

SENATE BILL NO. 129

INTRODUCED BY TURNAGE, NORMAN

IN THE SENATE

January 14, 1981	Introduced and referred to Committee on Public Health, Welfare, and Safety.
February 21, 1981	Committee recommend bill do pass as amended. Report adopted.
February 23, 1981	Bill printed and placed on members' desks.
February 24, 1981	Motion pass consideration.
February 25, 1981	Second reading, do pass as amended.
	On motion rules suspended. Bill placed on calendar for third reading this day.
	Third reading, passed. Ayes, 49; Noes, 0. Transmitted to House.

IN THE HOUSE

March 2, 1981	Introduced and referred to Committee on Business and Industry.
March 27, 1981	Committee recommend bill be concurred in as amended. Report adopted.
March 30, 1981	Second reading, concurred in.
	On motion rules suspended and bill placed on third reading this day.

March 30, 1981 On motion rules suspended and bill allowed to be transmitted on 71st legislative day. Motion adopted.

March 31, 1981 Third reading, concurred in as amended. Ayes, 87; Noes, 8.

IN THE SENATE

April 1, 1981 Returned from House with amendments.

April 3, 1981 Second reading, pass consideration.

April 4, 1981 On motion, consideration be passed for the day.

April 9, 1981 Second reading, amendments not concurred in.

April 10, 1981 On motion Free Conference Committee requested.

April 11, 1981 Free Conference Committee appointed.

April 23, 1981 Free Conference Committee reported.

Second reading, Free Conference Committee report adopted.

Third reading, Free Conference Committee report adopted. Ayes, 47; Noes, 0. Transmitted to House.

IN THE HOUSE

April 23, 1981 Free Conference Committee report adopted.

IN THE SENATE

April 23, 1981

Returned from House. Sent
to enrolling.

Reported correctly enrolled.

1 *Senate* BILL NO. *129*
 2 INTRODUCED BY *Laurie Norman*

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REGULATING CONVERSIONS
 5 OF GROUP LIFE INSURANCE AND GROUP DISABILITY INSURANCE AND
 6 PROVIDING FOR CONTINUATION OF GROUP COVERAGE UNDER CERTAIN
 7 CIRCUMSTANCES; AMENDING SECTIONS 33-20-1209 AND 33-20-1210,
 8 MCA; AND PROVIDING AN EFFECTIVE DATE."

9
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Section 33-20-1209, MCA, is amended to
 12 read:

13 "33-20-1209. Conversion on termination of eligibility.

14 (1) The group life insurance policy shall contain a
 15 provision that if the insurance or any portion of it on a
 16 person covered under the policy ceases because of
 17 termination of employment or of membership in the class or
 18 classes eligible for coverage under the policy, such person
 19 shall be entitled to have issued to him by the insurer,
 20 without evidence of insurability, an individual policy of
 21 life insurance ~~without--disability--or--other--supplementary~~
 22 ~~benefits~~, provided application for the individual policy
 23 shall be made and the first premium ~~paid tendered~~ to the
 24 insurer within 31 days after ~~such termination written notice~~
 25 ~~by the insurer to the insured of the insured's right of~~

1 ~~conversion and pending termination of coverage~~, and provided
 2 further that:

3 ~~(1)(a)~~ the individual policy shall, at the option of
 4 such person, be on any one of the forms, ~~except including~~
 5 ~~but not limited to~~ term insurance, then customarily issued
 6 by the insurer ~~at the age and for the amount applied for and~~
 7 ~~shall offer benefits at least equal to those under the group~~
 8 ~~coverage;~~

9 ~~(2)(b)~~ the individual policy shall, ~~at the option of~~
 10 ~~the insured~~, be in an amount not in excess of the amount of
 11 life insurance which ceases because of such termination,
 12 ~~less the amount of any life insurance for which such person~~
 13 ~~is--or--becomes--eligible--under--any--other--group--policy--within~~
 14 ~~31--days--after--such--termination~~, provided that any amount of
 15 insurance which shall have matured on or before the date of
 16 such termination as an endowment payable to the person
 17 insured, whether in one sum or in installments or in the
 18 form of an annuity, shall not, for the purposes of this
 19 provision, be included in the amount which is considered to
 20 cease because of such termination; and

21 ~~(3)(c)~~ the premium on the individual policy shall be
 22 at the insurer's then customary rate applicable to the ~~form~~
 23 ~~and amount of the individual policy, to the class of risk to~~
 24 ~~which such person then belongs, and to his age--attained--on~~
 25 ~~the effective date other members of the group and the amount~~

1 of the individual policy.

2 ~~(2) With the consent of the employer, a person covered~~
 3 ~~under a group life insurance policy issued to an employer or~~
 4 ~~to the trustees of a fund established by an employer under~~
 5 ~~33-20-1101 may continue his coverage under the group policy~~
 6 ~~after termination of his qualifying employment or after~~
 7 ~~reduction of his regular work schedule to less than the~~
 8 ~~minimum number of hours required for eligibility for~~
 9 ~~membership. The premium charged for the continued coverage~~
 10 ~~shall be equal to that charged other members of the group.~~
 11 ~~Such person's coverage under the group will cease if he~~
 12 ~~subsequently becomes eligible and he elects coverage under~~
 13 ~~another group policy because of employment elsewhere."~~

14 Section 2. Section 33-20-1210, MCA, is amended to
 15 read:

16 "33-20-1210. Conversion on termination of policy. The
 17 group life insurance policy shall contain a provision that
 18 if the group policy terminates or is amended so as to
 19 terminate the insurance of any class of insured persons,
 20 every person insured thereunder at the date of such
 21 termination whose insurance terminates and who has been so
 22 insured for at least 5--years 1--year prior to such
 23 termination date shall be entitled to have issued to him by
 24 the insurer an individual policy of life insurance, subject
 25 to in the same amount of insurance and under the same

1 conditions and limitations as are provided by 33-20-1209,
 2 except that the group policy ~~may shall~~ provide that the
 3 amount of such individual policy shall ~~not--exceed--the~~
 4 ~~smelter-of*~~

5 ~~(1) be offered by the insurer in the amount of the~~
 6 ~~person's life insurance protection ceasing because of the~~
 7 ~~termination or amendment of the group policy--less--the~~
 8 ~~amount--of--any--life--insurance--for--which--he--is--or--becomes~~
 9 ~~eligible--under--any--group--policy--issued--or--reinstated--by--the~~
 10 ~~same---or---another---insurer---within---31---days---after---such~~
 11 ~~terminations--and~~

12 ~~(2)--\$2,000."~~

13 **NEW SECTION.** Section 3. Conversion on disbanding of
 14 group. The group disability insurance policy shall contain a
 15 provision that if the coverage under the policy ceases
 16 because of disbanding of the group, each person insured
 17 because of his employment in the group shall be entitled to
 18 have issued to him by the insurer, without evidence of
 19 insurability, an individual policy of disability insurance
 20 covering himself and his dependents or family members
 21 covered under the group, provided:

22 (1) application for the individual policy is made and
 23 the first premium tendered to the insurer within 31 days
 24 after written notice by the insurer to the insured of the
 25 insured's right to conversion of coverage and of pending

1 termination; and

2 (2) the individual policy shall offer benefits at
3 least equal to those under the group coverage terminated by
4 the disbanding; and

5 (3) the premium on the individual policy shall be at
6 the insurer's then customary rates applicable to the group's
7 existing amount of individual policy and the class of risk
8 of the person insured under the group.

9 NEW SECTION. Section 4. Continuing group coverage
10 after termination. A person covered by a group disability
11 insurance policy issued under 33-22-501(1) may, with the
12 consent of the employer or the trustees, continue coverage
13 under group disability policy after terminating his
14 qualifying employment or after reducing his regular work
15 schedule to less than the minimum time required to qualify
16 for membership in the group, and the premium charged him
17 shall be equal to that charged other members of the group of
18 the same risk class.

19 NEW SECTION. Section 5. Conversion on termination of
20 group contract. (1) A group hospital or medical service plan
21 contract in effect by a health service corporation after
22 July 1, 1981, shall contain a provision that if the coverage
23 under the contract ceases because of disbanding of the
24 group, each person covered because of his employment in the
25 group shall be entitled to have issued to him by the health

1 service corporation, without evidence of insurability, an
2 individual hospital or medical service plan contract
3 covering himself and his dependents or family members
4 covered under the group, provided application for the
5 individual contract is made and the first premium tendered
6 to the health service corporation within 31 days after
7 written notice by the insurer to the insured of the
8 insured's right to conversion.

9 (2) The individual contract shall provide benefits
10 equal to those under the group contract terminated by the
11 disbanding.

12 (3) The premium on the individual contract shall be at
13 the insurer's then customary rates applicable to the form
14 and the amount of the individual contract and the class of
15 risk of the person covered but in no case more than 5%
16 greater than the group premium charged for like benefits
17 under the group contract.

18 NEW SECTION. Section 6. Continuing group coverage
19 after termination. A person covered by a group hospital or
20 medical service plan contract, issued by a health service
21 corporation after July 1, 1981, may, with the consent of the
22 employer or the trustees, continue coverage under the group
23 contract after terminating his qualifying employment or
24 after reducing his regular work schedule to less than the
25 minimum time required to qualify for membership in the

1 group, and the premium charged him shall be equal to that
2 charged the members of the group.

3 NEW SECTION. Section 7. Conversion on termination of
4 eligibility. The group hospital or medical service plan
5 contract in effect by a health service corporation after
6 July 1, 1981, shall contain a provision that if the
7 insurance or any portion of it on a person, his dependents,
8 or family members covered under the policy ceases because of
9 termination of his employment or of his membership in the
10 class or classes eligible for coverage under the policy,
11 such person shall be entitled to have issued to him by the
12 insurer, without evidence of insurability, an individual
13 policy of hospital or medical service insurance on himself,
14 his dependents, or family members, provided application for
15 the individual policy shall be made and the first premium
16 tendered to the insurer within 31 days after written notice
17 by the insurer to the insured of the insured's right of
18 conversion and pending termination of group coverage.

19 (1) The individual policy shall, at the option of such
20 person, be on any of the forms then customarily issued by
21 the insurer, and shall offer benefits at least equal to
22 those under the group coverage.

23 (2) The individual policy shall, at the option of the
24 insured, be in an amount not in excess of the amount of
25 insurance which ceases because of such termination.

1 (3) The premium on the individual policy shall be at
2 the insurer's then customary rate applicable to the other
3 members of the group and the coverage of the individual
4 policy.

5 Section 8. Severability. If a part of this act is
6 invalid, all valid parts that are severable from the invalid
7 part remain in effect. If a part of this act is invalid in
8 one or more of its applications, the part remains in effect
9 in all valid applications that are severable from the
10 invalid applications.

11 Section 9. Codification instruction. (1) Sections 3
12 and 4 are intended to be codified as integral parts of Title
13 33, chapter 22, part 5, and provisions of Title 33, chapter
14 22, apply to sections 3 and 4.

15 (2) Sections 5 through 7 are intended to be codified
16 as integral parts of Title 33, chapter 30, part 10, and
17 provisions of Title 33, chapter 22, and of Title 33, chapter
18 30, apply to sections 5 through 7.

19 Section 10. Effective date. This act is effective July
20 1, 1981.

-End-

Approved by the committee on
Public Health, Welfare & Safety

SENATE BILL NO. 129

INTRODUCED BY TURNAGE, NORMAN

A BILL FOR AN ACT ENTITLED: "AN ACT REGULATING CONVERSIONS OF GROUP LIFE INSURANCE AND GROUP DISABILITY INSURANCE AND PROVIDING FOR CONTINUATION OF GROUP COVERAGE UNDER CERTAIN CIRCUMSTANCES; AMENDING SECTIONS 33-20-1209 AND 33-20-1210, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 33-20-1209, MCA, is amended to read:

"33-20-1209. Conversion on termination of eligibility.

(1) The group life insurance policy shall contain a provision that if the insurance or any portion of it on a person covered under the policy ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such person shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of life insurance ~~without--disability--or--other--supplementary~~ benefits, provided application for the individual policy shall be made and the first premium ~~paid~~ tendered PAID to the insurer within 31 days after ~~such-termination~~ written notice SUCH TERMINATION ~~by-the-insurer-to--the--insured--of~~

~~the insured's right of conversion and pending termination of coverage,~~ and provided further that:

~~f1(a)~~ the individual policy shall, at the option of such person, be on any one of the forms, ~~except including but not limited to term insurance, IF THE GROUP POLICY SO PROVIDES,~~ then customarily issued by the insurer ~~at-the--age and-for-the-amount-applied-for~~ AT THE AGE AND FOR THE AMOUNT APPLIED FOR and shall offer benefits at least equal to those under the group coverage;

~~f2(b)~~ the individual policy shall, at the option of the insured, be in an amount not in excess of the amount of life insurance which ceases because of such termination, ~~less-the-amount-of-any-life-insurance-for-which-such-person is--or--becomes-eligible-under-any-other-group-policy-within 31-days-after-such-termination,~~ LESS THE AMOUNT OF ANY LIFE INSURANCE FOR WHICH SUCH PERSON IS INSURED UNDER ANY OTHER GROUP POLICY WITHIN 31 DAYS AFTER SUCH TERMINATION, provided that any amount of insurance which shall have matured on or before the date of such termination as an endowment payable to the person insured, whether in one sum or in installments or in the form of an annuity, shall not, for the purposes of this provision, be included in the amount which is considered to cease because of such termination; and

~~f3(c)~~ the premium on the individual policy shall be at the insurer's then customary rate applicable to the form

1 ~~and amount of the individual policy to the class of risk to~~
 2 ~~which such person then belongs, and to his age attained on~~
 3 ~~the effective date other members of the group and the amount~~
 4 FORM AND AMOUNT OF THE INDIVIDUAL POLICY, TO THE CLASS OF
 5 RISK TO WHICH SUCH PERSON THEN BELONGS, AND TO HIS AGE
 6 ATTAINED ON THE EFFECTIVE DATE of the individual policy.

7 (2) With the consent of the employer, a person covered
 8 under a group life insurance policy issued to an employer or
 9 to the trustees of a fund established by an employer under
 10 33-20-1101 may continue his coverage under the group policy
 11 after termination of his qualifying employment or after
 12 DURING HIS EMPLOYMENT NOTWITHSTANDING reduction of his
 13 regular work schedule to less than the minimum number of
 14 hours required for eligibility for membership. The premium
 15 charged for the continued coverage shall be equal to that
 16 charged other members of the group. Such person's coverage
 17 under the group will cease if he subsequently becomes
 18 eligible and he elects FOR coverage under another group
 19 policy because of employment elsewhere."

20 Section 2. Section 33-20-1210, MCA, is amended to
 21 read:

22 "33-20-1210. Conversion on termination of policy. The
 23 group life insurance policy shall contain a provision that
 24 if the group policy terminates or is amended so as to
 25 terminate the insurance of any class of insured persons,

1 every person insured thereunder at the date of such
 2 termination whose insurance terminates and who has been so
 3 insured for at least 5-years ~~1-year~~ 3 YEARS prior to such
 4 termination date shall be entitled to have issued to him by
 5 the insurer an individual policy of life insurance, subject
 6 ~~to in the same amount of insurance and under~~ SUBJECT TO the
 7 same conditions and limitations as are provided by
 8 33-20-1209, except that the group policy may ~~shall~~ MAY
 9 provide that the amount of such individual policy ~~shall~~ MAY
 10 ~~not exceed the smaller of~~ NOT EXCEED THE SMALLER OF:

11 ~~(1) be offered by the insurer in~~ the amount of the
 12 person's life insurance protection ceasing because of the
 13 termination or amendment of the group policy, ~~less the~~
 14 ~~amount of any life insurance for which he is or becomes~~
 15 ~~eligible under any group policy issued or reinstated by the~~
 16 ~~same or another insurer within 31 days after such~~
 17 ~~termination and, LESS THE AMOUNT OF ANY LIFE INSURANCE FOR~~
 18 ~~WHICH HE IS OR BECOMES ELIGIBLE UNDER ANY GROUP POLICY~~
 19 ~~ISSUED OR REINSTATED BY THE SAME OR ANOTHER INSURER WITHIN~~
 20 31 DAYS AFTER SUCH TERMINATION; AND

21 ~~(2) \$2,000 \$10,000."~~

22 NEW SECTION Section 33-20-1210 Conversion on disbanding of
 23 groups The group disability insurance policy shall contain
 24 a provision that if the coverage under the policy ceases
 25 because of disbanding of the group, each person insured

1 because of his employment in the group shall be entitled to
 2 have issued to him by the insurer without evidence of
 3 insurability, an individual policy of disability insurance
 4 covering himself and his dependents or family members
 5 covered under the group, provided:

6 (1) application for the individual policy is made and
 7 the first premium tendered to the insurer within 31 days
 8 after written notice by the insurer to the insured of the
 9 insured's right to conversion of coverage and of pending
 10 terminations and

11 (2) the individual policy shall offer benefits at
 12 least equal to those under the group coverage terminated by
 13 the disbanding and

14 (3) the premium on the individual policy shall be at
 15 the insurer's then customary rates applicable to the group's
 16 existing amount of individual policy and the class of risk
 17 of the person insured under the group.

18 NEW SECTION. Section 3. Continuing group coverage
 19 after termination. A person covered by a group disability
 20 insurance policy issued OR RENEWED AFTER OCTOBER 1, 1981
 21 under 33-22-501(1) may, FOR A PERIOD OF 1 YEAR, with the
 22 consent of the employer or the trustees, continue coverage
 23 under group disability policy after terminating his
 24 qualifying employment or after reducing his regular work
 25 schedule to less than the minimum time required to qualify

1 for membership in the group, and the premium charged him
 2 shall be equal to that charged other members of the group of
 3 the same risk class.

4 NEW SECTION. Section 5. Conversion on termination of
 5 group contracts. (1) A group hospital or medical service
 6 plan contract in effect by a health service corporation
 7 after July 1, 1981, shall contain a provision that if the
 8 coverage under the contract ceases because of disbanding of
 9 the group, each person covered because of his employment in
 10 the group shall be entitled to have issued to him by the
 11 health service corporation without evidence of
 12 insurability, an individual hospital or medical service plan
 13 contract covering himself and his dependents or family
 14 members covered under the group, provided application for
 15 the individual contract is made and the first premium
 16 tendered to the health service corporation within 31 days
 17 after written notice by the insurer to the insured of the
 18 insured's right to conversion.

19 (2) The individual contract shall provide benefits
 20 equal to those under the group contract terminated by the
 21 disbanding.

22 (3) The premium on the individual contract shall be at
 23 the insurer's then customary rates applicable to the form
 24 and the amount of the individual contract and the class of
 25 risk of the person covered but in no case more than 5%

1 ~~greater than the group premium charged for like benefits~~
2 ~~under the group contracts~~

3 NEW SECTION. SECTION 4. CONVERSION ON TERMINATION OF
4 ELIGIBILITY. (1) A GROUP DISABILITY INSURANCE POLICY ISSUED
5 OR RENEWED AFTER OCTOBER 1, 1981, SHALL CONTAIN A PROVISION
6 THAT IF THE INSURANCE OR ANY PORTION OF IT ON A PERSON, HIS
7 DEPENDENTS, OR FAMILY MEMBERS COVERED UNDER THE POLICY
8 CEASES BECAUSE OF TERMINATION OF HIS EMPLOYMENT OR OF HIS
9 MEMBERSHIP IN THE CLASS OR CLASSES ELIGIBLE FOR COVERAGE
10 UNDER THE POLICY, OR AS A RESULT OF HIS EMPLOYER
11 DISCONTINUING HIS BUSINESS, SUCH PERSON SHALL, PROVIDED HE
12 HAD BEEN INSURED FOR A PERIOD OF 3 MONTHS, BE ENTITLED TO
13 HAVE ISSUED TO HIM BY THE INSURER, WITHOUT EVIDENCE OF
14 INSURABILITY, AN INDIVIDUAL POLICY OF HOSPITAL OR MEDICAL
15 SERVICE INSURANCE ON HIMSELF, HIS DEPENDENTS, OR FAMILY
16 MEMBERS, PROVIDED APPLICATION FOR THE INDIVIDUAL POLICY
17 SHALL BE MADE AND THE FIRST PREMIUM TENDERED TO THE INSURER
18 WITHIN 31 DAYS AFTER THE TERMINATION OF GROUP COVERAGE.

19 (2) THE INDIVIDUAL POLICY, AT THE OPTION OF THE
20 INSURER, SHALL BE ON ANY OF THE FORMS THEN CUSTOMARILY
21 ISSUED BY THE INSURER TO INDIVIDUAL POLICYHOLDERS WITH THE
22 EXCEPTION OF THOSE POLICIES WHOSE ELIGIBILITY IS DETERMINED
23 BY AFFILIATION OTHER THAN BY EMPLOYMENT WITH A COMMON
24 ENTITY.

25 (3) THE PREMIUM ON THE INDIVIDUAL POLICY SHALL BE AT

1 THE INSURER'S THEN CUSTOMARY RATE APPLICABLE TO THE COVERAGE
2 OF THE INDIVIDUAL POLICY.

3 NEW SECTION. Section 5. Continuing group coverage
4 after termination. A person covered by a group hospital or
5 medical service plan contract, issued OR RENEWED by a health
6 service corporation after July OCTOBER 1, 1981, may, FOR A
7 PERIOD OF 1 YEAR with the consent of the employer or the
8 trustees, continue coverage under the group contract after
9 terminating his qualifying employment or after reducing his
10 regular work schedule to less than the minimum time required
11 to qualify for membership in the group, and the premium
12 charged him shall be equal to that charged the members of
13 the group.

14 NEW SECTION. Section 6. Conversion on termination of
15 eligibility. The group hospital or medical service plan
16 contract in--effect ISSUED OR RENEWED by a health service
17 corporation after July OCTOBER 1, 1981, shall contain a
18 provision that if the insurance or any portion of it on a
19 person, his dependents, or family members covered under the
20 policy ceases because of termination of his employment or of
21 his membership in the class or classes eligible for coverage
22 under the policy OR AS A RESULT OF AN EMPLOYER DISCONTINUING
23 HIS BUSINESS, such person shall, PROVIDED HE HAS BEEN
24 INSURED FOR A PERIOD OF 3 MONTHS, be entitled to have issued
25 to him by the insurer, without evidence of insurability, an

1 individual policy of hospital or medical service insurance
 2 on himself, his dependents, or family members, provided
 3 application for the individual policy shall be made and the
 4 first premium tendered to the insurer within 31 days after
 5 ~~written notice by the insurer to the insured of the~~
 6 ~~insured's right of conversion and pending~~ THE termination of
 7 group coverage.

8 (1) The individual policy shall, at the option of such
 9 person THE INSURED, be on any of the forms then customarily
 10 issued by the insurer TO INDIVIDUAL POLICYHOLDERS WITH THE
 11 EXCEPTION OF THOSE WHOSE ELIGIBILITY IS DETERMINED BY THEIR
 12 AFFILIATION OTHER THAN BY EMPLOYMENT WITH A PARTICULAR
 13 ENTITY, and shall offer benefits at least equal to those
 14 under the group coverage SUCH INDIVIDUAL POLICIES.

15 ~~(2) The individual policy shall, at the option of the~~
 16 ~~insured, be in an amount not in excess of the amount of~~
 17 ~~insurance which ceases because of such termination.~~

18 ~~(3)~~ (2) The premium on the individual policy shall be
 19 at the insurer's then customary rate applicable to the other
 20 ~~members of the group and~~ the coverage of the individual
 21 policy.

22 Section 7. Severability. If a part of this act is
 23 invalid, all valid parts that are severable from the invalid
 24 part remain in effect. If a part of this act is invalid in
 25 one or more of its applications, the part remains in effect

1 in all valid applications that are severable from the
 2 invalid applications.

3 Section 8. Codification instruction. (1) Sections 3,
 4 and 4, AND 5 are intended to be codified as integral parts
 5 of Title 33, chapter 22, part 5, and provisions of Title 33,
 6 chapter 22, apply to sections 3, and 4, AND 5.

7 (2) Sections 5 through 6, AND 7 are intended to be
 8 codified as integral parts of Title 33, chapter 30, part 10,
 9 and provisions of ~~Title 33, chapter 22, and of~~ Title 33,
 10 chapter 30, apply to sections 5 through 6 AND 7.

11 Section 9. Effective date. This act is effective July
 12 1, 1981.

-End-

1 SENATE BILL NO. 129

2 INTRODUCED BY TURNAGE, NORMAN

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REGULATING CONVERSIONS
5 OF GROUP LIFE INSURANCE AND GROUP DISABILITY INSURANCE AND
6 PROVIDING FOR CONTINUATION OF GROUP COVERAGE UNDER CERTAIN
7 CIRCUMSTANCES; AMENDING SECTIONS 33-20-1209 AND 33-20-1210,
8 MCA; AND PROVIDING AN EFFECTIVE DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:11 Section 1. Section 33-20-1209, MCA, is amended to
12 read:

13 "33-20-1209. Conversion on termination of eligibility.

14 (1) The group life insurance policy shall contain a
15 provision that if the insurance or any portion of it on a
16 person covered under the policy ceases because of
17 termination of employment or of membership in the class or
18 classes eligible for coverage under the policy, such person
19 shall be entitled to have issued to him by the insurer,
20 without evidence of insurability, an individual policy of
21 life insurance ~~without--disability--or--other--supplementary~~
22 ~~benefits~~, provided application for the individual policy
23 shall be made and the first premium paid ~~tendered PAID~~ to
24 the insurer within 31 days after ~~such-termination written~~
25 ~~notice SUCH TERMINATION by-the-insurer-to-the-insured-of-the~~

1 ~~insured's right of conversion and pending termination of~~
2 ~~coverage~~, and provided further that:

3 ~~f1)(a)~~ the individual policy shall, at the option of
4 such person, be on any one of the forms, ~~except including~~
5 ~~but not limited to term insurance, IF THE GROUP POLICY SO~~
6 ~~PROVIDES~~, then customarily issued by the insurer ~~at-the--age~~
7 ~~and-for-the-amount-applied-for AT THE AGE AND FOR THE AMOUNT~~
8 ~~APPLIED FOR~~ and shall offer benefits at least equal to those
9 ~~under the group coverage;~~

10 ~~f2)(b)~~ the individual policy shall, ~~at the option of~~
11 ~~the insured~~, be in an amount not in excess of the amount of
12 life insurance which ceases because of such termination,
13 ~~less-the-amount-of-any-life-insurance-for-which-such-person~~
14 ~~is--or--becomes-eligible-under-any-other-group-policy-within~~
15 ~~31-days-after-such-termination~~ LESS THE AMOUNT OF ANY LIFE
16 INSURANCE FOR WHICH SUCH PERSON IS INSURED UNDER ANY OTHER
17 GROUP POLICY WITHIN 31 DAYS AFTER SUCH TERMINATION, provided
18 that any amount of insurance which shall have matured on or
19 before the date of such termination as an endowment payable
20 to the person insured, whether in one sum or in installments
21 or in the form of an annuity, shall not, for the purposes of
22 this provision, be included in the amount which is
23 considered to cease because of such termination; and

24 ~~f3)(c)~~ the premium on the individual policy shall be
25 at the insurer's then customary rate applicable to the form

1 ~~ond amount of the individual policy, to the class of risk to~~
 2 ~~which such person then belongs, and to his age attained on~~
 3 ~~the effective date other members of the group and the amount~~
 4 FORM AND AMOUNT OF THE INDIVIDUAL POLICY, TO THE CLASS OF
 5 RISK TO WHICH SUCH PERSON THEN BELONGS, AND TO HIS AGE
 6 ATTAINED ON THE EFFECTIVE DATE of the individual policy.

7 (2) With the consent of the employer, a person covered
 8 under a group life insurance policy issued to an employer or
 9 to the trustees of a fund established by an employer under
 10 33-20-1101 may continue his coverage under the group policy
 11 after termination of his qualifying employment or after
 12 DURING HIS EMPLOYMENT NOTWITHSTANDING reduction of his
 13 regular work schedule to less than the minimum number of
 14 hours required for eligibility for membership. The premium
 15 charged for the continued coverage shall be equal to that
 16 charged other members of the group. Such person's coverage
 17 under the group will cease if he subsequently becomes
 18 eligible and he elects FOR coverage under another group
 19 policy because of employment elsewhere."

20 Section 2. Section 33-20-1210, MCA, is amended to
 21 read:

22 "33-20-1210. Conversion on termination of policy. The
 23 group life insurance policy shall contain a provision that
 24 if the group policy terminates or is amended so as to
 25 terminate the insurance of any class of insured persons,

1 every person insured thereunder at the date of such
 2 termination whose insurance terminates and who has been so
 3 insured for at least 5 years ~~1 year~~ 3 YEARS prior to such
 4 termination date shall be entitled to have issued to him by
 5 the insurer an individual policy of life insurance, subject
 6 to ~~in the same amount of insurance and under~~ SUBJECT TO the
 7 same conditions and limitations as are provided by
 8 33-20-1209, except that the group policy ~~may~~ shall MAY
 9 provide that the amount of such individual policy ~~shall~~ MAY
 10 ~~not exceed the smaller of~~ NOT EXCEED THE SMALLER OF:

11 ~~(1) be offered by the insurer in~~ the amount of the
 12 person's life insurance protection ceasing because of the
 13 termination or amendment of the group policy ~~less the~~
 14 ~~amount of any life insurance for which he is or becomes~~
 15 ~~eligible under any group policy issued or reinstated by the~~
 16 ~~same or another insurer within 31 days after such~~
 17 ~~termination and~~ LESS THE AMOUNT OF ANY LIFE INSURANCE FOR
 18 WHICH HE IS OR BECOMES ELIGIBLE UNDER ANY GROUP POLICY
 19 ISSUED OR REINSTATED BY THE SAME OR ANOTHER INSURER WITHIN
 20 31 DAYS AFTER SUCH TERMINATION; AND

21 ~~(2) \$2,000~~ \$10,000."

22 ~~NEW SECTION. Section 3. Conversion on disbanding of~~
 23 ~~group. The group disability insurance policy shall contain~~
 24 ~~a provision that if the coverage under the policy ceases~~
 25 ~~because of disbanding of the group, each person insured~~

1 because of his employment in the group shall be entitled to
 2 have issued to him by the insurer without evidence of
 3 insurability, an individual policy of disability insurance
 4 covering himself and his dependents or family members
 5 covered under the group, provided:

6 (1) application for the individual policy is made and
 7 the first premium tendered to the insurer within 31 days
 8 after written notice by the insurer to the insured of the
 9 insured's right to conversion of coverage and of pending
 10 terminations and

11 (2) the individual policy shall offer benefits at
 12 least equal to those under the group coverage terminated by
 13 the disbanding, and

14 (3) the premium on the individual policy shall be at
 15 the insurer's then customary rates applicable to the group's
 16 existing amount of individual policy and the class of risk
 17 of the person insured under the group.

18 NEW SECTION. Section 3. Continuing group coverage
 19 after termination. A person covered by a group disability
 20 insurance policy issued OR RENEWED AFTER OCTOBER 1, 1981
 21 under 33-22-501(1) may, FOR A PERIOD OF 1 YEAR, with the
 22 consent of the employer or the trustees, continue coverage
 23 under group disability policy after terminating his
 24 qualifying employment or after reducing his regular work
 25 schedule to less than the minimum time required to qualify

1 for membership in the group, and the premium charged him
 2 shall be equal to that charged other members of the group of
 3 the same risk class.

4 NEW SECTION. Section 5. Conversion on termination of
 5 group contract. (1) A group hospital or medical service
 6 plan contract in effect by a health service corporation
 7 after July 1, 1981, shall contain a provision that if the
 8 coverage under the contract ceases because of disbanding of
 9 the group, each person covered because of his employment in
 10 the group shall be entitled to have issued to him by the
 11 health service corporation without evidence of
 12 insurability, an individual hospital or medical service plan
 13 contract covering himself and his dependents or family
 14 members covered under the group, provided application for
 15 the individual contract is made and the first premium
 16 tendered to the health service corporation within 31 days
 17 after written notice by the insurer to the insured of the
 18 insured's right to conversion.

19 (2) The individual contract shall provide benefits
 20 equal to those under the group contract terminated by the
 21 disbanding.

22 (3) The premium on the individual contract shall be at
 23 the insurer's then customary rates applicable to the form
 24 and the amount of the individual contract and the class of
 25 risk of the person covered but in no case more than 5%

1 ~~greater than the group premium charged for the benefits~~
2 ~~under the group contracts.~~

3 NEW SECTION. SECTION 4. CONVERSION ON TERMINATION OF
4 ELIGIBILITY. (1) A GROUP DISABILITY INSURANCE POLICY ISSUED
5 OR RENEWED AFTER OCTOBER 1, 1981, SHALL CONTAIN A PROVISION
6 THAT IF THE INSURANCE OR ANY PORTION OF IT ON A PERSON, HIS
7 DEPENDENTS, OR FAMILY MEMBERS COVERED UNDER THE POLICY
8 CEASES BECAUSE OF TERMINATION OF HIS EMPLOYMENT OR OF HIS
9 MEMBERSHIP IN THE CLASS OR CLASSES ELIGIBLE FOR COVERAGE
10 UNDER THE POLICY, OR AS A RESULT OF HIS EMPLOYER
11 DISCONTINUING HIS BUSINESS, SUCH PERSON SHALL, PROVIDED HE
12 HAD BEEN INSURED FOR A PERIOD OF 3 MONTHS, BE ENTITLED TO
13 HAVE ISSUED TO HIM BY THE INSURER, WITHOUT EVIDENCE OF
14 INSURABILITY, AN INDIVIDUAL POLICY OF HOSPITAL OR MEDICAL
15 SERVICE INSURANCE ON HIMSELF, HIS DEPENDENTS, OR FAMILY
16 MEMBERS, PROVIDED APPLICATION FOR THE INDIVIDUAL POLICY
17 SHALL BE MADE AND THE FIRST PREMIUM TENDERED TO THE INSURER
18 WITHIN 31 DAYS AFTER THE TERMINATION OF GROUP COVERAGE.

19 (2) THE INDIVIDUAL POLICY, AT THE OPTION OF THE
20 INSURER INSURED, SHALL BE ON ANY OF THE FORMS THEN
21 CUSTOMARILY ISSUED BY THE INSURER TO INDIVIDUAL
22 POLICYHOLDERS WITH THE EXCEPTION OF THOSE POLICIES WHOSE
23 ELIGIBILITY IS DETERMINED BY AFFILIATION OTHER THAN BY
24 EMPLOYMENT WITH A COMMON ENTITY.

25 (3) THE PREMIUM ON THE INDIVIDUAL POLICY SHALL BE AT

1 THE INSURER'S THEN CUSTOMARY RATE APPLICABLE TO THE COVERAGE
2 OF THE INDIVIDUAL POLICY.

3 NEW SECTION. Section 5. Continuing group coverage
4 after termination. A person covered by a group hospital or
5 medical service plan contract, issued OR RENEWED by a health
6 service corporation after July OCTOBER 1, 1981, may, FOR A
7 PERIOD OF 1 YEAR with the consent of the employer or the
8 trustees, continue coverage under the group contract after
9 terminating his qualifying employment or after reducing his
10 regular work schedule to less than the minimum time required
11 to qualify for membership in the group, and the premium
12 charged him shall be equal to that charged the members of
13 the group.

14 NEW SECTION. Section 6. Conversion on termination of
15 eligibility. The group hospital or medical service plan
16 contract in-effect ISSUED OR RENEWED by a health service
17 corporation after July OCTOBER 1, 1981, shall contain a
18 provision that if the insurance or any portion of it on a
19 person, his dependents, or family members covered under the
20 policy ceases because of termination of his employment or of
21 his membership in the class or classes eligible for coverage
22 under the policy OR AS A RESULT OF AN EMPLOYER DISCONTINUING
23 HIS BUSINESS, such person shall, PROVIDED HE HAS BEEN
24 INSURED FOR A PERIOD OF 3 MONTHS, be entitled to have issued
25 to him by the insurer, without evidence of insurability, an

1 individual policy of hospital or medical service insurance
 2 on himself, his dependents, or family members, provided
 3 application for the individual policy shall be made and the
 4 first premium tendered to the insurer within 31 days after
 5 ~~written notice by the insurer to the insured of the~~
 6 ~~insured's right of conversion and pending THE~~ termination of
 7 group coverage.

8 (1) The individual policy shall, at the option of such
 9 person THE INSURED, be on any of the forms then customarily
 10 issued by the insurer TO INDIVIDUAL POLICYHOLDERS WITH THE
 11 EXCEPTION OF THOSE WHOSE ELIGIBILITY IS DETERMINED BY THEIR
 12 AFFILIATION OTHER THAN BY EMPLOYMENT WITH A PARTICULAR
 13 ENTITY, and shall offer benefits at least equal to those
 14 under the group coverage SUCH INDIVIDUAL POLICIES.

15 ~~(2) The individual policy shall, at the option of the~~
 16 ~~insured, be in an amount not in excess of the amount of~~
 17 ~~insurance which ceases because of such termination.~~

18 (2) The premium on the individual policy shall be
 19 at the insurer's then customary rate applicable to the other
 20 members of the group and the coverage of the individual
 21 policy.

22 Section 7. Severability. If a part of this act is
 23 invalid, all valid parts that are severable from the invalid
 24 part remain in effect. If a part of this act is invalid in
 25 one or more of its applications, the part remains in effect

1 in all valid applications that are severable from the
 2 invalid applications.

3 Section 8. Codification instruction. (1) Sections 3,
 4 and 4, AND 5 are intended to be codified as integral parts
 5 of Title 33, chapter 22, part 5, and provisions of Title 33,
 6 chapter 22, apply to sections 3, and 4, AND 5.

7 (2) Sections 5 through 6, AND 7 are intended to be
 8 codified as integral parts of Title 33, chapter 30, part 10,
 9 and provisions of ~~Title 33, chapter 22, and of~~ Title 33,
 10 chapter 30, apply to sections 5 through 6, AND 7.

11 Section 9. Effective date. This act is effective July
 12 1, 1981.

-End-

SENATE BILL NO. 129

INTRODUCED BY TURNAGE, NORMAN

A BILL FOR AN ACT ENTITLED: "AN ACT REGULATING CONVERSIONS OF GROUP LIFE INSURANCE AND GROUP DISABILITY INSURANCE AND PROVIDING FOR CONTINUATION OF GROUP COVERAGE UNDER CERTAIN CIRCUMSTANCES; AMENDING SECTIONS 33-20-1209 AND 33-20-1210, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 33-20-1209, MCA, is amended to read:

"33-20-1209. Conversion on termination of eligibility.

(1) The group life insurance policy shall contain a provision that if the insurance or any portion of it on a person covered under the policy ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such person shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of life insurance without--disability--or--other--supplementary benefits, provided application for the individual policy shall be made and the first premium paid tendered PAID to the insurer within 31 days after such-termination written notice SUCH TERMINATION by-the-insurer-to-the-insured-of-the

~~insured's right of conversion--and--pending--termination--of coverage,~~ and provided further that:

~~(a) the individual policy shall, at the option of such person, be on any one of the forms, except including but not limited to term insurance, IF THE GROUP POLICY SO PROVIDES,~~ then customarily issued by the insurer ~~at-the-age and-for-the-amount-applied-for AT THE AGE AND FOR THE AMOUNT APPLIED FOR~~ and shall offer benefits at least equal to those under the group coverage;

~~(b) the individual policy shall, at the option of the insured,~~ be in an amount not in excess of the amount of life insurance which ceases because of such termination, ~~less-the-amount-of-any-life-insurance-for-which-such-person is--or--becomes-eligible-under-any-other-group-policy-within 31-days-after-such-termination,~~ LESS THE AMOUNT OF ANY LIFE INSURANCE FOR WHICH SUCH PERSON IS INSURED UNDER ANY OTHER GROUP POLICY WITHIN 31 DAYS AFTER SUCH TERMINATION, provided that any amount of insurance which shall have matured on or before the date of such termination as an endowment payable to the person insured, whether in one sum or in installments or in the form of an annuity, shall not, for the purposes of this provision, be included in the amount which is considered to cease because of such termination; and

~~(c) the premium on the individual policy shall be at the insurer's then customary rate applicable to the form~~

1 ~~and amount of the individual policy, to the class of risk to~~
 2 ~~which such person then belongs and to his age attained on~~
 3 ~~the effective date ~~other members of the group and the amount~~~~
 4 FORM AND AMOUNT OF THE INDIVIDUAL POLICY, TO THE CLASS OF
 5 RISK TO WHICH SUCH PERSON THEN BELONGS, AND TO HIS AGE
 6 ATTAINED ON THE EFFECTIVE DATE of the individual policy.

7 (2) With the consent of the employer, a person covered
 8 under a group life insurance policy issued to an employer or
 9 to the trustees of a fund established by an employer under
 10 33-20-1101 may continue his coverage under the group policy
 11 after termination of his qualifying employment or after
 12 DURING HIS EMPLOYMENT NOTWITHSTANDING reduction of his
 13 regular work schedule to less than the minimum number of
 14 hours required for eligibility for membership. The premium
 15 charged for the continued coverage shall be equal to that
 16 charged other members of the group. Such person's coverage
 17 under the group will cease if he subsequently becomes
 18 eligible and he elects FOR coverage under another group
 19 policy because of employment elsewhere."

20 Section 2. Section 33-20-1210, MCA, is amended to
 21 read:

22 "33-20-1210. Conversion on termination of policy. The
 23 group life insurance policy shall contain a provision that
 24 if the group policy terminates or is amended so as to
 25 terminate the insurance of any class of insured persons,

1 every person insured thereunder at the date of such
 2 termination whose insurance terminates and who has been so
 3 insured for at least 5 years ~~1 year~~ 3 YEARS prior to such
 4 termination date shall be entitled to have issued to him by
 5 the insurer an individual policy of life insurance, subject
 6 to ~~in the same amount of insurance and under~~ SUBJECT TO the
 7 same conditions and limitations as are provided by
 8 33-20-1209, except that the group policy may ~~shall~~ MAY
 9 provide that the amount of such individual policy ~~shall~~ MAY
 10 ~~not exceed the smaller of~~ NOT EXCEED THE SMALLER OF:

11 ~~(1) be offered by the insurer in~~ the amount of the
 12 person's life insurance protection ceasing because of the
 13 termination or amendment of the group policy; ~~less the~~
 14 ~~amount of any life insurance for which he is or becomes~~
 15 ~~eligible under any group policy issued or reinstated by the~~
 16 ~~same or another insurer within 31 days after such~~
 17 ~~termination and, LESS THE AMOUNT OF ANY LIFE INSURANCE FOR~~
 18 ~~WHICH HE IS OR BECOMES ELIGIBLE UNDER ANY GROUP POLICY~~
 19 ~~ISSUED OR REINSTATED BY THE SAME OR ANOTHER INSURER WITHIN~~
 20 ~~31 DAYS AFTER SUCH TERMINATION; AND~~

21 ~~(2) \$2,000 \$10,000."~~

22 NEW SECTION. Section 3. Conversion on disbanding of
 23 groups. The group disability insurance policy shall contain
 24 a provision that if the coverage under the policy ceases
 25 because of disbanding of the group, each person insured

1 because of his employment in the group shall be entitled to
 2 have issued to him by the insurer without evidence of
 3 insurability an individual policy of disability insurance
 4 covering himself and his dependents or family members
 5 covered under the group, provided:

6 (1) application for the individual policy is made and
 7 the first premium tendered to the insurer within 31 days
 8 after written notice by the insurer to the insured of the
 9 insured's right to conversion of coverage and of pending
 10 termination; and

11 (2) the individual policy shall offer benefits at
 12 least equal to those under the group coverage terminated by
 13 the disbanding; and

14 (3) the premium on the individual policy shall be at
 15 the insurer's then customary rates applicable to the group's
 16 existing amount of individual policy and the class of risk
 17 of the person insured under the group.

18 NEW SECTION. Section 3. Continuing group coverage
 19 after termination. A person covered by a group disability
 20 insurance policy issued OR RENEWED AFTER OCTOBER 1, 1981
 21 under 33-22-501(1) may, FOR A PERIOD OF 1 YEAR, with the
 22 consent of the employer or the trustees, continue coverage
 23 under group disability policy after terminating his
 24 qualifying employment or after reducing his regular work
 25 schedule to less than the minimum time required to qualify

1 for membership in the group, and the premium charged him
 2 shall be equal to that charged other members of the group of
 3 the same risk class.

4 NEW SECTION. Section 5. Conversion on termination of
 5 group contracts. (1) A group hospital or medical service
 6 plan contract in effect by a health service corporation
 7 after July 1, 1981, shall contain a provision that if the
 8 coverage under the contract ceases because of disbanding of
 9 the group, each person covered because of his employment in
 10 the group shall be entitled to have issued to him by the
 11 health service corporation without evidence of
 12 insurability an individual hospital or medical service plan
 13 contract covering himself and his dependents or family
 14 members covered under the group, provided application for
 15 the individual contract is made and the first premium
 16 tendered to the health service corporation within 31 days
 17 after written notice by the insurer to the insured of the
 18 insured's right to conversion.

19 (2) The individual contract shall provide benefits
 20 equal to those under the group contract terminated by the
 21 disbanding.

22 (3) The premium on the individual contract shall be at
 23 the insurer's then customary rates applicable to the form
 24 and the amount of the individual contract and the class of
 25 risk of the person covered but in no case more than 5%

1 ~~greater-than-the-group-premium--charged--for--}ike--benefits~~
2 ~~under-the-group-contract.~~

3 NEW SECTION. SECTION 4. CONDITIONS OF CONTINUATION.

4 {1} A GROUP POLICY DELIVERED OR ISSUED FOR DELIVERY IN THIS
5 STATE THAT INSURES EMPLOYEES OR MEMBERS FOR HOSPITAL,
6 SURGICAL, OR MAJOR MEDICAL INSURANCE ON AN EXPENSE INCURRED
7 OR SERVICE BASIS, OTHER THAN FOR SPECIFIC DISEASES OR FOR
8 ACCIDENTAL INJURIES ONLY, MUST PROVIDE THAT EMPLOYEES OR
9 MEMBERS WHOSE INSURANCE UNDER THE GROUP POLICY WOULD
10 OTHERWISE TERMINATE BECAUSE OF TERMINATION OF EMPLOYMENT OR
11 MEMBERSHIP MAY CONTINUE THE HOSPITAL, SURGICAL, AND MAJOR
12 MEDICAL INSURANCE COVERAGE OF THAT GROUP POLICY FOR
13 THEMSELVES AND THEIR ELIGIBLE DEPENDENTS, SUBJECT TO ALL OF
14 THE GROUP POLICY'S TERMS AND CONDITIONS APPLICABLE TO THOSE
15 FORMS OF INSURANCE AND SUBJECT TO THE FOLLOWING CONDITIONS:

16 (A) CONTINUATION IS AVAILABLE ONLY TO AN EMPLOYEE OR
17 MEMBER WHO HAS BEEN CONTINUOUSLY INSURED UNDER THE GROUP
18 POLICY (AND FOR SIMILAR BENEFITS UNDER ANY GROUP POLICY
19 WHICH IT REPLACED) DURING THE ENTIRE 3-MONTH PERIOD ENDING
20 WITH TERMINATION.

21 (B) CONTINUATION IS NOT AVAILABLE FOR A PERSON WHO IS
22 OR COULD BE:

23 (I) COVERED BY MEDICARE; OR
24 (II) COVERED BY ANY OTHER INSURED OR UNINSURED
25 ARRANGEMENT WHICH PROVIDES HOSPITAL, SURGICAL, OR MEDICAL

1 COVERAGE FOR INDIVIDUALS IN A GROUP.

2 (C) CONTINUATION OF COVERAGE IS REQUESTED IN WRITING
3 WITHIN 31 DAYS AFTER THE LATER OF:

4 (I) THE DATE OF TERMINATION; OR
5 (II) THE DATE THE EMPLOYEE IS GIVEN NOTICE OF THE RIGHT
6 OF CONTINUATION BY EITHER HIS EMPLOYER OR THE GROUP
7 POLICYHOLDER.

8 (2) AN EMPLOYEE OR MEMBER ELECTING CONTINUATION MUST
9 PAY TO THE GROUP POLICYHOLDER OR HIS EMPLOYER ON THE DUE
10 DATE OF EACH PAYMENT, ON A MONTHLY BASIS IN ADVANCE, THE
11 AMOUNT OF CONTRIBUTION REQUIRED BY THE POLICYHOLDER OR
12 EMPLOYER, BUT NOT MORE THAN THE GROUP RATE FOR THE INSURANCE
13 BEING CONTINUED UNDER THE GROUP POLICY. THE EMPLOYEE'S OR
14 MEMBER'S WRITTEN ELECTION OF CONTINUATION, TOGETHER WITH THE
15 FIRST CONTRIBUTION REQUIRED TO ESTABLISH CONTRIBUTIONS ON A
16 MONTHLY BASIS IN ADVANCE, MUST BE GIVEN TO THE POLICYHOLDER
17 OR EMPLOYER WITHIN 31 DAYS OF THE DATE THE EMPLOYEE'S OR
18 MEMBER'S INSURANCE WOULD OTHERWISE TERMINATE.

19 (3) CONTINUATION OF INSURANCE UNDER THE GROUP POLICY
20 TERMINATES WHEN THE INSURED QUALIFIES FOR THE ALTERNATIVE
21 COVERAGES SPECIFIED IN SUBSECTION (1)(B) OR, IF EARLIER, AT
22 THE FIRST TO OCCUR OF THE FOLLOWING:

23 (A) 6 MONTHS AFTER THE DATE THE EMPLOYEE'S OR MEMBER'S
24 INSURANCE UNDER THE POLICY WOULD OTHERWISE HAVE TERMINATED
25 BECAUSE OF TERMINATION OF EMPLOYMENT OR MEMBERSHIP;

1 (B) THE END OF THE PERIOD FOR WHICH CONTRIBUTIONS WERE
 2 MADE IF THE EMPLOYEE OR MEMBER FAILS TO MAKE TIMELY PAYMENT
 3 OF A REQUIRED CONTRIBUTION; OR

4 (C) THE DATE WHEN THE GROUP POLICY IS TERMINATED OR,
 5 IN THE CASE OF AN EMPLOYEE, THE DATE HIS EMPLOYER TERMINATES
 6 PARTICIPATION UNDER THE GROUP POLICY.

7 (4) IF SUBSECTION (3)(C) APPLIES AND THE COVERAGE
 8 CEASING BY REASON OF SUCH TERMINATION IS REPLACED BY SIMILAR
 9 COVERAGE UNDER ANOTHER GROUP POLICY:

10 (A) THE EMPLOYEE OR MEMBER HAS THE RIGHT OF COVERAGE
 11 UNDER THAT OTHER GROUP POLICY FOR THE BALANCE OF THE PERIOD
 12 THAT HE WOULD HAVE REMAINED COVERED UNDER THE PRIOR GROUP
 13 POLICY IN ACCORDANCE WITH SUBSECTION (3) HAD A TERMINATION
 14 DESCRIBED IN SUBSECTION (3)(C) NOT OCCURRED.

15 (B) THE MINIMUM LEVEL OF BENEFITS PROVIDED BY THE
 16 OTHER GROUP POLICY IS THE APPLICABLE LEVEL OF BENEFITS OF
 17 THE PRIOR GROUP POLICY REDUCED BY ANY BENEFITS PAYABLE UNDER
 18 THAT PRIOR GROUP POLICY.

19 (C) THE PRIOR GROUP POLICY CONTINUES TO PROVIDE
 20 BENEFITS TO THE EXTENT OF ITS ACCRUED LIABILITIES AND
 21 EXTENSIONS OF BENEFITS AS IF THE REPLACEMENT HAD NOT
 22 OCCURRED.

23 (5) NOTIFICATION OF THE CONTINUATION PRIVILEGE MUST BE
 24 INCLUDED IN EACH CERTIFICATE OF COVERAGE.

25 NEW SECTION. SECTION 5. CONVERSION ON TERMINATION OF

1 ELIGIBILITY. (1) A GROUP DISABILITY INSURANCE POLICY ISSUED
 2 OR RENEWED AFTER OCTOBER 1, 1981, SHALL CONTAIN A PROVISION
 3 THAT IF THE INSURANCE OR ANY PORTION OF IT ON A PERSON, HIS
 4 DEPENDENTS, OR FAMILY MEMBERS COVERED UNDER THE POLICY
 5 CEASES BECAUSE OF TERMINATION OF HIS EMPLOYMENT OR OF HIS
 6 MEMBERSHIP IN THE CLASS OR CLASSES ELIGIBLE FOR COVERAGE
 7 UNDER THE POLICY, OR AS A RESULT OF HIS EMPLOYER
 8 DISCONTINUING HIS BUSINESS, SUCH PERSON SHALL, PROVIDED HE
 9 HAD BEEN INSURED FOR A PERIOD OF 3 MONTHS, BE ENTITLED TO
 10 HAVE ISSUED TO HIM BY THE INSURER, WITHOUT EVIDENCE OF
 11 INSURABILITY, AN INDIVIDUAL POLICY OF HOSPITAL OR MEDICAL
 12 SERVICE INSURANCE ON HIMSELF, HIS DEPENDENTS, OR FAMILY
 13 MEMBERS, PROVIDED APPLICATION FOR THE INDIVIDUAL POLICY
 14 SHALL BE MADE AND THE FIRST PREMIUM TENDERED TO THE INSURER
 15 WITHIN 31 DAYS AFTER THE TERMINATION OF GROUP COVERAGE.

16 (2) THE INDIVIDUAL POLICY, AT THE OPTION OF THE
 17 INSURER INSURED, SHALL BE ON ANY OF THE FORMS THEN
 18 CUSTOMARILY ISSUED BY THE INSURER TO INDIVIDUAL
 19 POLICYHOLDERS WITH THE EXCEPTION OF THOSE POLICIES WHOSE
 20 ELIGIBILITY IS DETERMINED BY AFFILIATION OTHER THAN BY
 21 EMPLOYMENT WITH A COMMON ENTITY.

22 (3) THE PREMIUM ON THE INDIVIDUAL POLICY SHALL BE AT
 23 THE INSURER'S THEN CUSTOMARY RATE APPLICABLE TO THE COVERAGE
 24 OF THE INDIVIDUAL POLICY.

25 NEW SECTION. SECTION 6. OTHER HEALTH COVERAGE --

1 LIMITATIONS ON ISSUANCE OF CONVERTED POLICY. THE INSURER IS
 2 NOT REQUIRED TO ISSUE A CONVERTED POLICY COVERING ANY PERSON
 3 WHO IS OR COULD BE COVERED BY MEDICARE, AND THE INSURER IS
 4 NOT REQUIRED TO ISSUE A CONVERTED POLICY COVERING ANY PERSON
 5 WHO:

6 (1) (A) IS COVERED FOR SIMILAR BENEFITS BY ANOTHER
 7 INDIVIDUAL POLICY;

8 (B) IS OR COULD BE COVERED FOR SIMILAR BENEFITS UNDER
 9 ANY ARRANGEMENT OF COVERAGE FOR INDIVIDUALS IN A GROUP,
 10 WHETHER INSURED OR UNINSURED; OR

11 (C) IS ELIGIBLE FOR SIMILAR BENEFITS BY REASON OF ANY
 12 STATE OR FEDERAL LAW; AND

13 (2) WHOSE BENEFITS UNDER SOURCES REFERRED TO IN
 14 SUBSECTION (1)(A) OR BENEFITS PROVIDED OR AVAILABLE UNDER
 15 SOURCES REFERRED TO IN SUBSECTIONS (1)(B) AND (1)(C)
 16 TOGETHER WITH THE CONVERTED POLICY'S BENEFITS WOULD RESULT
 17 IN A DUPLICATION OF BENEFITS.

18 NEW SECTION. SECTION 7. BENEFIT LEVELS -- CONVERTED
 19 POLICY NEED BE NO GREATER THAN GROUP POLICY. AN INSURER IS
 20 NOT REQUIRED TO ISSUE A CONVERTED POLICY PROVIDING BENEFITS
 21 IN EXCESS OF THE HOSPITAL, SURGICAL, OR MAJOR MEDICAL
 22 INSURANCE UNDER THE GROUP POLICY FROM WHICH CONVERSION IS
 23 MADE.

24 NEW SECTION. SECTION 8. PREEXISTING CONDITIONS --
 25 TOTAL BENEFITS PAYABLE FIRST POLICY YEAR. THE CONVERTED

1 POLICY MAY NOT EXCLUDE, AS A PREEXISTING CONDITION, ANY
 2 CONDITION COVERED BY THE GROUP POLICY, BUT THE CONVERTED
 3 POLICY MAY PROVIDE FOR A REDUCTION OF ITS HOSPITAL,
 4 SURGICAL, OR MEDICAL BENEFITS BY THE AMOUNT OF ANY SUCH
 5 BENEFITS PAYABLE UNDER THE GROUP POLICY AFTER THE
 6 INDIVIDUAL'S INSURANCE TERMINATES THEREUNDER. THE CONVERTED
 7 POLICY MAY ALSO PROVIDE THAT DURING THE FIRST POLICY YEAR,
 8 THE BENEFITS PAYABLE UNDER THE CONVERTED POLICY, TOGETHER
 9 WITH THE BENEFITS PAYABLE UNDER THE GROUP POLICY, MAY NOT
 10 EXCEED THOSE THAT WOULD HAVE BEEN PAYABLE HAD THE
 11 INDIVIDUAL'S INSURANCE UNDER THE GROUP POLICY REMAINED IN
 12 FORCE.

13 NEW SECTION. SECTION 9. CONTINUED GROUP INSURANCE
 14 UPON RETIREMENT -- CONVERSION ELECTION. IF COVERAGE WOULD
 15 BE CONTINUED UNDER THE GROUP POLICY ON AN EMPLOYEE OR MEMBER
 16 FOLLOWING HIS RETIREMENT PRIOR TO THE TIME HE IS OR COULD BE
 17 COVERED BY MEDICARE, THE EMPLOYEE OR MEMBER MAY ELECT, IN
 18 LIEU OF SUCH CONTINUATION OF GROUP INSURANCE, TO HAVE THE
 19 SAME CONVERSION RIGHTS AS WOULD APPLY HAD THAT INSURANCE
 20 TERMINATED AT RETIREMENT.

21 NEW SECTION. SECTION 10. MEDICARE ELIGIBILITY --
 22 BENEFIT REDUCTION. THE CONVERTED POLICY MAY PROVIDE FOR
 23 REDUCTION OR TERMINATION OF COVERAGE OF ANY PERSON UPON HIS
 24 ELIGIBILITY FOR COVERAGE UNDER MEDICARE OR UNDER ANY OTHER
 25 STATE OR FEDERAL LAW PROVIDING FOR BENEFITS SIMILAR TO THOSE

1 PROVIDED BY THE CONVERTED POLICY.

2 NEW SECTION. SECTION 11. INSURED'S FAMILY --

3 CONVERSION ENTITLEMENT. SUBJECT TO THE CONDITIONS SET FORTH

4 IN THIS SECTION, THE CONVERSION PRIVILEGE IS ALSO AVAILABLE

5 TO:

6 (1) THE SURVIVING SPOUSE, IF ANY, AT THE DEATH OF THE

7 EMPLOYEE OR MEMBER, WITH RESPECT TO THE SPOUSE AND SUCH

8 CHILDREN WHOSE COVERAGE UNDER THE GROUP POLICY TERMINATES BY

9 REASON OF SUCH DEATH, OTHERWISE TO EACH SURVIVING CHILD

10 WHOSE COVERAGE UNDER THE GROUP POLICY TERMINATES BY REASON

11 OF SUCH DEATH, OR IF THE GROUP POLICY PROVIDES FOR

12 CONTINUATION OF DEPENDENTS' COVERAGE FOLLOWING THE

13 EMPLOYEE'S OR MEMBER'S DEATH, AT THE END OF SUCH

14 CONTINUATION;

15 (2) THE SPOUSE OF THE EMPLOYEE OR MEMBER UPON

16 TERMINATION OF COVERAGE OF THE SPOUSE, BY REASON OF CEASING

17 TO BE A QUALIFIED FAMILY MEMBER UNDER THE GROUP POLICY,

18 WHILE THE EMPLOYEE OR MEMBER REMAINS INSURED UNDER THE GROUP

19 POLICY, INCLUDING SUCH CHILDREN WHOSE COVERAGE UNDER THE

20 GROUP POLICY TERMINATES AT THE SAME TIME; OR

21 (3) A CHILD SOLELY WITH RESPECT TO HIMSELF UPON

22 TERMINATION OF HIS COVERAGE BY REASON OF CEASING TO BE A

23 QUALIFIED FAMILY MEMBER UNDER THE GROUP POLICY, IF A

24 CONVERSION PRIVILEGE IS NOT OTHERWISE PROVIDED ABOVE WITH

25 RESPECT TO SUCH TERMINATION.

1 NEW SECTION. Section 12. Continuing group coverage

2 after termination. A person covered by a group hospital or

3 medical service plan contract, issued OR RENEWED by a health

4 service corporation after July OCTOBER 1, 1981, may, FOR A

5 PERIOD OF 1 YEAR with the consent of the employer or the

6 trustees, continue coverage under the group contract after

7 ~~terminating-his-qualifying-employment-or~~ after reducing his

8 regular work schedule to less than the minimum time required

9 to qualify for membership in the group, and the premium

10 charged him shall be equal to that charged the members of

11 the group.

12 NEW SECTION. SECTION 13. CONDITIONS OF CONTINUATION.

13 (1) A GROUP HOSPITAL OR MEDICAL SERVICE PLAN CONTRACT

14 DELIVERED OR ISSUED FOR DELIVERY IN THIS STATE THAT INSURES

15 EMPLOYEES OR MEMBERS FOR HOSPITAL, SURGICAL, OR MAJOR

16 MEDICAL INSURANCE ON AN EXPENSE INCURRED OR SERVICE BASIS,

17 OTHER THAN FOR SPECIFIC DISEASES OR FOR ACCIDENTAL INJURIES

18 ONLY, MUST PROVIDE THAT EMPLOYEES OR MEMBERS WHOSE INSURANCE

19 UNDER THE GROUP CONTRACT WOULD OTHERWISE TERMINATE BECAUSE

20 OF TERMINATION OF EMPLOYMENT OR MEMBERSHIP MAY CONTINUE THE

21 HOSPITAL, SURGICAL, AND MAJOR MEDICAL INSURANCE COVERAGE OF

22 THAT GROUP CONTRACT FOR THEMSELVES AND THEIR ELIGIBLE

23 DEPENDENTS, SUBJECT TO ALL OF THE GROUP CONTRACT'S TERMS AND

24 CONDITIONS APPLICABLE TO THOSE FORMS OF INSURANCE AND

25 SUBJECT TO THE FOLLOWING CONDITIONS:

1 (A) CONTINUATION IS AVAILABLE ONLY TO AN EMPLOYEE OR
 2 MEMBER WHO HAS BEEN CONTINUOUSLY INSURED UNDER THE GROUP
 3 CONTRACT (AND FOR SIMILAR BENEFITS UNDER ANY GROUP POLICY OR
 4 CONTRACT WHICH IT REPLACED) DURING THE ENTIRE 3-MONTH PERIOD
 5 ENDING WITH TERMINATION.

6 (B) CONTINUATION IS NOT AVAILABLE FOR A PERSON WHO IS
 7 OR COULD BE:

8 (I) COVERED BY MEDICARE; OR

9 (II) COVERED BY ANY OTHER INSURED OR UNINSURED
 10 ARRANGEMENT WHICH PROVIDES HOSPITAL, SURGICAL, OR MEDICAL
 11 COVERAGE FOR INDIVIDUALS IN A GROUP.

12 (C) CONTINUATION OF COVERAGE IS REQUESTED IN WRITING
 13 WITHIN 31 DAYS AFTER THE LATER OF:

14 (I) THE DATE OF SUCH TERMINATION; OR

15 (II) THE DATE THE EMPLOYEE IS GIVEN NOTICE OF THE RIGHT
 16 OF CONTINUATION BY EITHER HIS EMPLOYER OR THE GROUP
 17 CONTRACTHOLDER.

18 (2) AN EMPLOYEE OR MEMBER ELECTING CONTINUATION MUST
 19 PAY TO THE GROUP POLICYHOLDER OR HIS EMPLOYER ON THE DUE
 20 DATE OF EACH PAYMENT, ON A MONTHLY BASIS IN ADVANCE, THE
 21 AMOUNT OF CONTRIBUTION REQUIRED BY THE CONTRACTHOLDER OR
 22 EMPLOYER, BUT NOT MORE THAN THE GROUP RATE FOR THE INSURANCE
 23 BEING CONTINUED UNDER THE GROUP POLICY. THE EMPLOYEE'S OR
 24 MEMBER'S WRITTEN ELECTION OF CONTINUATION, TOGETHER WITH THE
 25 FIRST CONTRIBUTION REQUIRED TO ESTABLISH CONTRIBUTIONS ON A

1 MONTHLY BASIS IN ADVANCE, MUST BE GIVEN TO THE
 2 CONTRACTHOLDER OR EMPLOYER WITHIN 31 DAYS OF THE DATE THE
 3 EMPLOYEE'S OR MEMBER'S INSURANCE WOULD OTHERWISE TERMINATE.

4 (3) CONTINUATION OF INSURANCE UNDER THE GROUP POLICY
 5 TERMINATES WHEN THE INSURED QUALIFIES FOR THE ALTERNATIVE
 6 COVERAGES SPECIFIED IN SUBSECTION (1)(B) OR, IF EARLIER, AT
 7 THE FIRST TO OCCUR OF THE FOLLOWING:

8 (A) 6 MONTHS AFTER THE DATE THE EMPLOYEE'S OR MEMBER'S
 9 INSURANCE UNDER THE CONTRACT WOULD OTHERWISE HAVE TERMINATED
 10 BECAUSE OF TERMINATION OF EMPLOYMENT OR MEMBERSHIP;

11 (B) THE END OF THE PERIOD FOR WHICH CONTRIBUTIONS WERE
 12 MADE IF THE EMPLOYEE OR MEMBER FAILS TO MAKE TIMELY PAYMENT
 13 OF A REQUIRED CONTRIBUTION; OR

14 (C) THE DATE WHEN THE GROUP CONTRACT IS TERMINATED OR,
 15 IN THE CASE OF AN EMPLOYEE, THE DATE HIS EMPLOYER TERMINATES
 16 PARTICIPATION UNDER THE GROUP CONTRACT.

17 (4) IF SUBSECTION (3)(C) APPLIES AND THE COVERAGE
 18 CEASING BY REASON OF SUCH TERMINATION IS REPLACED BY SIMILAR
 19 COVERAGE UNDER ANOTHER GROUP POLICY OR CONTRACT:

20 (A) THE EMPLOYEE OR MEMBER HAS THE RIGHT OF COVERAGE
 21 UNDER THAT OTHER GROUP POLICY OR CONTRACT FOR THE BALANCE OF
 22 THE PERIOD THAT HE WOULD HAVE REMAINED COVERED UNDER THE
 23 PRIOR GROUP CONTRACT IN ACCORDANCE WITH SUBSECTION (3) HAD A
 24 TERMINATION DESCRIBED IN SUBSECTION (3)(C) NOT OCCURRED.

25 (B) THE MINIMUM LEVEL OF BENEFITS PROVIDED BY THE

1 OTHER GROUP POLICY OR CONTRACT IS THE APPLICABLE LEVEL OF
 2 BENEFITS OF THE PRIOR GROUP CONTRACT REDUCED BY ANY BENEFITS
 3 PAYABLE UNDER THAT PRIOR GROUP CONTRACT.

4 (C) THE PRIOR GROUP CONTRACT CONTINUES TO PROVIDE
 5 BENEFITS TO THE EXTENT OF ITS ACCRUED LIABILITIES AND
 6 EXTENSIONS OF BENEFITS AS IF THE REPLACEMENT HAD NOT
 7 OCCURRED.

8 (5) NOTIFICATION OF THE CONTINUATION PRIVILEGE MUST BE
 9 INCLUDED IN EACH CERTIFICATE OF COVERAGE.

10 NEW SECTION. Section 14. Conversion on termination of
 11 eligibility. The group hospital or medical service plan
 12 contract ~~in-effect~~ ISSUED OR RENEWED by a health service
 13 corporation after ~~July~~ OCTOBER 1, 1981, shall contain a
 14 provision that if the insurance or any portion of it on a
 15 person, his dependents, or family members covered under the
 16 policy ceases because of termination of his employment or of
 17 his membership in the class or classes eligible for coverage
 18 under the policy OR AS A RESULT OF AN EMPLOYER DISCONTINUING
 19 HIS BUSINESS, such person shall, PROVIDED HE HAS BEEN
 20 INSURED FOR A PERIOD OF 3 MONTHS, be entitled to have issued
 21 to him by the insurer, without evidence of insurability, an
 22 individual policy of hospital or medical service insurance
 23 on himself, his dependents, or family members, provided
 24 application for the individual policy shall be made and the
 25 first premium tendered to the insurer within 31 days after

1 ~~written--notice--by--the--insurer--to--the--insured--of--the~~
 2 ~~insured's--right--of--conversion--and--pending~~ THE termination of
 3 group coverage.

4 (1) The individual policy shall, at the option of such
 5 person THE INSURED, be on any of the forms then customarily
 6 issued by the insurer TO INDIVIDUAL POLICYHOLDERS WITH THE
 7 EXCEPTION OF THOSE WHOSE ELIGIBILITY IS DETERMINED BY THEIR
 8 AFFILIATION OTHER THAN BY EMPLOYMENT WITH A PARTICULAR
 9 ENTITY, and shall offer benefits at least equal to those
 10 under the group coverage ~~SUCH INDIVIDUAL POLICIES~~.

11 ~~(2) The individual policy shall, at the option of the~~
 12 ~~insured, be in an amount not in excess of the amount of~~
 13 ~~insurance which ceases because of such termination.~~

14 ~~(3)(2)~~ The premium on the individual policy shall be
 15 at the insurer's then customary rate applicable to ~~the other~~
 16 ~~members of the group and~~ the coverage of the individual
 17 policy.

18 NEW SECTION. SECTION 15. OTHER HEALTH COVERAGE --
 19 LIMITATIONS ON ISSUANCE OF CONVERTED POLICY. THE HEALTH
 20 SERVICE CORPORATION IS NOT REQUIRED TO ISSUE A CONVERTED
 21 POLICY COVERING ANY PERSON WHO IS OR COULD BE COVERED BY
 22 MEDICARE, AND THE HEALTH SERVICE CORPORATION IS NOT REQUIRED
 23 TO ISSUE A CONVERTED POLICY COVERING ANY PERSON WHO:

24 (1) (A) IS COVERED FOR SIMILAR BENEFITS BY ANOTHER
 25 INDIVIDUAL POLICY;

1 (B) IS OR COULD BE COVERED FOR SIMILAR BENEFITS UNDER
 2 ANY ARRANGEMENT OF COVERAGE FOR INDIVIDUALS IN A GROUP,
 3 WHETHER INSURED OR UNINSURED; OR

4 (C) IS ELIGIBLE FOR SIMILAR BENEFITS BY REASON OF ANY
 5 STATE OR FEDERAL LAW; AND

6 (2) WHOSE BENEFITS UNDER SOURCES REFERRED TO IN
 7 SUBSECTION (1)(A) OR BENEFITS PROVIDED OR AVAILABLE UNDER
 8 SOURCES REFERRED TO IN SUBSECTIONS (1)(B) AND (1)(C)
 9 TOGETHER WITH THE CONVERTED POLICY'S BENEFITS WOULD RESULT
 10 IN A DUPLICATION OF BENEFITS.

11 NEW SECTION. SECTION 16. BENEFIT LEVELS -- CONVERTED
 12 POLICY NEED BE NO GREATER THAN GROUP POLICY. A HEALTH
 13 SERVICE CORPORATION IS NOT REQUIRED TO ISSUE A CONVERTED
 14 POLICY PROVIDING BENEFITS IN EXCESS OF THE HOSPITAL,
 15 SURGICAL, OR MAJOR MEDICAL INSURANCE UNDER THE GROUP POLICY
 16 FROM WHICH CONVERSION IS MADE.

17 NEW SECTION. SECTION 17. PREEXISTING CONDITIONS --
 18 TOTAL BENEFITS PAYABLE FIRST POLICY YEAR. THE CONVERTED
 19 CONTRACT MAY NOT EXCLUDE, AS A PREEXISTING CONDITION, ANY
 20 COVERED BY THE GROUP CONTRACT, BUT THE CONVERTED CONTRACT
 21 MAY PROVIDE FOR A REDUCTION OF ITS HOSPITAL, SURGICAL, OR
 22 MEDICAL BENEFITS BY THE AMOUNT OF ANY SUCH BENEFITS PAYABLE
 23 UNDER THE GROUP POLICY AFTER THE INDIVIDUAL'S INSURANCE
 24 TERMINATES THEREUNDER. THE CONVERTED POLICY MAY ALSO PROVIDE
 25 THAT DURING THE FIRST POLICY YEAR, THE BENEFITS PAYABLE

1 UNDER THE CONVERTED POLICY, TOGETHER WITH THE BENEFITS
 2 PAYABLE UNDER THE GROUP POLICY, MAY NOT EXCEED THOSE THAT
 3 WOULD HAVE BEEN PAYABLE HAD THE INDIVIDUAL'S INSURANCE UNDER
 4 THE GROUP POLICY REMAINED IN FORCE.

5 NEW SECTION. SECTION 18. CONTINUED GROUP INSURANCE
 6 UPON RETIREMENT -- CONVERSION ELECTION. IF COVERAGE WOULD
 7 BE CONTINUED UNDER THE GROUP CONTRACT ON AN EMPLOYEE OR
 8 MEMBER FOLLOWING HIS RETIREMENT PRIOR TO THE TIME HE IS OR
 9 COULD BE COVERED BY MEDICARE, THE EMPLOYEE OR MEMBER MAY
 10 ELECT, IN LIEU OF SUCH CONTINUATION OF GROUP INSURANCE, TO
 11 HAVE THE SAME CONVERSION RIGHTS AS WOULD APPLY HAD THAT
 12 INSURANCE TERMINATED AT RETIREMENT.

13 NEW SECTION. SECTION 19. MEDICARE ELIGIBILITY --
 14 BENEFIT REDUCTION. THE CONVERTED POLICY MAY PROVIDE FOR
 15 REDUCTION OR TERMINATION OF COVERAGE OF ANY PERSON UPON HIS
 16 ELIGIBILITY FOR COVERAGE UNDER MEDICARE OR UNDER ANY OTHER
 17 STATE OR FEDERAL LAW PROVIDING FOR BENEFITS SIMILAR TO THOSE
 18 PROVIDED BY THE CONVERTED POLICY.

19 NEW SECTION. SECTION 20. INSURED'S FAMILY --
 20 CONVERSION ENTITLEMENT. SUBJECT TO THE CONDITIONS SET FORTH
 21 IN THIS SECTION, THE CONVERSION PRIVILEGE IS ALSO AVAILABLE:

22 (1) TO THE SURVIVING SPOUSE, IF ANY, AT THE DEATH OF
 23 THE EMPLOYEE OR MEMBER, WITH RESPECT TO THE SPOUSE AND SUCH
 24 CHILDREN WHOSE COVERAGE UNDER THE GROUP POLICY TERMINATES BY
 25 REASON OF SUCH DEATH, OTHERWISE TO EACH SURVIVING CHILD

1 WHOSE COVERAGE UNDER THE GROUP POLICY TERMINATES BY REASON
 2 OF SUCH DEATH, OR IF THE GROUP POLICY PROVIDES FOR
 3 CONTINUATION OF DEPENDENTS' COVERAGE FOLLOWING THE
 4 EMPLOYEE'S OR MEMBER'S DEATH, AT THE END OF SUCH
 5 CONTINUATION;

6 (2) TO THE SPOUSE OF THE EMPLOYEE OR MEMBER UPON
 7 TERMINATION OF COVERAGE OF THE SPOUSE, BY REASON OF CEASING
 8 TO BE A QUALIFIED FAMILY MEMBER UNDER THE GROUP POLICY,
 9 WHILE THE EMPLOYEE OR MEMBER REMAINS INSURED UNDER THE GROUP
 10 POLICY, INCLUDING SUCH CHILDREN WHOSE COVERAGE UNDER THE
 11 GROUP POLICY TERMINATES AT THE SAME TIME; OR

12 (3) TO A CHILD SOLELY WITH RESPECT TO HIMSELF UPON
 13 TERMINATION OF HIS COVERAGE BY REASON OF CEASING TO BE A
 14 QUALIFIED FAMILY MEMBER UNDER THE GROUP POLICY, IF A
 15 CONVERSION PRIVILEGE IS NOT OTHERWISE PROVIDED ABOVE WITH
 16 RESPECT TO SUCH TERMINATION.

17 Section 21. Severability. If a part of this act is
 18 invalid, all valid parts that are severable from the invalid
 19 part remain in effect. If a part of this act is invalid in
 20 one or more of its applications, the part remains in effect
 21 in all valid applications that are severable from the
 22 invalid applications.

23 Section 22. Codification instruction. (1) Sections 3~~y~~
 24 and ~~4y-AND-5~~ THROUGH 11 are intended to be codified as
 25 integral parts of Title 33, chapter 22, part 5, and

1 provisions of Title 33, chapter 22, apply to sections 3~~y~~ and
 2 ~~4y-AND-5~~ THROUGH 11.

3 (2) Sections ~~5-through 6-AND~~ 7 12 THROUGH 20 are
 4 intended to be codified as integral parts of Title 33,
 5 chapter 30, part 10, and provisions of ~~title-33, chapter-22,~~
 6 ~~and-of~~ Title 33, chapter 30, apply to sections ~~5-through 6~~
 7 ~~AND 7 12~~ THROUGH 20.

8 Section 23. Effective date. This act is effective July
 9 1, 1981.

-End-

1 SENATE BILL NO. 129

2 INTRODUCED BY TURNAGE, NORMAN

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REGULATING CONVERSIONS
5 OF GROUP LIFE INSURANCE AND GROUP DISABILITY INSURANCE AND
6 PROVIDING FOR CONTINUATION OF GROUP COVERAGE UNDER CERTAIN
7 CIRCUMSTANCES; AMENDING SECTIONS 33-20-1209 AND 33-20-1210,
8 MCA; AND PROVIDING AN EFFECTIVE DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:11 Section 1. Section 33-20-1209, MCA, is amended to
12 read:

13 "33-20-1209. Conversion on termination of eligibility.

14 (1) The group life insurance policy shall contain a
15 provision that if the insurance or any portion of it on a
16 person covered under the policy ceases because of
17 termination of employment or of membership in the class or
18 classes eligible for coverage under the policy, such person
19 shall be entitled to have issued to him by the insurer,
20 without evidence of insurability, an individual policy of
21 life insurance without--disability--or--other--supplementary
22 benefits, provided application for the individual policy
23 shall be made and the first premium paid tendered PAID to
24 the insurer within 31 days after such-termination written
25 notice SUCH TERMINATION by-the-insurer-to-the-insured-of-the

1 ~~insured's right of conversion and pending termination of~~
2 ~~coverage~~, and provided further that:

3 ~~(1)(a)~~ the individual policy shall, at the option of
4 such person, be on any one of the forms, ~~except including~~
5 ~~but not limited to term insurance, IF THE GROUP POLICY SO~~
6 ~~PROVIDES~~, then customarily issued by the insurer ~~at the age~~
7 ~~and for the amount applied for AT THE AGE AND FOR THE AMOUNT~~
8 ~~APPLIED FOR~~ and shall offer benefits at least equal to those
9 ~~under the group coverage;~~

10 ~~(2)(b)~~ the individual policy shall, ~~at the option of~~
11 ~~the insured~~, be in an amount not in excess of the amount of
12 life insurance which ceases because of such termination,
13 ~~less the amount of any life insurance for which such person~~
14 ~~is or becomes eligible under any other group policy within~~
15 ~~31 days after such termination, LESS THE AMOUNT OF ANY LIFE~~
16 ~~INSURANCE FOR WHICH SUCH PERSON IS INSURED UNDER ANY OTHER~~
17 ~~GROUP POLICY WITHIN 31 DAYS AFTER SUCH TERMINATION~~, provided
18 that any amount of insurance which shall have matured on or
19 before the date of such termination as an endowment payable
20 to the person insured, whether in one sum or in installments
21 or in the form of an annuity, shall not, for the purposes of
22 this provision, be included in the amount which is
23 considered to cease because of such termination; and

24 ~~(3)(c)~~ the premium on the individual policy shall be
25 at the insurer's then customary rate applicable to the form

1 ~~and amount of the individual policy, to the class of risk to~~
 2 ~~which such person then belongs, and to his age attained on~~
 3 ~~the effective date other members of the group and the amount~~
 4 FORM AND AMOUNT OF THE INDIVIDUAL POLICY, TO THE CLASS OF
 5 RISK TO WHICH SUCH PERSON THEN BELONGS, AND TO HIS AGE
 6 ATTAINED ON THE EFFECTIVE DATE of the individual policy.

7 (2) With the consent of the employer, a person covered
 8 under a group life insurance policy issued to an employer or
 9 to the trustees of a fund established by an employer under
 10 33-20-1101 may continue his coverage under the group policy
 11 ~~after termination of his qualifying employment or after~~
 12 DURING HIS EMPLOYMENT NOTWITHSTANDING reduction of his
 13 regular work schedule to less than the minimum number of
 14 hours required for eligibility for membership. The premium
 15 charged for the continued coverage shall be equal to that
 16 charged other members of the group. Such person's coverage
 17 under the group will cease if he subsequently becomes
 18 eligible and he elects FOR coverage under another group
 19 policy because of employment elsewhere."

20 Section 2. Section 33-20-1210, MCA, is amended to
 21 read:

22 "33-20-1210. Conversion on termination of policy. The
 23 group life insurance policy shall contain a provision that
 24 if the group policy terminates or is amended so as to
 25 terminate the insurance of any class of insured persons,

1 every person insured thereunder at the date of such
 2 termination whose insurance terminates and who has been so
 3 insured for at least 5-years ~~1-year~~ 3 YEARS prior to such
 4 termination date shall be entitled to have issued to him by
 5 the insurer an individual policy of life insurance, subject
 6 to ~~in the same amount of insurance and under~~ SUBJECT TO the
 7 same conditions and limitations as are provided by
 8 33-20-1209, except that the group policy may ~~shall~~ MAY
 9 provide that the amount of such individual policy shall MAY
 10 ~~not exceed the smaller of:~~ NOT EXCEED THE SMALLER OF:

11 ~~(1) be offered by the insurer in~~ the amount of the
 12 person's life insurance protection ceasing because of the
 13 termination or amendment of the group policy; ~~less the~~
 14 ~~amount of any life insurance for which he is or becomes~~
 15 ~~eligible under any group policy issued or reinstated by the~~
 16 ~~same or another insurer within 31 days after such~~
 17 ~~termination and, LESS THE AMOUNT OF ANY LIFE INSURANCE FOR~~
 18 ~~WHICH HE IS OR BECOMES ELIGIBLE UNDER ANY GROUP POLICY~~
 19 ~~ISSUED OR REINSTATED BY THE SAME OR ANOTHER INSURER WITHIN~~
 20 31 DAYS AFTER SUCH TERMINATION; AND

21 ~~(2) \$2,000 \$10,000."~~
 22 NEW SECTION--Section 3--Conversion--on--disbanding--of
 23 group--The--group--disability--insurance--policy--shall--contain
 24 a--provision--that--if--the--coverage--under--the--policy--ceases
 25 because--of--disbanding--of--the--group--each--person--insured

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1 because of his employment in the group shall be entitled to
 2 have issued to him by the insurer without evidence of
 3 insurability, an individual policy of disability insurance
 4 covering himself and his dependents or family members
 5 covered under the group, provided:

6 (1) application for the individual policy is made and
 7 the first premium tendered to the insurer within 31 days
 8 after written notice by the insurer to the insured of the
 9 insured's right to conversion of coverage and of pending
 10 termination and

11 (2) the individual policy shall offer benefits at
 12 least equal to those under the group coverage terminated by
 13 the disbanding and

14 (3) the premium on the individual policy shall be at
 15 the insurer's then customary rates applicable to the group's
 16 existing amount of individual policy and the class of risk
 17 of the person insured under the group.

18 NEW SECTION. Section 3. Continuing group coverage
 19 after termination. A person covered by a group disability
 20 insurance policy issued OR RENEWED AFTER OCTOBER 1, 1981,
 21 under 33-22-501(1) may, FOR A PERIOD OF 1 YEAR, with the
 22 consent of the employer or the trustees, continue coverage
 23 under group disability policy after terminating his
 24 qualifying employment or after reducing DURING HIS
 25 EMPLOYMENT NOTWITHSTANDING ANY REDUCTION OF his regular work

1 schedule to less than the minimum time required to qualify
 2 for membership in the group, and the premium charged him
 3 shall be equal to that charged other members of the group of
 4 the same risk class.

5 NEW SECTION. Section 5. Conversion on termination of
 6 group contract. (1) A group hospital or medical service
 7 plan contract in effect by a health service corporation
 8 after July 1, 1981, shall contain a provision that if the
 9 coverage under the contract ceases because of disbanding of
 10 the group, each person covered because of his employment in
 11 the group shall be entitled to have issued to him by the
 12 health service corporation, without evidence of
 13 insurability, an individual hospital or medical service plan
 14 contract covering himself and his dependents or family
 15 members covered under the group, provided application for
 16 the individual contract is made and the first premium
 17 tendered to the health service corporation within 31 days
 18 after written notice by the insurer to the insured of the
 19 insured's right to conversion.

20 (2) The individual contract shall provide benefits
 21 equal to those under the group contract terminated by the
 22 disbanding.

23 (3) The premium on the individual contract shall be at
 24 the insurer's then customary rates applicable to the form
 25 and the amount of the individual contract and the class of

1 risk of the person covered but in no case more than 5%
2 greater than the group premium charged for like benefits
3 under the group contract.

4 NEW SECTION. SECTION 4. CONDITIONS OF CONTINUATION.
5 (1) A GROUP POLICY DELIVERED OR ISSUED FOR DELIVERY IN THIS
6 STATE THAT INSURES EMPLOYEES OR MEMBERS FOR HOSPITAL
7 SURGICAL OR MAJOR MEDICAL INSURANCE ON AN EXPENSE INCURRED
8 OR SERVICE BASIS OTHER THAN FOR SPECIFIC DISEASES OR FOR
9 ACCIDENTAL INJURIES ONLY MUST PROVIDE THAT EMPLOYEES OR
10 MEMBERS WHOSE INSURANCE UNDER THE GROUP POLICY WOULD
11 OTHERWISE TERMINATE BECAUSE OF TERMINATION OF EMPLOYMENT OR
12 MEMBERSHIP MAY CONTINUE THE HOSPITAL SURGICAL AND MAJOR
13 MEDICAL INSURANCE COVERAGE OF THAT GROUP POLICY FOR
14 THEMSELVES AND THEIR ELIGIBLE DEPENDENTS SUBJECT TO ALL OF
15 THE GROUP POLICYS TERMS AND CONDITIONS APPLICABLE TO THOSE
16 FORMS OF INSURANCE AND SUBJECT TO THE FOLLOWING CONDITIONS:

17 (A) CONTINUATION IS AVAILABLE ONLY TO AN EMPLOYEE OR
18 MEMBER WHO HAS BEEN CONTINUOUSLY INSURED UNDER THE GROUP
19 POLICY (AND FOR SIMILAR BENEFITS UNDER ANY GROUP POLICY
20 WHICH IT REPLACES) DURING THE ENTIRE 3-MONTH PERIOD ENDING
21 WITH TERMINATION.

22 (B) CONTINUATION IS NOT AVAILABLE FOR A PERSON WHO IS
23 OR COULD BE

24 (1) COVERED BY MEDICARE; OR

25 (2) COVERED BY ANY OTHER INSURED OR UNINSURED

1 ARRANGEMENT WHICH PROVIDES HOSPITAL SURGICAL OR MEDICAL
2 COVERAGE FOR INDIVIDUALS IN A GROUP.

3 (C) CONTINUATION OF COVERAGE IS REQUESTED IN WRITING
4 WITHIN 31 DAYS AFTER THE LATER OF:

5 (1) THE DATE OF TERMINATION; OR

6 (2) THE DATE THE EMPLOYEE IS GIVEN NOTICE OF THE RIGHT
7 OF CONTINUATION BY EITHER HIS EMPLOYER OR THE GROUP
8 POLICYHOLDER.

9 (3) AN EMPLOYEE OR MEMBER ELECTING CONTINUATION MUST
10 PAY TO THE GROUP POLICYHOLDER OR HIS EMPLOYER ON THE DUE
11 DATE OF EACH PAYMENT ON A MONTHLY BASIS IN ADVANCE THE
12 AMOUNT OF CONTRIBUTION REQUIRED BY THE POLICYHOLDER OR
13 EMPLOYER BUT NOT MORE THAN THE GROUP RATE FOR THE INSURANCE
14 BEING CONTINUED UNDER THE GROUP POLICY. THE EMPLOYEES OR
15 MEMBERS WRITTEN ELECTION OF CONTINUATION TOGETHER WITH THE
16 FIRST CONTRIBUTION REQUIRED TO ESTABLISH CONTRIBUTIONS ON A
17 MONTHLY BASIS IN ADVANCE MUST BE GIVEN TO THE POLICYHOLDER
18 OR EMPLOYER WITHIN 31 DAYS OF THE DATE THE EMPLOYEES OR
19 MEMBERS INSURANCE WOULD OTHERWISE TERMINATE.

20 (3) CONTINUATION OF INSURANCE UNDER THE GROUP POLICY
21 TERMINATES WHEN THE INSURED QUALIFIES FOR THE ALTERNATIVE
22 COVERAGES SPECIFIED IN SUBSECTION (1)(B) OR IF EARLIER AT
23 THE FIRST TO OCCUR OF THE FOLLOWING:

24 (A) 6 MONTHS AFTER THE DATE THE EMPLOYEES OR MEMBERS
25 INSURANCE UNDER THE POLICY WOULD OTHERWISE HAVE TERMINATED

1 ~~BECAUSE OF TERMINATION OF EMPLOYMENT OR MEMBERSHIP;~~
 2 ~~(B) THE END OF THE PERIOD FOR WHICH CONTRIBUTIONS WERE~~
 3 ~~MADE IF THE EMPLOYEE OR MEMBER FAILS TO MAKE TIMELY PAYMENT~~
 4 ~~OF A REQUIRED CONTRIBUTION; OR~~
 5 ~~(C) THE DATE WHEN THE GROUP POLICY IS TERMINATED OR,~~
 6 ~~IN THE CASE OF AN EMPLOYEE, THE DATE HIS EMPLOYER TERMINATES~~
 7 ~~PARTICIPATION UNDER THE GROUP POLICY;~~
 8 ~~(4) IF SUBSECTION (3)(C) APPLIES AND THE COVERAGE~~
 9 ~~CEASING BY REASON OF SUCH TERMINATION IS REPLACED BY SIMILAR~~
 10 ~~COVERAGE UNDER ANOTHER GROUP POLICY;~~
 11 ~~(A) THE EMPLOYEE OR MEMBER HAS THE RIGHT OF COVERAGE~~
 12 ~~UNDER THAT OTHER GROUP POLICY FOR THE BALANCE OF THE PERIOD~~
 13 ~~THAT HE WOULD HAVE REMAINED COVERED UNDER THE PRIOR GROUP~~
 14 ~~POLICY IN ACCORDANCE WITH SUBSECTION (3) HAD A TERMINATION~~
 15 ~~DESCRIBED IN SUBSECTION (3)(C) NOT OCCURRED;~~
 16 ~~(B) THE MINIMUM LEVEL OF BENEFITS PROVIDED BY THE~~
 17 ~~OTHER GROUP POLICY IS THE APPLICABLE LEVEL OF BENEFITS OF~~
 18 ~~THE PRIOR GROUP POLICY REDUCED BY ANY BENEFITS PAYABLE UNDER~~
 19 ~~THAT PRIOR GROUP POLICY;~~
 20 ~~(C) THE PRIOR GROUP POLICY CONTINUES TO PROVIDE~~
 21 ~~BENEFITS TO THE EXTENT OF ITS ACCRUED LIABILITIES AND~~
 22 ~~EXTENSIONS OF BENEFITS AS IF THE REPLACEMENT HAD NOT~~
 23 ~~OCCURRED;~~
 24 ~~(5) NOTIFICATION OF THE CONTINUATION PRIVILEGE MUST BE~~
 25 ~~INCLUDED IN EACH CERTIFICATE OF COVERAGE.~~

1 NEW SECTION. SECTION 4. CONVERSION ON TERMINATION OF
 2 ELIGIBILITY. (1) A GROUP DISABILITY INSURANCE POLICY ISSUED
 3 OR RENEWED AFTER OCTOBER 1, 1981, SHALL CONTAIN A PROVISION
 4 THAT IF THE INSURANCE OR ANY PORTION OF IT ON A PERSON, HIS
 5 DEPENDENTS, OR FAMILY MEMBERS COVERED UNDER THE POLICY
 6 CEASES BECAUSE OF TERMINATION OF HIS EMPLOYMENT OR OF HIS
 7 MEMBERSHIP IN THE CLASS OR CLASSES ELIGIBLE FOR COVERAGE
 8 UNDER THE POLICY, OR AS A RESULT OF HIS EMPLOYER
 9 DISCONTINUING HIS BUSINESS, SUCH PERSON SHALL, PROVIDED HE
 10 HAD BEEN INSURED FOR A PERIOD OF 3 MONTHS, BE ENTITLED TO
 11 HAVE ISSUED TO HIM BY THE INSURER, WITHOUT EVIDENCE OF
 12 INSURABILITY, AN INDIVIDUAL POLICY OF HOSPITAL OR MEDICAL
 13 SERVICE INSURANCE ON HIMSELF, HIS DEPENDENTS, OR FAMILY
 14 MEMBERS, PROVIDED APPLICATION FOR THE INDIVIDUAL POLICY
 15 SHALL BE MADE AND THE FIRST PREMIUM TENDERED TO THE INSURER
 16 WITHIN 31 DAYS AFTER THE TERMINATION OF GROUP COVERAGE.
 17 (2) THE INDIVIDUAL POLICY, AT THE OPTION OF THE
 18 INSURER INSURED, SHALL BE ON ANY OF THE FORMS THEN
 19 CUSTOMARILY ISSUED BY THE INSURER TO INDIVIDUAL
 20 POLICYHOLDERS WITH THE EXCEPTION OF THOSE POLICIES WHOSE
 21 ELIGIBILITY IS DETERMINED BY AFFILIATION OTHER THAN BY
 22 EMPLOYMENT WITH A COMMON ENTITY.
 23 (3) THE PREMIUM ON THE INDIVIDUAL POLICY SHALL BE AT
 24 THE INSURER'S THEN CUSTOMARY RATE APPLICABLE TO THE COVERAGE
 25 OF THE INDIVIDUAL POLICY.

1 NEW SECTION -- SECTION 6 -- OTHER -- HEALTH -- COVERAGE --
2 LIMITATIONS ON ISSUANCE OF CONVERTED POLICY -- THE INSURER IS
3 NOT REQUIRED TO ISSUE A CONVERTED POLICY COVERING ANY PERSON
4 WHO IS OR COULD BE COVERED BY MEDICARE AND THE INSURER IS
5 NOT REQUIRED TO ISSUE A CONVERTED POLICY COVERING ANY PERSON
6 WHO
7 (1) IS COVERED FOR SIMILAR BENEFITS BY ANOTHER
8 INDIVIDUAL POLICY
9 (2) IS OR COULD BE COVERED FOR SIMILAR BENEFITS UNDER
10 ANY ARRANGEMENT OF COVERAGE FOR INDIVIDUALS IN A GROUP
11 WHETHER INSURED OR UNINSURED OR
12 (3) IS ELIGIBLE FOR SIMILAR BENEFITS BY REASON OF ANY
13 STATE OR FEDERAL LAW AND
14 (4) WHOSE BENEFITS UNDER SOURCES REFERRED TO IN
15 SUBSECTION (1)(A) OR BENEFITS PROVIDED OR AVAILABLE UNDER
16 SOURCES REFERRED TO IN SUBSECTIONS (1)(B) AND (1)(C)
17 TOGETHER WITH THE CONVERTED POLICY'S BENEFITS WOULD RESULT
18 IN A DUPLICATION OF BENEFITS
19 NEW SECTION -- SECTION 7 -- BENEFIT LEVELS -- CONVERTED
20 POLICY NEED BE NO GREATER THAN GROUP POLICY -- AN INSURER IS
21 NOT REQUIRED TO ISSUE A CONVERTED POLICY PROVIDING BENEFITS
22 IN EXCESS OF THE HOSPITAL -- SURGICAL -- OR MAJOR MEDICAL
23 INSURANCE UNDER THE GROUP POLICY FROM WHICH CONVERSION IS
24 MADE
25 NEW SECTION -- SECTION 8 -- PREEXISTING -- CONDITIONS --

1 TOTAL BENEFITS PAYABLE FIRST POLICY YEAR -- THE CONVERTED
2 POLICY MAY NOT EXCLUDE -- AS -- A -- PREEXISTING -- CONDITION -- ANY
3 CONDITION COVERED BY THE GROUP POLICY -- BUT THE CONVERTED
4 POLICY MAY PROVIDE FOR A REDUCTION OF ITS HOSPITAL
5 SURGICAL -- OR MEDICAL -- BENEFITS BY THE AMOUNT OF ANY SUCH
6 BENEFITS PAYABLE UNDER THE GROUP POLICY -- AFTER THE
7 INDIVIDUAL'S INSURANCE TERMINATES THEREUNDER -- THE CONVERTED
8 POLICY MAY ALSO PROVIDE THAT DURING THE FIRST POLICY YEAR
9 THE BENEFITS PAYABLE UNDER THE CONVERTED POLICY TOGETHER
10 WITH THE BENEFITS PAYABLE UNDER THE GROUP POLICY -- MAY NOT
11 EXCEED THOSE THAT WOULD HAVE BEEN PAYABLE HAD THE
12 INDIVIDUAL'S INSURANCE UNDER THE GROUP POLICY REMAINED IN
13 FORCE

14 NEW SECTION -- SECTION 9 -- CONTINUED -- GROUP -- INSURANCE
15 UPON RETIREMENT -- CONVERSION ELECTION -- IF COVERAGE WOULD
16 BE CONTINUED UNDER THE GROUP POLICY ON AN EMPLOYEE OR MEMBER
17 FOLLOWING HIS RETIREMENT PRIOR TO THE TIME HE IS OR COULD BE
18 COVERED BY MEDICARE -- THE EMPLOYEE OR MEMBER MAY ELECT IN
19 STEAD OF SUCH CONTINUATION OF GROUP INSURANCE -- TO HAVE THE
20 SAME CONVERSION RIGHTS AS WOULD APPLY HAD THAT INSURANCE
21 TERMINATED AT RETIREMENT

22 NEW SECTION -- SECTION 10 -- MEDICARE -- ELIGIBILITY --
23 BENEFIT REDUCTION -- THE CONVERTED POLICY MAY PROVIDE FOR
24 REDUCTION OR TERMINATION OF COVERAGE OF ANY PERSON UPON HIS
25 ELIGIBILITY FOR COVERAGE UNDER MEDICARE OR UNDER ANY OTHER

1 ~~STATE OR FEDERAL LAW PROVIDING FOR BENEFITS SIMILAR TO THOSE~~
2 ~~PROVIDED BY THE CONVERTED POLICY.~~

3 ~~NEW SECTION. SECTION 11. INSURED'S FAMILY~~
4 ~~CONVERSION ENTITLEMENT. SUBJECT TO THE CONDITIONS SET FORTH~~
5 ~~IN THIS SECTION, THE CONVERSION PRIVILEGE IS ALSO AVAILABLE~~
6 ~~FOR~~

7 ~~(1) THE SURVIVING SPOUSE, IF ANY, AT THE DEATH OF THE~~
8 ~~EMPLOYEE OR MEMBER, WITH RESPECT TO THE SPOUSE AND SUCH~~
9 ~~CHILDREN WHOSE COVERAGE UNDER THE GROUP POLICY TERMINATES BY~~
10 ~~REASON OF SUCH DEATH, OTHERWISE TO EACH SURVIVING CHILD~~
11 ~~WHOSE COVERAGE UNDER THE GROUP POLICY TERMINATES BY REASON~~
12 ~~OF SUCH DEATH, OR IF THE GROUP POLICY PROVIDES FOR~~
13 ~~CONTINUATION OF DEPENDENTS' COVERAGE FOLLOWING THE~~
14 ~~EMPLOYEE'S OR MEMBER'S DEATH, AT THE END OF SUCH~~
15 ~~CONTINUATION;~~

16 ~~(2) THE SPOUSE OF THE EMPLOYEE OR MEMBER UPON~~
17 ~~TERMINATION OF COVERAGE OF THE SPOUSE BY REASON OF CEASING~~
18 ~~TO BE A QUALIFIED FAMILY MEMBER UNDER THE GROUP POLICY,~~
19 ~~WHILE THE EMPLOYEE OR MEMBER REMAINS INSURED UNDER THE GROUP~~
20 ~~POLICY, INCLUDING SUCH CHILDREN WHOSE COVERAGE UNDER THE~~
21 ~~GROUP POLICY TERMINATES AT THE SAME TIME; OR~~

22 ~~(3) A CHILD SOLELY WITH RESPECT TO HIMSELF UPON~~
23 ~~TERMINATION OF HIS COVERAGE BY REASON OF CEASING TO BE A~~
24 ~~QUALIFIED FAMILY MEMBER UNDER THE GROUP POLICY, IF A~~
25 ~~CONVERSION PRIVILEGE IS NOT OTHERWISE PROVIDED ABOVE WITH~~

1 ~~RESPECT TO SUCH TERMINATION.~~

2 ~~NEW SECTION. Section 5. Continuing group coverage~~
3 ~~after termination. A person covered by a group hospital or~~
4 ~~medical service plan contract, issued OR RENEWED by a health~~
5 ~~service corporation after July OCTOBER 1, 1981, may, FOR A~~
6 ~~PERIOD OF 1 YEAR with the consent of the employer or the~~
7 ~~trustees, continue coverage under the group contract after~~
8 ~~terminating his qualifying employment or after reducing~~
9 ~~DURING HIS EMPLOYMENT NOTWITHSTANDING ANY REDUCTION OF~~
10 ~~regular work schedule to less than the minimum time required~~
11 ~~to qualify for membership in the group, and the premium~~
12 ~~charged him shall be equal to that charged the members of~~
13 ~~the group.~~

14 ~~NEW SECTION. SECTION 13. CONDITIONS OF CONTINUATION~~
15 ~~(1) A GROUP HOSPITAL OR MEDICAL SERVICE PLAN CONTRACT~~
16 ~~DELIVERED OR ISSUED FOR DELIVERY IN THIS STATE THAT INSURES~~
17 ~~EMPLOYEES OR MEMBERS FOR HOSPITAL, SURGICAL, OR MAJOR~~
18 ~~MEDICAL INSURANCE ON AN EXPENSE INCURRED OR SERVICE BASIS,~~
19 ~~OTHER THAN FOR SPECIFIC DISEASES OR FOR ACCIDENTAL INJURIES~~
20 ~~ONLY, MUST PROVIDE THAT EMPLOYEES OR MEMBERS WHOSE INSURANCE~~
21 ~~UNDER THE GROUP CONTRACT WOULD OTHERWISE TERMINATE BECAUSE~~
22 ~~OF TERMINATION OF EMPLOYMENT OR MEMBERSHIP MAY CONTINUE THE~~
23 ~~HOSPITAL, SURGICAL, AND MAJOR MEDICAL INSURANCE COVERAGE OF~~
24 ~~THAT GROUP CONTRACT FOR THEMSELVES AND THEIR ELIGIBLE~~
25 ~~DEPENDENTS, SUBJECT TO ALL OF THE GROUP CONTRACT'S TERMS AND~~

1 CONDITIONS--APPLICABLE--TO--THOSE--FORMS--OF--INSURANCE--AND
 2 SUBJECT--TO--THE--FOLLOWING--CONDITIONS:
 3 (A)--CONTINUATION--IS--AVAILABLE--ONLY--TO--AN--EMPLOYEE--OR
 4 MEMBER--WHO--HAS--BEEN--CONTINUOUSLY--INSURED--UNDER--THE--GROUP
 5 CONTRACT--(AND--FOR--SIMILAR--BENEFITS--UNDER--ANY--GROUP--POLICY--OR
 6 CONTRACT--WHICH--IT--REPLACES)--DURING--THE--ENTIRE--1--MONTH--PERIOD
 7 ENDING--WITH--TERMINATION.
 8 (B)--CONTINUATION--IS--NOT--AVAILABLE--FOR--A--PERSON--WHO--IS
 9 OR--EQUAL--TO:
 10 (i)--COVERED--BY--MEDICARE;--OR
 11 (ii)--COVERED--BY--ANY--OTHER--INSURED--OR--UNINSURED
 12 ARRANGEMENT--WHICH--PROVIDES--HOSPITAL--SURGICAL--OR--MEDICAL
 13 COVERAGE--FOR--INDIVIDUALS--IN--A--GROUP.
 14 (C)--CONTINUATION--OF--COVERAGE--IS--REQUESTED--IN--WRITING
 15 WITHIN--31--DAYS--AFTER--THE--LATER--OF:
 16 (i)--THE--DATE--OF--SUCH--TERMINATION;--OR
 17 (ii)--THE--DATE--THE--EMPLOYEE--IS--GIVEN--NOTICE--OF--THE--RIGHT
 18 OF--CONTINUATION--BY--EITHER--HIS--EMPLOYER--OR--THE--GROUP
 19 CONTRACTHOLDER.
 20 (2)--AN--EMPLOYEE--OR--MEMBER--ELECTING--CONTINUATION--MUST
 21 PAY--TO--THE--GROUP--POLICYHOLDER--OR--HIS--EMPLOYER--ON--THE--DUE
 22 DATE--OF--EACH--PAYMENT--ON--A--MONTHLY--BASIS--IN--ADVANCE--THE
 23 AMOUNT--OF--CONTRIBUTION--REQUIRED--BY--THE--CONTRACTHOLDER--OR
 24 EMPLOYER--BUT--NOT--MORE--THAN--THE--GROUP--RATE--FOR--THE--INSURANCE
 25 BEING--CONTINUED--UNDER--THE--GROUP--POLICY--THE--EMPLOYEE'S--OR

1 MEMBER'S--WRITTEN--ELECTION--OF--CONTINUATION--TOGETHER--WITH--THE
 2 FIRST--CONTRIBUTION--REQUIRED--TO--ESTABLISH--CONTRIBUTIONS--ON--A
 3 MONTHLY--BASIS--IN--ADVANCE--MUST--BE--GIVEN--TO--THE
 4 CONTRACTHOLDER--OR--EMPLOYER--WITHIN--31--DAYS--OF--THE--DATE--THE
 5 EMPLOYEE'S--OR--MEMBER'S--INSURANCE--WOULD--OTHERWISE--TERMINATE.
 6 (3)--CONTINUATION--OF--INSURANCE--UNDER--THE--GROUP--POLICY
 7 TERMINATES--WHEN--THE--INSURED--QUALIFIES--FOR--THE--ALTERNATIVE
 8 COVERAGES--SPECIFIED--IN--SUBSECTION--(1)(B)--OR--IF--EARLIER--AT
 9 THE--FIRST--TO--OCCUR--OF--THE--FOLLOWING:
 10 (A)--6--MONTHS--AFTER--THE--DATE--THE--EMPLOYEE'S--OR--MEMBER'S
 11 INSURANCE--UNDER--THE--CONTRACT--WOULD--OTHERWISE--HAVE--TERMINATED
 12 BECAUSE--OF--TERMINATION--OF--EMPLOYMENT--OR--MEMBERSHIP;
 13 (B)--THE--END--OF--THE--PERIOD--FOR--WHICH--CONTRIBUTIONS--WERE
 14 MADE--IF--THE--EMPLOYEE--OR--MEMBER--FAILS--TO--MAKE--TIMELY--PAYMENT
 15 OF--A--REQUIRED--CONTRIBUTION;--OR
 16 (C)--THE--DATE--WHEN--THE--GROUP--CONTRACT--IS--TERMINATED--OR
 17 IN--THE--CASE--OF--AN--EMPLOYEE--THE--DATE--HIS--EMPLOYER--TERMINATES
 18 PARTICIPATION--UNDER--THE--GROUP--CONTRACT.
 19 (4)--IF--SUBSECTION--(3)(C)--APPLIES--AND--THE--COVERAGE
 20 CEASING--BY--REASON--OF--SUCH--TERMINATION--IS--REPLACED--BY--SIMILAR
 21 COVERAGE--UNDER--ANOTHER--GROUP--POLICY--OR--CONTRACT:
 22 (A)--THE--EMPLOYEE--OR--MEMBER--HAS--THE--RIGHT--OF--COVERAGE
 23 UNDER--THAT--OTHER--GROUP--POLICY--OR--CONTRACT--FOR--THE--BALANCE--OF
 24 THE--PERIOD--THAT--HE--WOULD--HAVE--REMAINED--COVERED--UNDER--THE
 25 PRIOR--GROUP--CONTRACT--IN--ACCORDANCE--WITH--SUBSECTION--(3)--HAD--A

~~TERMINATION DESCRIBED IN SUBSECTION (3)(E) NOT OCCURRED.~~

~~(B) THE MINIMUM LEVEL OF BENEFITS PROVIDED BY THE OTHER GROUP POLICY OR CONTRACT IS 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 CONTINUES TO PROVIDE BENEFITS TO THE EXTENT OF ITS ACCRUED LIABILITIES AND EXTENSIONS OF BENEFITS AS IF THE REPLACEMENT HAD NOT OCCURRED.~~

~~(5) NOTIFICATION OF THE CONTINUATION PRIVILEGE MUST BE INCLUDED IN EACH CERTIFICATE OF COVERAGE.~~

NEW SECTION. Section 6. Conversion on termination of eligibility. The group hospital or medical service plan contract in effect ISSUED OR RENEWED by a health service corporation after July OCTOBER 1, 1981, shall contain a provision that if the insurance or any portion of it on a person, his dependents, or family members covered under the policy ceases because of termination of his employment or of his membership in the class or classes eligible for coverage under the policy OR AS A RESULT OF AN EMPLOYER DISCONTINUING HIS BUSINESS, such person shall, PROVIDED HE HAS BEEN INSURED FOR A PERIOD OF 3 MONTHS, be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of hospital or medical service insurance on himself, his dependents, or family members, provided

application for the individual policy shall be made and the first premium tendered to the insurer within 31 days after written notice by the insurer to the insured of the insured's right of conversion and pending THE termination of group coverage.

(1) The individual policy shall, at the option of such person THE INSURED, be on any of the forms then customarily issued by the insurer TO INDIVIDUAL POLICYHOLDERS WITH THE EXCEPTION OF THOSE WHOSE ELIGIBILITY IS DETERMINED BY THEIR AFFILIATION OTHER THAN BY EMPLOYMENT WITH A PARTICULAR ENTITY, and shall offer benefits at least equal to those under the group coverage SUCH INDIVIDUAL POLICIES.

~~(2) The individual policy shall, at the option of the insured, be in an amount not in excess of the amount of insurance which ceases because of such termination.~~

~~(3)(2) The premium on the individual policy shall be at the insurer's then customary rate applicable to the other members of the group and the coverage of the individual policy.~~

~~NEW SECTION. SECTION 15. OTHER HEALTH COVERAGE. LIMITATIONS ON ISSUANCE OF CONVERTED POLICY. THE HEALTH SERVICE CORPORATION IS NOT REQUIRED TO ISSUE A CONVERTED POLICY COVERING ANY PERSON WHO IS OR COULD BE COVERED BY MEDICARE, AND THE HEALTH SERVICE CORPORATION IS NOT REQUIRED TO ISSUE A CONVERTED POLICY COVERING ANY PERSON WHO~~

1 (1) -- (A) -- IS -- COVERED -- FOR -- SIMILAR -- BENEFITS -- BY -- ANOTHER
 2 INDIVIDUAL -- POLICY;
 3 (B) -- IS -- OR -- COULD -- BE -- COVERED -- FOR -- SIMILAR -- BENEFITS -- UNDER
 4 ANY -- ARRANGEMENT -- OF -- COVERAGE -- FOR -- INDIVIDUALS -- IN -- A -- GROUP,
 5 WHETHER -- INSURED -- OR -- UNINSURED; OR
 6 (C) -- IS -- ELIGIBLE -- FOR -- SIMILAR -- BENEFITS -- BY -- REASON -- OF -- ANY
 7 STATE -- OR -- FEDERAL -- LAW; AND
 8 (2) -- WHOSE -- BENEFITS -- UNDER -- SOURCES -- REFERRED -- TO -- IN
 9 SUBSECTION (1)(A) -- OR -- BENEFITS -- PROVIDED -- OR -- AVAILABLE -- UNDER
 10 SOURCES -- REFERRED -- TO -- IN -- SUBSECTIONS (1)(B) -- AND -- (1)(C)
 11 TOGETHER -- WITH -- THE -- CONVERTED -- POLICY'S -- BENEFITS -- WOULD -- RESULT
 12 IN -- A -- DUPLICATION -- OF -- BENEFITS;
 13 NEW SECTION -- SECTION 16 -- BENEFIT -- LEVELS -- CONVERTED
 14 POLICY -- NEED -- BE -- NO -- GREATER -- THAN -- GROUP -- POLICY; -- A -- HEALTH
 15 SERVICE -- CORPORATION -- IS -- NOT -- REQUIRED -- TO -- ISSUE -- A -- CONVERTED
 16 POLICY -- PROVIDING -- BENEFITS -- IN -- EXCESS -- OF -- THE -- HOSPITAL,
 17 SURGICAL, -- OR -- MAJOR -- MEDICAL -- INSURANCE -- UNDER -- THE -- GROUP -- POLICY
 18 FROM -- WHICH -- CONVERSION -- IS -- MADE;
 19 NEW SECTION -- SECTION 17 -- PREEXISTING -- CONDITIONS --
 20 TOTAL -- BENEFITS -- PAYABLE -- FIRST -- POLICY -- YEAR -- THE -- CONVERTED
 21 CONTRACT -- MAY -- NOT -- EXCLUDE, -- AS -- A -- PREEXISTING -- CONDITION, -- ANY
 22 COVERED -- BY -- THE -- GROUP -- CONTRACT, -- BUT -- THE -- CONVERTED -- CONTRACT
 23 MAY -- PROVIDE -- FOR -- A -- REDUCTION -- OF -- ITS -- HOSPITAL, -- SURGICAL, -- OR
 24 MEDICAL -- BENEFITS -- BY -- THE -- AMOUNT -- OF -- ANY -- SUCH -- BENEFITS -- PAYABLE
 25 UNDER -- THE -- GROUP -- POLICY -- AFTER -- THE -- INDIVIDUAL'S -- INSURANCE

1 TERMINATES THEREUNDER, -- THE -- CONVERTED -- POLICY -- MAY -- ALSO -- PROVIDE
 2 THAT -- DURING -- THE -- FIRST -- POLICY -- YEAR, -- THE -- BENEFITS -- PAYABLE
 3 UNDER -- THE -- CONVERTED -- POLICY, -- TOGETHER -- WITH -- THE -- BENEFITS
 4 PAYABLE -- UNDER -- THE -- GROUP -- POLICY, -- MAY -- NOT -- EXCEED -- THOSE -- THAT
 5 WOULD -- HAVE -- BEEN -- PAYABLE -- HAD -- THE -- INDIVIDUAL'S -- INSURANCE -- UNDER
 6 THE -- GROUP -- POLICY -- REMAINED -- IN -- FORCE;
 7 NEW SECTION -- SECTION 18 -- CONTINUED -- GROUP -- INSURANCE
 8 UPON -- RETIREMENT -- CONVERSION -- ELECTION, -- IF -- COVERAGE -- WOULD
 9 BE -- CONTINUED -- UNDER -- THE -- GROUP -- CONTRACT -- ON -- AN -- EMPLOYEE -- OR
 10 MEMBER -- FOLLOWING -- HIS -- RETIREMENT -- PRIOR -- TO -- THE -- TIME -- HE -- IS -- OR
 11 COULD -- BE -- COVERED -- BY -- MEDICARE, -- THE -- EMPLOYEE -- OR -- MEMBER -- MAY
 12 ELECT, -- IN -- LIEU -- OF -- SUCH -- CONTINUATION -- OF -- GROUP -- INSURANCE, -- TO
 13 HAVE -- THE -- SAME -- CONVERSION -- RIGHTS -- AS -- WOULD -- APPLY -- HAD -- THAT
 14 INSURANCE -- TERMINATED -- AT -- RETIREMENT;
 15 NEW SECTION -- SECTION 19 -- MEDICARE -- ELIGIBILITY --
 16 BENEFIT -- REDUCTION -- THE -- CONVERTED -- POLICY -- MAY -- PROVIDE -- FOR
 17 REDUCTION -- OR -- TERMINATION -- OF -- COVERAGE -- OF -- ANY -- PERSON -- UPON -- HIS
 18 ELIGIBILITY -- FOR -- COVERAGE -- UNDER -- MEDICARE -- OR -- UNDER -- ANY -- OTHER
 19 STATE -- OR -- FEDERAL -- LAW -- PROVIDING -- FOR -- BENEFITS -- SIMILAR -- TO -- THOSE
 20 PROVIDED -- BY -- THE -- CONVERTED -- POLICY;
 21 NEW SECTION -- SECTION 20 -- INSURED'S -- FAMILY --
 22 CONVERSION -- ENTITLEMENT, -- SUBJECT -- TO -- THE -- CONDITIONS -- SET -- FORTH
 23 IN -- THIS -- SECTION, -- THE -- CONVERSION -- PRIVILEGE -- IS -- ALSO -- AVAILABLE
 24 (1) -- TO -- THE -- SURVIVING -- SPOUSE, -- IF -- ANY, -- AT -- THE -- DEATH -- OF
 25 THE -- EMPLOYEE -- OR -- MEMBER, -- WITH -- RESPECT -- TO -- THE -- SPOUSE -- AND -- SUCH

1 CHILDREN WHOSE COVERAGE UNDER THE GROUP POLICY TERMINATES BY
 2 REASON OF SUCH DEATH, OTHERWISE TO EACH SURVIVING CHILD
 3 WHOSE COVERAGE UNDER THE GROUP POLICY TERMINATES BY REASON
 4 OF SUCH DEATH, OR IF THE GROUP POLICY PROVIDES FOR
 5 CONTINUATION OF DEPENDENT'S COVERAGE FOLLOWING THE
 6 EMPLOYEE'S OR MEMBER'S DEATH, AT THE END OF SUCH
 7 CONTINUATION;

8 (2) TO THE SPOUSE OF THE EMPLOYEE OR MEMBER UPON
 9 TERMINATION OF COVERAGE OF THE SPOUSE, BY REASON OF CEASING
 10 TO BE A QUALIFIED FAMILY MEMBER UNDER THE GROUP POLICY,
 11 WHILE THE EMPLOYEE OR MEMBER REMAINS INSURED UNDER THE GROUP
 12 POLICY, INCLUDING SUCH CHILDREN WHOSE COVERAGE UNDER THE
 13 GROUP POLICY TERMINATES AT THE SAME TIME; OR

14 (3) TO A CHILD SOLELY WITH RESPECT TO HIMSELF UPON
 15 TERMINATION OF HIS COVERAGE BY REASON OF CEASING TO BE A
 16 QUALIFIED FAMILY MEMBER UNDER THE GROUP POLICY, IF A
 17 CONVERSION PRIVILEGE IS NOT OTHERWISE PROVIDED ABOVE WITH
 18 RESPECT TO SUCH TERMINATION.

19 NEW SECTION. SECTION 7. PREEXISTING CONDITIONS. THE
 20 CONVERTED POLICY MAY NOT EXCLUDE, AS A PREEXISTING
 21 CONDITION, ANY CONDITIONS COVERED BY THE GROUP CONTRACT.

22 NEW SECTION. SECTION 8. INSURED'S FAMILY --
 23 CONVERSION ENTITLEMENT. SUBJECT TO THE CONDITIONS SET FORTH
 24 IN THIS SECTION, THE CONVERSION PRIVILEGE IS ALSO AVAILABLE:
 25 (1) TO THE SURVIVING SPOUSE, IF ANY, AT THE DEATH OF

1 THE EMPLOYEE OR MEMBER, WITH RESPECT TO THE SPOUSE AND SUCH
 2 CHILDREN WHOSE COVERAGE UNDER THE GROUP POLICY TERMINATES BY
 3 REASON OF SUCH DEATH, OTHERWISE TO EACH SURVIVING CHILD
 4 WHOSE COVERAGE UNDER THE GROUP POLICY TERMINATES BY REASON
 5 OF SUCH DEATH, OR IF THE GROUP POLICY PROVIDES FOR
 6 CONTINUATION OF DEPENDENT'S COVERAGE FOLLOWING THE
 7 EMPLOYEE'S OR MEMBER'S DEATH, AT THE END OF SUCH
 8 CONTINUATION;

9 (2) TO THE SPOUSE OF THE EMPLOYEE OR MEMBER UPON
 10 TERMINATION OF COVERAGE OF THE SPOUSE, BY REASON OF CEASING
 11 TO BE A QUALIFIED FAMILY MEMBER UNDER THE GROUP POLICY,
 12 WHILE THE EMPLOYEE OR MEMBER REMAINS UNDER THE GROUP POLICY,
 13 INCLUDING SUCH CHILDREN WHOSE COVERAGE UNDER THE GROUP
 14 POLICY TERMINATES AT THE SAME TIME; OR

15 (3) TO A CHILD SOLELY WITH RESPECT TO HIMSELF UPON
 16 TERMINATION OF HIS COVERAGE BY REASON OF CEASING TO BE A
 17 QUALIFIED FAMILY MEMBER UNDER THE GROUP POLICY, IF A
 18 CONVERSION PRIVILEGE IS NOT OTHERWISE PROVIDED ABOVE WITH
 19 RESPECT TO SUCH TERMINATION.

20 NEW SECTION. SECTION 9. APPLICABILITY.
 21 NOTWITHSTANDING ANY PROVISION OF TITLE 33 OR OTHER LAW TO
 22 THE CONTRARY, IT SHALL BE LAWFUL FOR AN INSURER AND INSURED
 23 TO AGREE TO ANY TERMS IN AN INSURANCE CONTRACT THAT PROVIDES
 24 MORE FAVORABLE TERMS FOR THE BENEFIT OF THE INSURED THAN
 25 AUTHORIZED IN TITLE 33 OR OTHER PROVISIONS OF LAW.

1 NEW SECTION. SECTION 10. CODIFICATION INSTRUCTION.
2 SECTIONS 3 THROUGH 9 SHALL APPLY ONLY TO DISABILITY INSURERS
3 AND HEALTH SERVICE CORPORATIONS.

4 Section 11. Severability. If a part of this act is
5 invalid, all valid parts that are severable from the invalid
6 part remain in effect. If a part of this act is invalid in
7 one or more of its applications, the part remains in effect
8 in all valid applications that are severable from the
9 invalid applications.

10 ~~Section 22. Codification instructions. (1) Sections 3,~~
11 ~~and 4 AND 5 THROUGH 11 are intended to be codified as~~
12 ~~integral parts of Title 33, chapter 22, part 5, and~~
13 ~~provisions of Title 33, chapter 22, apply to sections 3 and~~
14 ~~4 AND 5 THROUGH 11.~~

15 ~~(2) Sections 5 through 6 AND 7 12 THROUGH 20 are~~
16 ~~intended to be codified as integral parts of Title 33,~~
17 ~~chapter 30, part 10, and provisions of Title 33, chapter 22,~~
18 ~~and of Title 33, chapter 30, apply to sections 5 through 6~~
19 ~~AND 7 12 THROUGH 20.~~

20 Section 12. Effective date. This act is effective July
21 1, 1981.

-End-

FREE CONFERENCE COMMITTEE
ON SENATE BILL NO. 129

(Report No. 1, April 22, 1981)

MR. PRESIDENT AND SPEAKER OF THE HOUSE:

We, your Free Conference Committee on Senate Bill No. 129, met April 22, 1981, and considered:

House Business and Industry Committee Amendments to the third reading copy, dated March 25, 1981, and recommend as follows:

That the House recede from Committee amendment nos. 1 through 4 and 6 through 10;

That the Senate accede to Committee amendment no. 5;

That Senate Bill No. 129 be further amended as specified in CLERICAL INSTRUCTION nos. 5 through 8;

That the reference copy of Senate Bill No. 129 read as specified in the CLERICAL INSTRUCTIONS;

And, that the Free Conference Committee Report on Senate Bill No. 129 be adopted.

CLERICAL INSTRUCTIONS:

1. Page 7, line 3 through page 9, line 24.
Strike: section 4 in its entirety.
Renumber: subsequent sections.
2. Page 10, line 25 through page 13, line 25.
Strike: sections 6 through 11 in their entirety.
Renumber: subsequent sections.
3. Page 14, line 12 through page 17, line 9.
Strike: section 13 in its entirety.
Renumber: subsequent sections.
4. Page 18, line 18 through page 21, line 16.
Strike: sections 15 through 20 in their entirety.
Renumber: subsequent sections.

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5. Page 21, line 23 through page 22, line 7.
Strike: section 22 in its entirety.
Renumber: subsequent section.

6. Page 5, line 24.
Following: "or"
Strike: "after reducing"
Insert: "during his employment notwithstanding any
reduction of"

7. Page 14, line 7.
Following: "or"
Strike: "after reducing"
Insert: "during his employment notwithstanding any
reduction of"

8. Page 21.
Following: line 16.
Insert: "NEW SECTION. Section 7. Pre-existing conditions.
The converted policy may not exclude, as a pre-
existing condition, any conditions covered by the
group contract.

NEW SECTION. Section 8. 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, other-
wise 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
dependent's 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
under the group policy, including such children whose
coverage under the group policy terminates at the same
time; or

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(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.

NEW SECTION. Section 9. Applicability. Notwithstanding any provision of Title 33 or other law to the contrary, it shall be lawful for an insurer and insured to agree to any terms in an insurance contract that provides more favorable terms for the benefit of the insured than authorized in Title 33 or other provisions of law.

NEW SECTION. Section 10. Codification instruction. Sections 3 through 9 shall apply only to disability insurers and health service corporations." Renumber: subsequent section.

FOR THE SENATE:

FOR THE HOUSE:

Hager
HAGER, Chairman

Jensen
JENSEN, Chairman

Bill Norman
NORMAN

Parlovich
PAVLOVICH

Turnage
TURNAGE

Wallin
WALLIN