



# HOUSE BILL No. 5367

February 22 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 and referred to the Committee on Insurance

A bill to amend section 3607 of Act No 218 of the Public Acts of 1956, entitled as amended

'The insurance code of 1956,  
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

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

5 Sec 3607 (1) If existing group disability coverage is  
6 replaced by a group disability insurance policy with a preexist-  
7 ing condition limitation and insuring 10 or more employees or  
8 members, coverage in the replacement policy applicable to the  
9 preexisting condition limitation for an individual who had been

1 covered for that condition by the replaced coverage shall be not  
2 less than the lesser of the following

3 (a) The coverage of the replacement policy without applica-  
4 tion of the preexisting condition limitation

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

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

15 (3) If existing group disability coverage issued or renewed  
16 on or after January 1, 1992 is replaced by a group disability  
17 insurance policy with a preexisting condition limitation and  
18 insuring less than 10 employees or members, the replaced coverage  
19 shall extend benefits for the condition excluded by the replace-  
20 ment policy because of the application of a preexisting condition  
21 limitation by providing benefits for that condition until the  
22 term of the preexisting condition limitation has expired or 6  
23 months have elapsed, whichever occurs first An individual not  
24 covered for a condition under replaced group disability coverage  
25 because the term of a preexisting condition limitation has not  
26 expired is covered for that condition under the replaced coverage  
27 pursuant to this subsection when the term of the preexisting

1 condition limitation in the replaced coverage expires If there  
2 is a dispute between the replacement carrier and the replaced  
3 carrier as to whether an individual's condition is included  
4 within a preexisting condition limitation, benefits shall be paid  
5 by the replacement carrier pending resolution of the dispute  
6 This subsection applies only to the extent that benefits would  
7 have been available for the preexisting condition under the  
8 replaced coverage This subsection applies only if the replaced  
9 master coverage has been in effect for at least 6 months

10 (4) If existing group disability coverage issued or renewed  
11 on or after January 1, 1992 is replaced by a group disability  
12 insurance policy with a preexisting condition limitation and  
13 insuring less than 10 employees or members, the replacement  
14 policy shall not include a limitation for a period exceeding 6  
15 months upon an individual or exclude an individual who was cov-  
16 ered by the group disability coverage being replaced if the indi-  
17 vidual is a member of the class or classes of individuals eligi-  
18 ble for coverage under the replacement policy

19 (5) This section does not preclude an elimination, reduc-  
20 tion, or limitation of benefits ~~which~~ THAT applies to an entire  
21 plan This section applies to individuals who are covered under  
22 the replaced policy at the time of replacement and does not apply  
23 to individuals who become eligible for or apply for coverage  
24 under a replacement group disability policy after that replace-  
25 ment policy is issued

26 (6) THIS SECTION APPLIES WHENEVER AN INDIVIDUAL RESIDING IN  
27 THE STATE OF MICHIGAN IS COVERED BY EXISTING GROUP DISABILITY

1 COVERAGE THAT IS BEING REPLACED REGARDLESS OF THE STATE IN WHICH  
2 THE REPLACEMENT POLICY IS ISSUED

3 (7) ~~-(6)-~~ As used in this section

4 (a) 'Disability coverage means expense-incurred hospital,  
5 medical, or surgical coverage

6 (b) 'Disability insurance policy" means an expense-incurred  
7 hospital, medical, or surgical insurance policy