

Act No. 259
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 Rep. Varga

ENROLLED HOUSE BILL No. 4695

AN ACT to amend 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, and to facilitate the purchase of that insurance by all residents of this state at fair and reasonable rates; to provide for certain reporting with respect to insurance, and with respect to certain claims against uninsured or self-insured persons; and 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 officials, departments, and authorities

of this state; to repeal certain acts and parts of acts; to repeal certain acts and parts of acts on specific dates; and to provide penalties for the violation of this act," as amended, being sections 500.100 to 500.8302 of the Michigan Compiled Laws, by adding section 3612.

The People of the State of Michigan enact:

Section 1. Act No. 218 of the Public Acts of 1956, as amended, being sections 500.100 to 500.8302 of the Michigan Compiled Laws, is amended by adding section 3612 to read as follows:

Sec. 3612. (1) An expense-incurred hospital, medical, surgical, or sick-care group disability insurance policy issued or renewed in this state after December 31, 1990, shall include provisions consistent with this section.

(2) If an individual member has been continuously covered under a group policy for at least 3 months immediately prior to termination, the individual member and his or her covered spouse and dependents may elect coverage under an individual conversion policy upon termination. As used in this section, termination includes, but is not limited to, the following:

(a) Discontinuance of a group policy in its entirety or with respect to an insured class.

(b) Loss of expense-incurred hospital, medical, surgical, or sick-care insurance coverage due to voluntary or involuntary termination of employment except for termination of employment because of gross misconduct.

(c) For a surviving spouse or dependent, death of an individual member covered under a group policy.

(d) An event that causes a person, who is a spouse or dependent of an individual member at the time of the event, to cease to be a qualified family member under a group policy.

(3) Coverage under an individual conversion policy shall take effect immediately upon the termination of coverage under the group policy.

(4) Notification of the conversion privilege shall be included in each policy and certificate of coverage.

(5) A group policyholder shall give written notice to an individual member of the option to elect an individual conversion policy within 14 days after the occurrence of subsection (2)(a) or (b).

(6) An individual member shall notify the insurer of his or her election to convert to an individual conversion policy not later than 30 days after termination of coverage. The first premium shall be paid to the insurer at the time the individual elects to convert to an individual conversion policy.

(7) An individual conversion policy under this section:

(a) Shall be issued without evidence of insurability.

(b) Shall not use conditions pertaining to health as a basis for classification.

(c) Shall not exclude a preexisting condition that is not excluded by the group policy solely because it is a preexisting condition.

(d) May provide that benefits may be reduced by the amount of benefits paid for a specific covered service pursuant to the group policy or certificate that has been terminated.

(8) The premium for an individual conversion policy under this section shall be determined using the aggregate experience for all such policies issued in this state by the insurer and in accordance with premium rates applicable to the age, class of risk, and the type and amount of coverage provided. The experience of an individual under an individual conversion policy shall not be an acceptable basis for establishing that individual's rate for his or her converted policy.

(9) An insurer is not required to issue an individual conversion policy under this section if any of the following circumstances apply:

(a) The individual is covered for similar benefits and to a similar extent by another expense-incurred hospital, medical, surgical, or sick-care insurance policy or certificate, hospital or medical service subscriber contract, medical practice or other prepayment plan, or other expense-incurred plan or program.

(b) The individual is covered under title XVIII of the social security act, chapter 531, 49 Stat. 620, 42 U.S.C. 1395 to 1395b, 1395b-2, 1395c to 1395i, 1395i-1a to 1395i-3, 1395j to 1395dd, 1395ff to 1395mm, and 1395oo to 1395ccc.

(c) If termination of an individual's coverage under a group policy occurred because of any of the following:

(i) The individual failed to pay any required contribution.

(ii) Discontinued group coverage was replaced by group coverage.

(iii) The individual acted to defraud the insurer.

(10) An individual conversion policy under this section delivered outside this state for a group policy that was issued and delivered in this state shall comply with this section.

This act is ordered to take immediate effect.

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Clerk of the House of Representatives.

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Secretary of the Senate.

Approved.....

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Governor.