

Act No. 180
Public Acts of 1994
Approved by the Governor
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STATE OF MICHIGAN
87TH LEGISLATURE
REGULAR SESSION OF 1994

Introduced by Reps Sikkema Martin Brown Fitzgerald Saunders, Jamian Kukuk Vorva London
Gilmer Llewellyn Porreca Pitoniak Dalman Varga Palamara Schroer Voorhees, Dobronski,
DeLange and Stallworth

ENROLLED HOUSE BILL No. 5367

AN ACT to amend section 3607 of Act No 218 of the Public Acts of 1956 entitled as amended An act to revise consolidate and classify the laws relating to the insurance and surety business to regulate the incorporation or formation of domestic insurance and surety companies and associations and the admission of foreign and alien companies and associations to provide their rights powers and immunities and to prescribe the conditions on which companies and associations organized existing or authorized under this act may exercise their powers to provide the rights powers and immunities and to prescribe the conditions on which other persons firms corporations associations risk retention groups and purchasing groups engaged in an insurance or surety business may exercise their powers to provide for the imposition of a privilege fee on domestic insurance companies and associations and the state accident fund to provide for the imposition of a tax on the business of foreign and alien companies and associations to provide for the imposition of a tax on risk retention groups and purchasing groups to provide for the imposition of a tax on the business of surplus line agents to modify tort liability arising out of certain accidents to provide for limited actions with respect to that modified tort liability and to prescribe certain procedures for maintaining those actions to require security for losses arising out of certain accidents to provide for the continued availability and affordability of automobile insurance and homeowners insurance in this state to facilitate the purchase of that insurance by all residents of this state at fair and reasonable rates and to provide for certain powers and duties upon certain persons as they affect the continued availability and affordability of that insurance to provide for certain reporting with respect to insurance and with respect to certain claims against uninsured or self insured persons to prescribe duties for certain state departments and officers with respect to that reporting to provide for certain assessments to establish and continue certain state insurance funds to modify and clarify the status rights powers duties and operations of the nonprofit malpractice insurance fund to provide for the departmental supervision and regulation of the insurance and surety business within this state to provide for the conservation rehabilitation or liquidation of unsound or insolvent insurers to provide for the protection of policyholders claimants and creditors of unsound or insolvent insurers to provide for associations of insurers to protect policyholders and claimants in the event of insurer insolvencies to prescribe educational requirements for insurance agents and solicitors to provide for the regulation of multiple employer welfare arrangements to create an automobile theft prevention authority to reduce the number of automobile thefts in this state to prescribe the powers and duties of the automobile theft prevention authority to provide certain powers and duties upon certain persons to provide certain powers and duties upon certain officials departments and authorities of this state to provide an appropriation to repeal certain acts and parts of acts to repeal certain acts and parts of acts on specific dates to repeal certain parts of this act on specific dates and to provide penalties for the violation of this act as added by Act No. 255 of the Public Acts of 1989 being section 500 3607 of the Michigan Compiled Laws

The People of the State of Michigan enact

Section 1 Section 3607 of Act No 218 of the Public Acts of 1956 as added by Act No 255 of the Public Acts of 1989 being section 500 3607 of the Michigan Compiled Laws is amended to read as follows

Sec 3607 (1) If existing group disability coverage is replaced by a group disability insurance policy or certificate with a preexisting condition limitation and insuring 10 or more employees or members coverage in the replacement policy or certificate applicable to the preexisting condition limitation for an individual who had been covered for that condition by the replaced coverage shall be not less than the lesser of the following

(a) The coverage of the replacement policy or certificate without application of the preexisting condition limitation

(b) The benefits of the replaced group disability coverage until the individual's preexisting condition limitation expires under the replacement policy or certificate

(2) Other than as provided in subsection (1) a replacement group disability insurance policy or certificate insuring 10 or more employees or members shall not include a limitation upon an individual or exclude an individual who was covered by the group disability coverage being replaced if the individual is a member of the class or classes of individuals eligible for coverage under the replacement policy or certificate

(3) If existing group disability coverage issued or renewed on or after January 1 1992 is replaced by a group disability insurance policy or certificate with a preexisting condition limitation and insuring less than 10 employees or members the replaced coverage shall extend benefits for the condition excluded by the replacement policy or certificate because of the application of a preexisting condition limitation by providing benefits for that condition until the term of the preexisting condition limitation has expired or 6 months have elapsed whichever occurs first An individual not covered for a condition under replaced group disability coverage because the term of a preexisting condition limitation has not expired is covered for that condition under the replaced coverage pursuant to this subsection when the term of the preexisting condition limitation in the replaced coverage expires If there is a dispute between the replacement carrier and the replaced carrier as to whether an individual's condition is included within a preexisting condition limitation benefits shall be paid by the replacement carrier pending resolution of the dispute This subsection applies only to the extent that benefits would have been available for the preexisting condition under the replaced coverage This subsection applies only if the replaced master coverage has been in effect for at least 6 months

(4) If existing group disability coverage issued or renewed on or after January 1 1992 is replaced by a group disability insurance policy or certificate with a preexisting condition limitation and insuring less than 10 employees or members the replacement policy or certificate shall not include a limitation for a period exceeding 6 months upon an individual or exclude an individual who was covered by the group disability coverage being replaced if the individual is a member of the class or classes of individuals eligible for coverage under the replacement policy or certificate

(5) This section does not preclude an elimination reduction or limitation of benefits that applies to an entire plan This section applies to individuals who are covered under the replaced policy or certificate at the time of replacement and does not apply to individuals who become eligible for or apply for coverage under a replacement group disability policy or certificate after that replacement policy or certificate is issued

(6) This section applies whenever an individual residing in the state of Michigan is covered by existing group disability coverage that is being replaced regardless of the state in which the replacement policy or certificate is issued

(7) As used in this section

(a) Disability coverage means expense incurred hospital medical or surgical coverage

(b) Disability insurance policy or certificate means an expense incurred hospital medical or surgical insurance policy or certificate

This act is ordered to take immediate effect

Co Clerk of the House of Representatives

Secretary of the Senate

Approved

Governor