



**House
Legislative
Analysis
Section**

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CONVERT FROM GROUP TO INDIVIDUAL

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House Bills 4695 and 4696

Sponsor: Rep. Ilona Varga

Committee: Insurance

Mich. State Law Library

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A SUMMARY OF HOUSE BILLS 4695 AND 4696 AS INTRODUCED 4-24-89

The bills would allow a person who had been insured under a group disability insurance policy for at least 90 days (the member or subscriber, a spouse, or a dependent child) to elect to convert to an individual policy with coverage identical to that provided in the group policy. The coverage would be provided without interruption and could only be terminated for failure to pay the premium in a timely fashion or, in the case of a dependent child, when a person no longer qualified as a dependent child. A person who elected to convert would not be subject to any new pre-existing condition or limitation. The premium (or subscription fee) charged for the coverage could not exceed 102 percent of the premium paid by or on behalf of similarly situated persons covered under the group policy. (If the conversion was a result of the group's going out of existence, the premium would be determined by the insurance commissioner.) Premiums could be paid monthly and would be paid to the insurer.

House Bill 4695 would amend the Insurance Code (MCL 500.3612) to apply to group disability policies of commercial insurers containing hospital, medical, surgical, or sick-care benefits. House Bill 4696 would amend the Nonprofit Health Care Corporation Reform Act (MCL 550.1410a) to apply the group certificates of Blue Cross and Blue Shield of Michigan. The bills apply to policies and certificates in effect after December 31, 1989.

Group policyholders or master certificateholders (e.g., an employer) would have to notify all group members, spouses, and dependent children by January 1, 1990 of their right to elect to convert to an individual policy or certificate. Each new group member would have to be notified of this, and notification would have to be provided to everyone at least 30 days before a group ceased to exist. The group policyholder or certificateholder would have to notify the insurer of an election to convert no later than seven days after being notified of the decision by the member/subscriber, spouse, or policyholder. (If a group ceases to exist, the insurer or health care corporation would be notified directly of a decision to convert.)

The bills specify that they are not to be construed to interfere with or diminish any protection provided pursuant to a collective bargaining agreement or an employer-sponsored health plan that is more favorable to a person than the protection offered by these bills.