu of such continuation of group insurance, to have the same conversion rights as would apply had that insurance terminated at retirement.

NEW SECTION. Section 9. Medicare eligibility -- benefit reduction. The converted policy may provide for reduction or termination of coverage of any person upon his eligibility for coverage under medicare or under any other state or federal law providing for benefits similar to those provided by the converted policy.

NEW SECTION. Section 10. Insured's family -- conversion entitlement. Subject to the conditions set forth in this section, the conversion privilege is also

available:

(1) to the surviving spouse, if any, at the death of the employee or member, with respect to the spouse and such children whose coverage under the group policy terminates by reason of such death, otherwise to each surviving child whose coverage under the group policy terminates by reason of such death, or if the group policy provides for continuation of dependents coverage following the employee's or member's death, at the end of such continuation;

(2) to the spouse of the employee or member upon termination of coverage of the spouse, by reason of ceasing to be a qualified family member under the group policy, while the employee or member remains insured under the group policy, including such children whose coverage under the group policy terminates at the same time; or

(3) to a child solely with respect to himself upon termination of his coverage by reason of ceasing to be a qualified family member under the group policy, if a conversion privilege is not otherwise provided above with respect to such termination.

4. Page 8, line 2.

Strike: "Section 5"

Insert: "Section 11"

5. Page 8, line 3.

Following: "termination."

Insert: "(1)"

6. Page 8, line 12.

Following: line 12

Insert: "(2) A group hospital or medical service plan contract delivered or issued for delivery in this state which insures employees or members for hospital, surgical, or major medical insurance on an expense incurred or service basis, other than for specific diseases or for accidental injuries only, shall provide that employees or members whose insurance under the group contract would otherwise terminate because of termination of employment or membership are entitled to continue the hospital, surgical, and major medical insurance coverage of that group contract for themselves and their eligible dependents, subject to all of the group contract's terms and conditions applicable to those forms of insurance and subject to the following conditions:

(a) Continuation shall be available only to an employee or member who has been continuously insured under the group contract (and for similar benefits under any group policy or contract which it replaced) during the entire 3-month period ending with such termination.

(b) Continuation shall not be available for a person who is or could be:

(i) covered by Medicare; or
(ii) covered by any other insured or uninsured arrangement which provides hospital, surgical, or medical coverage for individuals in a group.

(3) An employee or member who wishes continuation of coverage must request such continuation in writing within the 31-day period following the later of:

(a) the date of such termination, or
(b) the date the employee is given notice of the right of continuation by either his employer or the group contractholder, but the employee or member must elect continuation within 31 days of the date of termination.

(4) An employee or member electing continuation must pay to the group policyholder or his employer, on a monthly basis in advance, the amount of contribution required by the contractholder or employer, but not more than the group rate for the insurance being continued under the group policy on the due date of each payment. The employee's or member's written election of continuation, together with the first contribution required to establish contributions on a monthly basis in advance, must be given to the contractholder or employer within 31 days of the date the employee's or member's insurance would otherwise terminate.

(5) Continuation of insurance under the group policy for any person shall terminate when he fails to satisfy the conditions of subsection (2)(b) or, if earlier, at the first to occur of the following:

(a) the date 6 months after the date the employee's or member's insurance under the contract would otherwise have terminated because of termination of employment or membership;

(b) If the employee or member fails to make timely payment of a required contribution, the end of the period for which contributions were made; or

(c) the date on which the group contract is terminated or, in the case of an employee, the date his employer terminates participation under the group contract.

(6) If subsection (5)(c) applies and the coverage ceasing by reason of such termination is replaced by similar coverage under another group policy or contract, the following shall apply:

(a) The employee or member shall have the right to become covered under that other group policy or contract for the balance of the period that he would have remained covered under the prior group contract in accordance with subsection (5) had a termination described in subsection (5)(c) not occurred.

(b) The minimum level of benefits to be provided by the other group policy or contract shall be the applicable level of benefits of the prior group contract reduced by any benefits payable under that prior group contract.

(c) The prior group contract shall continue to provide benefits to the extent of its accrued liabilities and extensions of benefits as if the replacement had not occurred.

(7) A notification of the continuation privilege must be included in each certificate of coverage.

7. Page 8, line 13.

Following: line 12

Insert: "NEW SECTION. Section 12. Other health coverage -- limitations on issuance of converted policy.

The health service corporation is not required to issue a converted policy covering any person if such person is or could be covered by medicare. Furthermore, the health service corporation is not required to issue a converted policy covering any person if:

(1) (a) such person is covered for similar benefits by another individual policy;

(b) such person is or could be covered for similar benefits under any arrangement of coverage for individuals in a group, whether insured or uninsured; or

(c) similar benefits are provided for or available to such person, by reason of any state or federal law; and

(2) the benefits under sources of the kind referred to in subsection (1)(a) for such person or benefits provided or available under sources of the kind referred to in subsections (1)(b) and (1)(c) for such person, together with the converted policy's benefits would result in a duplication of benefits.

NEW SECTION. Section 13. Benefit levels -- converted policy need be no greater than group policy. A health service corporation is not required to issue a converted policy providing benefits in excess of the hospital, surgical, or major medical insurance under the group policy from which conversion is made.

NEW SECTION. Section 14. Pre-existing conditions -- total benefits payable first policy year. The converted contract may not exclude, as a pre-existing condition, any condition covered by the group contract.

However, the converted contract may provide for a reduction of its hospital, surgical, or medical benefits by the amount of any such benefits payable under the group policy after the individual's insurance terminates thereunder. The converted policy may also provide that during the first policy year, the benefits payable under the converted policy, together with the benefits payable under the group policy, may not exceed those that would have been payable had the individual's insurance under the group policy remained in force.

NEW SECTION. Section 15. Continued group insurance upon retirement -- conversion election. If coverage would be continued under the group contract on an employee or member following his retirement prior to the time he is or could be covered by medicare, the employee or member may elect, in lieu of such continuation of group insurance, to have the same conversion rights as would apply had that insurance terminated at retirement.

NEW SECTION. Section 16. Medicare eligibility -- benefit reduction. The converted policy may provide for reduction or termination of coverage of any person upon his eligibility for coverage under medicare or under any other state or federal law providing for benefits similar to those provided by the converted policy.

NEW SECTION. Section 17. Insured's family -- conversion entitlement. Subject to the conditions set forth in this section, the conversion privilege is also available:

(1) to the surviving spouse, if any, at the death of the employee or member, with respect to the spouse and such children whose coverage under the group policy terminates by reason of such death, otherwise to each surviving child whose coverage under the group policy terminates by reason of such death, or if the group policy provides for continuation of dependents coverage following the employee's or member's death, at the end of such continuation;

(2) to the spouse of the employee or member upon termination of coverage of the spouse, by reason of ceasing to be a qualified family member under the group policy, while the employee or member remains insured under the group policy, including such children whose coverage under the group policy terminates at the same time; or

(3) to a child solely with respect to himself upon termination of his coverage by reason of ceasing to be a qualified family member under the group policy, if a conversion privilege is not otherwise provided above with respect to such termination.

Renumber: all subsequent sections

8. Page 10, line 2 and 3
Following: "3" on line 2
Strike: ", " on line 2
and "4, AND 5" on line 3
Insert: "through 10"
9. Page 10, line 5.
Following: "3"
Strike: ", 4, AND 5"
Insert: "through 10"
10. Page 10, line 6.
Following: "Sections"
Strike: "5 AND 6"
Insert: "11 through 18"
11. Page 10, line 9.
Following: "sections"
Strike: "5 and 6"
Insert: "11 through 18"

-END-

Exhibit A

P. O. Box 1001
Polson, Montana 59860
February 9, 1981

Senator Jean Turnage
Montana State Senate
Helena, Montana 59601

Dear Senator Turnage:

This letter is being written to all members of the Senate Health Committee in followup of my testimony before the Committee in support of Senate Bill Number 129.

In the insurance opponent testimony, a point was made to the effect that everyone in a group is insured at the same premium. This is not true. I took a physical examination at the request of an insurance company, as have others who work with me. In my case, the bank pays a higher premium for my insurance because my blood pressure is higher than normal, although it is not so high as to require medication. The company is requiring a larger premium for me to offset "adverse selection".

I would like you to know that in both cases that I mentioned, the girl in her early 20's that has cancer and the young man in his mid 30's with a wife and two children who has multiple sclerosis and is paralyzed from the waist down, has vision problems, severe back pain, tires easily and has other problems, were both healthy as far as anyone knew when employed. Both signed up for group life and group health insurance as soon as they were eligible. These people did not seek coverage after they knew of their particular illnesses. If these people had been sick at the time the insurance was put into affect, then the insurance company's argument of "adverse selection" would be true. But, since they were healthy when coverage was purchased, there was no "adverse selection".

The insurance companies take premiums to cover people in a group when the people are healthy. Insurance companies should pay benefits if the people become sick and can no longer hold a job. The insurance companies are trying to confuse the issue of adverse selection to their benefit. If an employee voluntarily quits work and is healthy, this person will undoubtedly seek employment elsewhere and be covered by a new group plan or may convert to an individual policy. If an employee involuntarily quits work because of disease or an accident, then he will probably not seek other work and no new company will insure this person because of adverse selection. The only equitable solution is for the present insurer to provide coverage.

I would also like to address the issue of cost and benefits. Employers are interested in cost. Employers are told that the cost is less because they collect the premium for many employees and pay with one check which simplifies the insurance company's bookkeeping. Most employers are also interested in employee benefits as concerned people and because the employer is generally covered by the same plan as the employees. Employers, not being insurance experts, believe that the life insurance benefits will be paid to the beneficiary (spouse and children) whether the person dies immediately from an accident or after a prolonged illness.

Further, these employers are led to believe that hospital benefits, in our case at 80% coverage up to \$500,000 per person, will be paid if the employee becomes ill. The 20 hour work rules and language stating the person must be an employee, are neatly handled in this way:

An agent asks if an employee voluntarily terminates to take a job with a competitor or another employer, then you do not want to keep the person insured in the group? The employer agrees.

Involuntary termination, due to disease, is never mentioned. Most employers are not insurance experts and never think of this contingency. The insurance agent does not explain this when selling the policy, either.

To correct the deception in the 20 hours of work necessary to maintain coverage, for both the employer's and employee's clarification, the following language should be required to appear on the front page of all group policies, in bold type:

WARNING: Your life insurance coverage under this policy will terminate if you do not work 20 hours or more per week, due to cancer, heart disease, multiple sclerosis, any other disabling disease, accident or any reason what-so-ever.

WARNING: Your medical insurance coverage under this policy will terminate if you are unable to work 20 hours or more per week due to cancer, heart disease, multiple sclerosis, any other disabling disease, accident or any reason what-so-ever.

If Senate Bill 129 cannot be passed to provide equity in payout of benefits for a covered situation, then an amendment to another insurance bill should be passed to require this language on all group policies and employee certificates of insurance, requiring the 20 hour work rule to put employers and employees on notice of coverage deficiencies. People would then know not to depend totally on group coverage. This type of notice would be similar in purpose to the truth in lending laws that banks, finance companies, credit unions, and others must follow concerning interest rates and costs of credit. This solution is poor but if insurance companies insist on leaving the policies the same, then at least the people will understand the policies.

Several points should be maintained in Senate Bill 129 as it is amended:

1. People should be allowed to convert to term insurance. A person with a terminal illness does not need higher premiums that cash value insurance requires. The person would need protection, no cash value savings and as much money available for medical expenses and family living as possible. Term insurance will best fit this situation.
2. The insurance in force should remain the same.
3. If the employer wants to continue paying the premium, even though the insured employee can no longer work, the employer should be permitted to do so. Further, if the insured employee wishes to reimburse the employer for the premiums, this should be permitted. If the employer pays the premiums, whether reimbursed or not, the premium should be the same as when working full time.
4. If the employer does not wish to pay the premium for the insured employee, even if reimbursed, then the insured employee should be able to receive coverage by paying the premium directly to the insurance company. In this case the premium could be higher to offset the additional bookkeeping, but not significantly higher due to the insured employee's illness.
5. The insurance company should notify the insured employee of conversion rights because some businesses do fail (bankruptcy), some employers are careless and may forget to pay premiums, the employer may change insurance companies, and, in a few situations, the employer may not care about the employees welfare.

Insurance companies are more stable institutions and should give employees 31 days notice of cancellation of insurance and conversion privileges.

6. Some provision should also be made for the insured employee that has a disease but is still able to work. My brother-in-law has kidney failure and must spend six hours each Monday, Wednesday and Friday evening plugged into a dialysis machine. He has been on dialysis for four years. He has worked for approximately ten years for the same employer and is still working full time. He has group medical coverage. If his employer should terminate him for any reason he should have the right to convert to individual coverage. The insurance company accepted premiums for his coverage before he was sick.

A person in this situation could lose a job because of business failure, a new company president that changes company policy or liquidates a division of a company, or if in government, by a change in administration and government policy. This person could be out of a job through no personal fault and unable to obtain another job because of a disease. This individual should not be treated worse under group coverage because he was able to work while another person could not work.

7. The insured employee who is sick should not have insurance coverage terminated because the insurance company cancels the group insurance or the employer cancels the group insurance. A sick, insured employee needs this protection. A healthy employee can easily arrange other coverage.

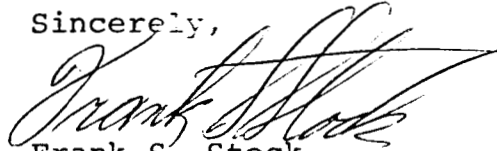
8. In serious situations, after social security disability benefits are paid for two years, the insured employee is eligible for medicare. Most policies will not pay when medicare will. This will limit health insurance company risk and should be kept in mind.

9. If the employees group coverage was extended to the members family then the members family should continue to be covered.

10. Not all group insurance is employer/employee. Unions sometimes have small life insurance policies for members. Credit Unions have life insurance for depositors. Some organizations have group life insurance, such as the American Legion, the American Automobile Association, or oil credit card holders. All group insurance should be covered, although employer/employee is most important.

While Senate Bill No. 129 may not be perfect we did try to take these points into account in drafting the bill. These points should be considered as the bill is amended. We want equity and fairness. If a company collects premiums, it should pay the benefits. If we cannot do this, then lets warn the people.

Sincerely,



Frank S. Stock

1811 East 6th Avenue
Helena, Montana 59601

February 7, 1981

Exhibit B

Subcommittee on Senate Bill 129
Montana State Senate
Capitol Post Office
Helena, Montana 59601

Dear Senators:

My name is Bill Nelson and I am writing to ask your support in the passage of Senate Bill 129. On Friday, February 6, my wife attended the hearing on SBL29 and after discussing the results of that hearing with me, I decided to write this letter to you.

I have been employed by the State of Montana as a Vocational Counselor at the Job Service Program Office since May, 1970. For the past 10 years, 10 months, I have been insured by the State group insurance plan. During July, 1976 -- at the age of 33 -- I became ill and learned that I have chronic kidney disease and that the only way I can live is to be connected to an artificial kidney machine 5 to 6 hours, 3 times each week. Fortunately, I still feel well enough to work a full 40 hour workweek and have my dialysis treatments scheduled for Monday, Wednesday, and Friday evenings.

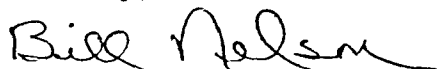
In November, 1972, the Social Security Act was amended to provide Medicare coverage for persons requiring maintenance dialysis. Medicare pays 80% of the allowable charges. For example, the dialysis unit at St. Peter's Hospital in Helena charges \$197 per dialysis treatment. Medicare pays 80% of only \$133. I dialyze 156 times each year and at the current rate it costs \$30,732 per year. Medicare pays \$16,598 leaving \$14,134, which in my case is covered by group health insurance. At the current rate my prescription drugs cost \$930 per year. Medicare does not cover any drugs, however, the insurance covers part of this expense. My doctor charges \$2,160 per year to take care of me. Medicare pays \$1,728 and insurance covers the remaining \$432. The hospital monthly laboratory fee, hospital pharmacy charge, chest x-rays, EKGs, the pathologist and radiologist fees are in addition to the charges I have mentioned. As you can see, even a person with Medicare benefits needs additional health insurance.

When I went to work for the State of Montana, I had just been discharged from the U. S. Air Force and was in excellent health. I contributed to the State group insurance plan for over 6 years before I ever filed a claim. Now that I have a chronic disease and require continuous medical care, I feel it is unfair that I would not be able to get health insurance benefits equal to the ones I now have with group coverage should I have to retire on disability in the future.

I am one of the few people in Montana who has a catastrophic illness and can continue to work full time and receive Medicare benefits. There is also the State Non-Vocational Rehabilitation Kidney Program available, should I need to use those funds. However, I am concerned about others who have life threatening diseases and do not have the benefits that we kidney patients have available to us.

From what I understand, the "insurance people" are concerned that this Senate Bill would raise the group rates by a large amount -- I am wondering if the number of employees retiring on disability is really that great!

Sincerely,



W. G. "Bill" Nelson

NAME PAT MELBY BILL No. S.B. 334
ADDRESS P.O. 1144, Helena DATE 3-11-81
WHOM DO YOU REPRESENT Alliance of American Insurers
SUPPORT _____ OPPOSE ☒ AMEND ☒

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

HOUSE S. R. 370 COMMITTEE

Date 3/11/81

[illegible]

100-47-33
 1-81

WITNESS STATEMENT

NAME Mons. Teger BILL No. 570
ADDRESS Atlanta DATE 3/11/81
WHOM DO YOU REPRESENT Mem. Representatives in Congress
SUPPORT ☒ OPPOSE ☐ AMEND ☐

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME John Asay BILL NO. SB 270
ADDRESS 800 5th St. Doonbodee DATE 2/11/81
WHOM DO YOU REPRESENT MT. Colliery Area
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME J. Branner BILL No. SB 376
ADDRESS Helena DATE 3/11
WHOM DO YOU REPRESENT WIFE
SUPPORT X OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: My Chairman, members of the committee, my name is Jo Branner and I represent Helena I included in Farm Economics, the concern with SB 376. As it appears from that reading from the Senate we spoke against this bill at the Senate hearing, although we were agreeable with the change in the best grading.

Our problem concerned the change in the definition of imitation hamburger to best patty or best patty mix - ^{page 1 - Section 1 line 18-20} page 10, Section 2 line 11 & 12 and continuing on through the remainder of the bill.

The term best patty is understood by the general public as just that. A patty made of best. We believe that if you are under the impression you are getting best you should get best. If you are aware you are getting a mixture you have a choice.

We requested that if the term imitation hamburger is deleted, that the word mix be required in any advertisement of meat, hamburger to which an extender has been added.

With this in mind we concur with Senate

HOUSE

50129

COMMITTEE

BILL

Date _____

SPONSOR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE Bay of Honduras COMMITTEE

BILL

Date _____

SPONSOR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

NAME PAT MELBY SBILL No. 335
ADDRESS P.O. Box 1144 Helena DATE 3-11-81
WHOM DO YOU REPRESENT Alliance of American Insurers
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: