

SENATE BILL NO. 314

INTRODUCED BY M. ANDERSON

BY REQUEST OF THE INSURANCE DEPARTMENT

IN THE SENATE

January 29, 1981	Introduced and referred to Committee on Public Health, Welfare, and Safety.
February 20, 1981	Committee recommend bill do pass. Report adopted.
February 21, 1981	Bill printed and placed on members' desks.
February 23, 1981	Second reading, do pass.
February 24, 1981	Correctly engrossed.
February 25, 1981	Third reading, passed. Ayes, 49; Noes, 0. Transmitted to House.

IN THE HOUSE

March 3, 1981	Introduced and referred to Committee on Business and Industry.
March 12, 1981	Committee recommend bill be concurred in. Report adopted.
March 21, 1981	Second reading, concurred in.
March 24, 1981	Third reading, concurred in. Ayes, 95; Noes, 4.

IN THE SENATE

March 25, 1981	Returned from House. Concurred in. Sent to enrolling. Reported correctly enrolled.
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1 *Senate* BILL NO. *314*
 2 INTRODUCED BY *Mike Anderson*
 3 BY REQUEST OF THE INSURANCE DEPARTMENT
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5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW FAMILY MEMBERS
 6 THE RIGHT TO CONTINUE INDIVIDUAL FAMILY DISABILITY INSURANCE
 7 COVERAGE UPON THE DEATH OF THE NAMED INSURED OR THE DIVORCE,
 8 SEPARATION, OR ANNULMENT OF MARRIAGE OF THE SPOUSE FROM THE
 9 NAMED INSURED; AND TO ESTABLISH CONDITIONS AND REQUIREMENTS
 10 OF CONTINUED COVERAGE."
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12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Short title. This [act] may be cited as the
 14 "Individual Family Disability Insurance Continuity of
 15 Coverage Act".

16 Section 2. Purpose. The purpose of this [act] is to
 17 provide for the right of covered family members under
 18 individual family disability insurance policies to
 19 continuity of coverage upon the death of the named insured,
 20 the divorce, annulment of marriage, or legal separation of
 21 the spouse from the named insured, or any other condition
 22 specifically stated in such disability insurance policies
 23 under which coverage would otherwise terminate as to the
 24 covered spouse or covered dependent children of the named
 25 insured.

1 Section 3. Continuity of coverage. (1) Subject to the
 2 requirements of this [act] and on the date specified in the
 3 policy under which coverage otherwise terminates as to
 4 covered family members, other than for nonpayment of
 5 premium, nonrenewal of the policy, or the expiration of the
 6 term for which the policy is issued, a covered person (other
 7 than one eligible for Medicare or any other similar federal
 8 or state disability insurance program), including the spouse
 9 and any covered dependent child of the last-named insured or
 10 the representative of such child, has the right to
 11 continuation of coverage under provisions that, at the
 12 option of the carrier, are consistent with:

13 (a) the continuation of the policy with the person
 14 exercising the right of continuation designated as the named
 15 insured;

16 (b) the issuance of a converted policy with the person
 17 exercising the conversion right designated as the named
 18 insured; or

19 (c) both (a) and (b).

20 (2) When continuation of coverage or conversion is
 21 made in the name of the spouse of the named insured, the
 22 coverage may, at the option of the spouse, include covered
 23 dependent children for whom the spouse has the
 24 responsibility for care and support.

25 Section 4. Form of coverage -- requirements --

1 evidence of insurability -- preexisting conditions. (1)
 2 Coverage continued through the issuance of a converted
 3 policy shall consist of the form of coverage then being
 4 offered by the carrier as a conversion policy in the
 5 jurisdiction where the person exercising the conversion
 6 right resides that most nearly approximates the coverage of
 7 the policy from which conversion is exercised. Continued and
 8 converted coverages, other than those provided through the
 9 exercise of continuation or conversion rights contained in
 10 optionally renewable or limited right of renewal contracts,
 11 must contain:

12 (a) provisions allowing the person exercising the
 13 continuation or conversion the right to renew the coverage
 14 until the attainment of the age of eligibility for Medicare
 15 or any other similar federal or state disability insurance
 16 program, subject to the right of the carrier to nonrenew all
 17 such policies in this state as a class; or

18 (b) other renewal provisions that are not less
 19 favorable to the insured than those contained in the policy
 20 from which conversion is exercised.

21 (2) Coverage provided through continuation or
 22 conversion may not require additional evidence of
 23 insurability except as to overinsurance and may not impose
 24 any preexisting condition limitations or other contractual
 25 time limitations other than those remaining unexpired under

1 the policy or contract from which continuation or conversion
 2 is exercised.

3 Section 5. Notice. The eligible covered family member
 4 exercising the continuation or conversion right must notify
 5 the carrier and make payment of the applicable premium
 6 within 31 days following the date such coverage otherwise
 7 terminates as specified in the policy or contract from which
 8 continuation or conversion is being exercised.

9 Section 6. Nonduplication. Benefits otherwise payable
 10 under a converted policy may be reduced:

11 (1) so they are not, during the first policy year of
 12 the converted policy, in excess of those benefits that would
 13 have been payable had the coverage under the policy from
 14 which conversion is exercised not terminated; and

15 (2) by the amount of benefits, if any, payable as to
 16 the same loss under the policy from which conversion is
 17 exercised.

18 Section 7. Overinsurance. The carrier is not required
 19 to issue a converted policy if at the time of application
 20 the applicant:

21 (1) (a) has coverage under other disability insurance
 22 policies, health service corporation contracts, or
 23 self-insured health benefit plans providing similar
 24 benefits;

25 (b) is eligible for coverage under a group policy or

1 contract providing similar benefits;

2 (c) is provided with similar benefits required by any
3 statute; or

4 (d) is covered under any national, state, or
5 governmental plan; and

6 (2) has coverage under subsection (1) that, together
7 with the converted policy, would result in overinsurance
8 according to the carrier's underwriting standards.

9 Section 8. Codification instruction. This act is
10 intended to be codified as an integral part of Title 33,
11 chapter 22, part 3, and the provisions of Title 33 apply to
12 this act.

13 Section 9. Applicability. The provisions of this act
14 apply to individual family disability insurance policies
15 providing hospital, surgical, and medical expense benefits
16 or hospital confinement indemnity benefits and individual
17 family health service corporation contracts delivered or
18 issued for delivery in this state on and after [120 days
19 after the effective date of this act]. This act does not
20 apply to disability income policies, accidental death or
21 dismemberment policies, or single-term, nonrenewable
22 policies.

-End-

Approved by the committee on
Public Health, Welfare and Safety

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THE RIGHT TO CONTINUE INDIVIDUAL FAMILY DISABILITY INSURANCE
COVERAGE UPON THE DEATH OF THE NAMED INSURED OR THE DIVORCE,
SEPARATION, OR ANNULMENT OF MARRIAGE OF THE SPOUSE FROM THE
NAMED INSURED; AND TO ESTABLISH CONDITIONS AND REQUIREMENTS
OF CONTINUED COVERAGE."

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

Section 1. Short title. This [act] may be cited as the
"Individual Family Disability Insurance Continuity of
Coverage Act".

Section 2. Purpose. The purpose of this [act] is to
provide for the right of covered family members under
individual family disability insurance policies to
continuity of coverage upon the death of the named insured,
the divorce, annulment of marriage, or legal separation of
the spouse from the named insured, or any other condition
specifically stated in such disability insurance policies
under which coverage would otherwise terminate as to the
covered spouse or covered dependent children of the named
insured.

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Section 3. Continuity of coverage. (1) Subject to the
requirements of this [act] and on the date specified in the
policy under which coverage otherwise terminates as to
covered family members, other than for nonpayment of
premium, nonrenewal of the policy, or the expiration of the
term for which the policy is issued, a covered person (other
than one eligible for Medicare or any other similar federal
or state disability insurance program), including the spouse
and any covered dependent child of the last-named insured or
the representative of such child, has the right to
continuation of coverage under provisions that, at the
option of the carrier, are consistent with:

(a) the continuation of the policy with the person
exercising the right of continuation designated as the named
insured;

(b) the issuance of a converted policy with the person
exercising the conversion right designated as the named
insured; or

(c) both (a) and (b).

(2) When continuation of coverage or conversion is
made in the name of the spouse of the named insured, the
coverage may, at the option of the spouse, include covered
dependent children for whom the spouse has the
responsibility for care and support.

Section 4. Form of coverage -- requirements --

1 evidence of insurability -- preexisting conditions. (1)
 2 Coverage continued through the issuance of a converted
 3 policy shall consist of the form of coverage then being
 4 offered by the carrier as a conversion policy in the
 5 jurisdiction where the person exercising the conversion
 6 right resides that most nearly approximates the coverage of
 7 the policy from which conversion is exercised. Continued and
 8 converted coverages, other than those provided through the
 9 exercise of continuation or conversion rights contained in
 10 optionally renewable or limited right of renewal contracts,
 11 must contain:

12 (a) provisions allowing the person exercising the
 13 continuation or conversion the right to renew the coverage
 14 until the attainment of the age of eligibility for Medicare
 15 or any other similar federal or state disability insurance
 16 program, subject to the right of the carrier to nonrenew all
 17 such policies in this state as a class; or

18 (b) other renewal provisions that are not less
 19 favorable to the insured than those contained in the policy
 20 from which conversion is exercised.

21 (2) Coverage provided through continuation or
 22 conversion may not require additional evidence of
 23 insurability except as to overinsurance and may not impose
 24 any preexisting condition limitations or other contractual
 25 time limitations other than those remaining unexpired under

1 the policy or contract from which continuation or conversion
 2 is exercised.

3 Section 5. Notice. The eligible covered family member
 4 exercising the continuation or conversion right must notify
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 6 within 31 days following the date such coverage otherwise
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 8 continuation or conversion is being exercised.

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 10 under a converted policy may be reduced:

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 12 the converted policy, in excess of those benefits that would
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18 Section 7. Overinsurance. The carrier is not required
 19 to issue a converted policy if at the time of application
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3 statute; or

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5 governmental plan; and

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7 with the converted policy, would result in overinsurance
8 according to the carrier's underwriting standards.

9 Section 8. Codification instruction. This act is
10 intended to be codified as an integral part of Title 33,
11 chapter 22, part 3, and the provisions of Title 33 apply to
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13 Section 9. Applicability. The provisions of this act
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16 or hospital confinement indemnity benefits and individual
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19 after the effective date of this act]. This act does not
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21 dismemberment policies, or single-term, nonrenewable
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