

Act No. 256  
Public Act of 1989  
December 28, 1989  
Filed by the Secretary of State  
December 28, 1989

**STATE OF MICHIGAN  
85TH LEGISLATURE  
REGULAR SESSION OF 1989**

Introduced by Reps. Sikkema, Weeks, Brown, Wartner, Middaugh, Law, Van Singel, Bennett, Clack, Hoekman, Palamara, Rocca, Saunders, Dutko and Bartnik

# **ENROLLED HOUSE BILL No. 4538**

AN ACT to amend Act No. 350 of the Public Acts of 1980, entitled "An act to provide for the incorporation of nonprofit health care corporations; to provide their rights, powers, and immunities; to prescribe the powers and duties of certain state officers relative to the exercise of those rights, powers, and immunities; to prescribe certain conditions for the transaction of business by those corporations in this state; to define the relationship of health care providers to nonprofit health care corporations and to specify their rights, powers, and immunities with respect thereto; to provide for the regulation and supervision of nonprofit health care corporations by the commissioner of insurance; to prescribe powers and duties of certain other state officers with respect to the regulation and supervision of nonprofit health care corporations; to regulate the merger or consolidation of certain corporations; to prescribe an expeditious and effective procedure for the maintenance and conduct of certain administrative appeals relative to provider class plans; to provide for certain administrative hearings relative to rates for health care benefits; to provide for certain causes of action; to prescribe penalties and to provide civil fines for violations of this act; and to repeal certain acts and parts of acts," as amended, being sections 550.1101 to 550.1704 of the Michigan Compiled Laws, by adding section 401c.

*The People of the State of Michigan enact:*

Section 1. Act No. 350 of the Public Acts of 1980, as amended, being sections 550.1101 to 550.1704 of the Michigan Compiled Laws, is amended by adding section 401c to read as follows:

Sec. 401c. (1) If existing group disability coverage is replaced by a group certificate with a preexisting condition limitation and insuring 10 or more members, coverage in the replacement 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 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 certificate.

(2) Other than as provided in subsection (1), a replacement group certificate insuring 10 or more 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 certificate.

(3) If existing group disability coverage issued or renewed on or after January 1, 1992 is replaced by a group certificate with a preexisting condition limitation and insuring less than 10 members, the replaced coverage shall extend benefits for the condition excluded by the replacement 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 certificate with a preexisting condition limitation and insuring less than 10 members, the replacement 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 certificate.

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

(6) As used in this section, "disability coverage" means expense-incurred hospital, medical, or surgical coverage.

Section 2. This amendatory act shall take effect January 1, 1992.

.....  
Clerk of the House of Representatives.

.....  
Secretary of the Senate.

Approved .....

.....  
Governor.