
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1071 Session of
1983

INTRODUCED BY RAPPAPORT, KOWALYSHYN, PICCOLA, F. E. TAYLOR,
LESCOVITZ AND VROON, MAY 25, 1983

REFERRED TO COMMITTEE ON INSURANCE, MAY 25, 1983

AN ACT

1 Providing for the regulation of group accident and health
2 insurance; conferring powers and imposing duties on the
3 Insurance Commissioner; prescribing penalties; and making
4 repeals.

5 The General Assembly of the Commonwealth of Pennsylvania
6 hereby enacts as follows:

7 Section 1. Short title.

8 This act shall be known and may be cited as the Group
9 Accident and Health Insurance Reform Act.

10 Section 2. Types of group insurance permitted.

11 Group accident and health insurance is hereby declared to be
12 that form of accident and health insurance covering groups of
13 persons defined in this section with or without one or more
14 members of their families or one or more of their dependents, or
15 covering one or more members of the families or one or more
16 dependents of such groups or persons. Except as provided in
17 section 3, no policy of group accident and health insurance
18 shall be delivered in this Commonwealth unless it conforms to

1 one of the following descriptions:

2 (1) A policy issued to any employer or to the trustees
3 of a fund established by an employer, which employer or
4 trustees shall be deemed the policyholder, to insure
5 employees of the employer for the benefit of persons other
6 than the employer, subject to the following requirements:

7 (i) The employees eligible for insurance under the
8 policy shall be all of the employees of the employer or
9 all of any class or classes thereof. The policy may
10 provide that the term employees shall include the
11 employees of one or more subsidiary corporations and the
12 employees, individual proprietors and partners of one or
13 more affiliated corporations, proprietorships or
14 partnerships if the business of the employer and of such
15 affiliated corporations, proprietorships or partnerships
16 is under common control. The policy may provide that the
17 term employees shall include the individual proprietor or
18 partners if the employer is an individual proprietorship
19 or partnership. The policy may provide that the term
20 employees shall include retired employees, former
21 employees and the directors of a corporate employer. A
22 policy issued to insure the employees of a public body
23 may provide that the term employees shall include elected
24 or appointed officials.

25 (ii) The premium for the policy shall be paid either
26 from the employer's funds or from funds contributed by
27 the insured employees, or from both. Except as provided
28 in subparagraph (iii), a policy on which no part of the
29 premium is to be derived from funds contributed by the
30 insured employees must insure all eligible employees,

1 except those who reject such coverage in writing.

2 (iii) An insurer may exclude or limit the coverage
3 on any person as to whom evidence of individual
4 insurability is not satisfactory to the insurer.

5 (2) A policy issued to a creditor or its parent-holding
6 company or to a trustee or trustees or agent designated by
7 two or more creditors, which creditor, holding company,
8 affiliate, trustee, trustees or agent shall be deemed the
9 policyholder, to insure debtors of the creditor or creditors,
10 with respect to their indebtedness, subject to the following
11 requirements:

12 (i) The debtors eligible for insurance under the
13 policy shall be all of the debtors of the creditor or
14 creditors or all of any class or classes thereof. The
15 policy may provide that the term "debtors" shall include:

16 (A) borrowers of money or purchasers of lessees
17 of goods, services or property for which payment is
18 arranged through a credit transaction;

19 (B) the debtors of one or more subsidiary
20 corporations; and

21 (C) the debtors of one or more affiliated
22 corporations, proprietorships or partnerships if the
23 business of the policyholder and of such affiliated
24 corporations, proprietorships or partnerships is
25 under common control.

26 (ii) The premium for the policy shall be paid either
27 from the creditor's funds or from charges collected from
28 the insured debtors, or from both. Except as provided in
29 subparagraph (iii), a policy on which no part of the
30 premium is to be derived from funds contributed by

1 insured debtors specifically for their insurance must
2 insure all eligible debtors.

3 (iii) An insurer may exclude any debtors as to whom
4 evidence of individual insurability is not satisfactory
5 to the insurer.

6 (iv) The total amount of the insurance payable with
7 respect to an indebtedness shall not exceed the greater
8 of the periodic scheduled or actual amount of unpaid
9 indebtedness, including with respect to mortgage
10 indebtedness, such real estate taxes and insurance costs
11 incident to the mortgaged property as may become due
12 during the scheduled period, to the creditor. The insurer
13 may exclude any payments which are delinquent on the date
14 the debtor becomes disabled as defined in the policy.

15 (v) The insurance may be payable to the creditor or
16 any successor to the right, title and interest of the
17 creditor. Such payment or payments shall reduce or
18 extinguish the unpaid indebtedness of the debtor to the
19 extent of each such payment and any excess of the
20 insurance shall be payable to the insured or the estate
21 of the insured.

22 (vi) Notwithstanding the preceding provisions of
23 this section, insurance on agricultural credit
24 transaction commitments may be written up to the amount
25 of the loan commitment. Insurance on educational credit
26 transaction commitments may be written up to the amount
27 of the loan commitment less the amount of any repayments
28 made on the loan.

29 (3) A policy issued to a labor union or similar employee
30 organization, which shall be deemed to be the policyholder,

1 to insure members of such union or organization for the
2 benefit of persons other than the union or organization or
3 any of its officials, representatives or agents, subject to
4 the following requirements:

5 (i) The members eligible for insurance under the
6 policy shall be all of the members of the union or
7 organization, or all of any class or classes thereof.

8 (ii) The premium for the policy shall be paid either
9 from funds of the union or organization or from funds
10 contributed by the insured members specifically for their
11 insurance, or from both. Except as provided in
12 subparagraph (iii), a policy on which no part of the
13 premium is to be derived from funds contributed by the
14 insured members specifically for their insurance must
15 insure all eligible members, except those who reject such
16 coverage in writing.

17 (iii) An insurer may exclude or limit the coverage
18 on any person as to whom evidence of individual
19 insurability is not satisfactory to the insurer.

20 (4) A policy issued to a trust or to the trustees of a
21 fund established or adopted by two or more employers, or by
22 one or more labor unions or similar employee organizations,
23 or by one or more employers and one or more labor unions or
24 similar employee organizations, which trust or trustees shall
25 be deemed the policyholder, to insure employees of the
26 employers or members of the unions or organizations for the
27 benefit of persons other than the employers or the unions or
28 organizations, subject to the following requirements:

29 (i) The persons eligible for insurance shall be all
30 of the employees of the employers or all of the members

1 of the unions or organizations or all of any class or
2 classes thereof. The policy may provide that the term
3 employees shall include the employees of one or more
4 subsidiary corporations and the employees, individual
5 proprietors and partners of one or more affiliated
6 corporations, proprietorships or partnerships if the
7 business of the employer and of such affiliated
8 corporations, proprietorships or partnerships is under
9 common control. The policy may provide that the term
10 employees shall include the individual proprietor or
11 partners if the employer is an individual proprietorship
12 or partnership. The policy may provide that the term
13 employees shall include retired employees, former
14 employees and directors of a corporate employer. The
15 policy may provide that the term employees shall include
16 the trustees or their employees, or both, if their duties
17 are principally connected with such trusteeship.

18 (ii) The premium for the policy shall be paid from
19 funds contributed by the employer or employers of the
20 insured persons or by the union or unions or similar
21 employee organizations, or by both, or from funds
22 contributed by the insured persons or from both the
23 insured persons and the employers or unions or similar
24 employee organizations. Except as provided in
25 subparagraph (iii), a policy on which no part of the
26 premium is to be derived from funds contributed by the
27 insured persons specifically for their insurance must
28 insure all eligible persons, except those who reject such
29 coverage in writing.

30 (iii) An insurer may exclude or limit the coverage

1 on any person as to whom evidence of individual
2 insurability is not satisfactory to the insurer.

3 (5) (i) A policy issued to an association or to a trust
4 or to the trustees of a fund established, created or
5 maintained for the benefit of members of one or more
6 associations. The association or associations shall have
7 at the outset a minimum of 100 persons, have been
8 organized and maintained in good faith for purposes other
9 than that of obtaining insurance, have been in active
10 existence for at least one year and have a constitution
11 and bylaws which provide that:

12 (A) The association or associations hold regular
13 meetings not less than annually to further purposes
14 of the members.

15 (B) Except for credit unions, the association or
16 associations collect dues or solicit contributions
17 from members.

18 (C) The members have voting privileges and
19 representation on the governing board and committees.

20 (ii) The policy shall be subject to the following
21 requirements:

22 (A) The policy may insure members of such
23 association or associations, employees thereof or
24 employees of members, or one or more of the preceding
25 or all of any class or classes thereof for the
26 benefit of persons other than the employees'
27 employer.

28 (B) The premium for the policy shall be paid
29 from funds contributed by the association or
30 associations or by employer members, or by both, or

1 from funds contributed by the covered persons or from
2 both the covered persons and the association,
3 associations or employer members.

4 (C) Except as provided in clause (D), a policy
5 on which no part of the premium is to be derived from
6 funds contributed by the covered persons specifically
7 for their insurance must insure all eligible person,
8 except those who reject such coverage in writing.

9 (D) An insurer may exclude or limit the coverage
10 on any person as to whom evidence of individual
11 insurability is not satisfactory to the insurer.

12 (6) A policy issued to a credit union or to a trustee or
13 trustees or agent designated by two or more credit unions,
14 which credit union, trustee, trustees or agent shall be
15 deemed the policyholder, to insure members of such credit
16 union or credit unions for the benefit of persons other than
17 the credit union or credit unions, trustee or trustees or
18 agent or any of their officials, subject to the following
19 requirements:

20 (i) The members eligible for insurance shall be all
21 of the members of the credit union or credit unions or
22 all of any class or classes thereof.

23 (ii) The premium for the policy shall be paid by the
24 policyholder from the credit union's fund and, except as
25 provided in subparagraph (iii), must insure all eligible
26 members.

27 (iii) An insurer may exclude or limit the coverage
28 on any member as to whom evidence of individual
29 insurability is not satisfactory to the insurer.

30 (7) A policy issued to cover persons in a group where

1 that group is specifically described by a law of this
2 Commonwealth as one which may be covered for group life
3 insurance. The provisions of such law, relating to
4 eligibility and evidence of insurability, shall apply.

5 Section 3. Other groups.

6 (a) Requirements.--Group accident and health insurance
7 offered to a resident of this Commonwealth under a group
8 accident and health insurance policy issued to a group, other
9 than one described in section 2, shall be subject to the
10 following requirements:

11 (1) No such group accident and health insurance policy
12 shall be delivered in this Commonwealth unless the
13 commissioner finds that:

14 (i) The issuance of such group policy is not
15 contrary to the best interest of the public.

16 (ii) The issuance of the group policy would result
17 in economies of acquisition or administration.

18 (iii) The benefits are reasonable in relation to the
19 premiums charged.

20 (2) No such group accident and health insurance coverage
21 may be offered in this Commonwealth by an insurer under a
22 policy issued in another state unless this Commonwealth or
23 another state having requirements substantially similar to
24 those contained in paragraph (1)(iii) have made a
25 determination that such requirements have been met.

26 (3) The premium for the policy shall be paid either from
27 the policyholder's funds or from funds contributed by the
28 covered persons, or from both.

29 (4) An insurer may exclude or limit the coverage on any
30 person as to whom evidence of individual insurability is not

1 satisfactory to the insurer.

2 (5) If compensation of any kind will or may be paid to
3 the policyholder in connection with the group policy, the
4 insurer shall cause to be distributed to prospective
5 insureds, a written notice that compensation will or may be
6 paid. The notice shall be distributed:

7 (i) Whether compensation is direct or indirect.

8 (ii) Whether the compensation is paid to or retained
9 by the policyholder, or paid to or retained by a third
10 party at the direction of the policyholder or any entity
11 affiliated with the policyholder by ownership, contract
12 or employment.

13 (b) Notice.--The notice required by this subsection shall be
14 placed on or accompany any document designed for the enrollment
15 of prospective insureds.

16 Section 4. Dependent group health insurance.

17 Except for a policy issued under section 2(2), a group health
18 insurance policy may be extended to insure the employees or
19 members with respect to their family members or dependents, any
20 class or classes thereof subject to the following:

21 (1) The premium for the insurance shall be paid either
22 from funds contributed by the employer, union, association or
23 other person to whom the policy has been issued or from funds
24 contributed by the covered persons, or from both. Except as
25 provided in paragraph (2), a policy on which no part of the
26 premium for the family members or dependents coverage is to
27 be derived from funds contributed by the covered persons must
28 insure all eligible employees or members with respect to
29 their family members or dependents or any class or classes
30 thereof.

1 (2) An insurer may exclude or limit the coverage on any
2 family member or dependent as to whom evidence of individual
3 insurability is not satisfactory to the insurer.

4 Section 5. Group accident and health insurance standard
5 provisions.

6 No policy of group health insurance shall be delivered or
7 issued for delivery in this Commonwealth unless it contains in
8 substance the following provisions, or provisions which in the
9 opinion of the commissioner are more favorable to the persons
10 insured, or at least as favorable to the persons insured and
11 more favorable to the policyholder. Paragraphs (6), (8) and (13)
12 shall not apply to dental insurance and paragraphs (6), (8) and
13 (13) shall not apply to policies issued to a creditor to insure
14 debtors of such creditor. The standard provisions required for
15 individual health insurance policies shall not apply to group
16 health insurance policies. If any provision of this section is
17 in whole or in part inapplicable to or inconsistent with the
18 coverage provided by a particular form of policy, the insurer,
19 with the approval of the commissioner, shall omit from such
20 policy any inapplicable provision or part of a provision and
21 shall modify any inconsistent provision or part of the provision
22 in such manner as to make the provision as contained in the
23 policy consistent with the coverage provided by the policy:

24 (1) A provision that the policyholder is entitled to a
25 grace period of 31 days for the payment of any premium due
26 except the first, during which grace period the policy shall
27 continue in force, unless the policyholder shall have given
28 the insurer written notice of discontinuance of the coverage
29 in advance of the date of discontinuance and in accordance
30 with the terms of the policy. The policy may provide that the

1 policyholder shall be liable to the insurer for the payment
2 of a pro rata premium for the time the policy was in force
3 during such grace period.

4 (2) A provision that the validity of the policy shall
5 not be contested, except for nonpayment of premiums, after it
6 has been in force for two years from its date of issue and
7 that no statement made by any person covered under the policy
8 relating to insurability shall be used in contesting the
9 validity of the insurance with respect to which such
10 statement was made after such insurance has been in force
11 prior to the contest for a period of two years during such
12 person's lifetime, nor unless it is contained in a written
13 instrument signed by the person making such statement. This
14 provision shall preclude the assertion at any time of
15 defenses based upon the person's ineligibility for coverage
16 under the policy or upon other provisions in the policy which
17 relate to eligibility for coverage.

18 (3) A provision that a copy of the application, if any,
19 of the policyholder shall be attached to the policy when
20 issued, that all statements made by the policyholder or by
21 the persons insured shall be deemed representations and not
22 warranties, and that no statement made by any person insured
23 shall be used in any contest unless a copy of the instrument
24 containing the statement is or has been furnished to such
25 person or, in the event of the death or incapacity of the
26 insured person, to the individual's beneficiary or personal
27 representative.

28 (4) A provision that no agent has authority to change
29 the policy or waive any of its provisions and that no change
30 in the policy shall be valid unless approved by an officer of

1 the insurer and evidenced by an endorsement on the policy, or
2 by rider or amendment to the policy signed by the insurer.
3 Any amendment which reduces or eliminates coverage must
4 either be requested in writing by the policyholder or signed
5 by the policyholder.

6 (5) A provision setting forth the conditions, if any,
7 under which the insurer reserves the right to require a
8 person eligible for insurance to furnish evidence of
9 individual insurability satisfactory to the insurer as a
10 condition to part or all of the individual's coverage.

11 (6) A provision specifying the additional exclusions or
12 limitations, if any, applicable under the policy with respect
13 to a disease or physical condition of a person, not otherwise
14 excluded from the person's coverage by name or specific
15 description effective on the date of the person's loss, which
16 existed prior to the effective date of the person's coverage
17 under the policy. Any such exclusion or limitation may only
18 apply to a disease or physical condition for which medical
19 advice or treatment was received by the person during the 12
20 months prior to the effective date of the person's coverage.
21 In no event shall such exclusion or limitation apply to loss
22 incurred or disability commencing after the earlier of:

23 (i) The end of a continuous period of 12 months
24 commencing on or after the effective date of the person's
25 coverage during all of which the person has received no
26 medical advice or treatment in connection with such
27 disease or physical condition.

28 (ii) The end of the two-year period commencing on
29 the effective date of the person's coverage.

30 (7) A provision specifying the ages, if any, to which

1 the insurance provided shall be limited and the ages, if any,
2 for which additional restrictions are placed on benefits and
3 the additional restrictions placed on the benefits at such
4 ages. If the premiums or benefits vary by age, there shall
5 also be a provision specifying an equitable adjustment of
6 premiums or of benefits, or both, to be made in the event the
7 age of a covered person has been misstated, such provision to
8 contain a clear statement of the method of adjustment to be
9 used. In no event, however, shall coverage be required for
10 any person during any period when, according to his correct
11 age, coverage would otherwise not be provided for him under
12 the policy.

13 (8) A provision that the insurer will issue to the
14 policyholder for delivery to each person insured a
15 certificate setting forth a statement as to the insurance
16 protection to which that person is entitled, to whom the
17 insurance benefits are payable, and a statement as to any
18 family member's or dependent's coverage. Only one certificate
19 need be issued for each family unit.

20 (9) A provision that written notice of claim must be
21 given to the insurer within 20 days after the occurrence or
22 commencement of any loss covered by the policy. Failure to
23 give notice within such time shall not invalidate nor reduce
24 any claim if it shall be shown not to have been reasonably
25 possible to give such notice and that notice was given as
26 soon as was reasonably possible.

27 (10) A provision that the insurer will furnish to the
28 person making claim, or to the policyholder for delivery to
29 such person, such forms as are usually furnished by it for
30 filing proof of loss. If such forms are not furnished before

1 the expiration of 15 days after the insurer receives notice
2 of any claim under the policy, the person making such claim
3 shall be deemed to have complied with the requirements of the
4 policy as to proof of loss upon submitting within the time
5 fixed in the policy for filing proof of loss, written proof
6 covering the occurrence, character and extent of the loss for
7 which claim is made.

8 (11) A provision that in the case of claim for loss of
9 time for disability, written proof of such loss must be
10 furnished to the insurer within 90 days after the
11 commencement of the period for which the insurer is liable,
12 and that subsequent written proofs of the continuance of such
13 disability must be furnished to the insurer at such intervals
14 as the insurer may reasonably require, and that in the case
15 of claim for any other loss, written proof of such loss must
16 be furnished to the insurer within 90 days after the date of
17 such loss. Failure to furnish such proof within such time
18 shall not invalidate nor reduce any claim if it was not
19 reasonably possible to furnish such proof within such time,
20 provided such proof is furnished as soon as reasonably
21 possible and in no event, except in the absence of legal
22 capacity of the claimant, later than one year from the time
23 proof is otherwise required.

24 (12) A provision that all benefits payable under the
25 policy other than benefits for loss of time will be payable
26 not more than 60 days after receipt of proof and, that
27 subject to due proof loss, all accrued benefits payable under
28 the policy for loss of time will be paid not less frequently
29 than monthly during the continuance of the period for which
30 the insurer is liable and that any balance remaining unpaid

1 at the termination of such period will be paid as soon as
2 possible after receipt of such proof.

3 (13) A provision that benefits for loss of life of the
4 person insured shall be payable to the beneficiary or
5 beneficiaries designated by the person insured. However, if
6 the policy contains conditions pertaining to family status,
7 the beneficiary may be the family member specified by the
8 policy terms. In either case, payment of these benefits is
9 subject to the provisions of the policy in the event no such
10 designated or specified beneficiary is living at the date of
11 the person insured. All other benefits of the policy shall be
12 payable to the person insured, except that the group policy
13 may provide that all or any portion of any benefits on
14 account of hospital, medical, surgical or other services may,
15 at the insurer's option, be paid directly to the hospital or
16 person rendering such services. The policy may also provide
17 that if any benefit is payable to the estate of a person, or
18 to a person who is a minor or otherwise not competent to give
19 a valid release, the insurer may pay such benefit, up to an
20 amount not exceeding \$5,000 to any relative by blood or
21 connection by marriage of such person who is deemed by the
22 insurer to be equitably entitled thereto. Any payment made by
23 the insurer in good faith pursuant to the foregoing
24 provisions shall discharge the insurer's obligation with
25 respect to the extent of such payment.

26 (14) A provision that the insurer shall have the right
27 and opportunity to examine the person of the individual for
28 whom claim is made when and so often as it may reasonably
29 require during the pendency of claim under the policy and
30 also the right and opportunity to make an autopsy in case of

1 death where it is not prohibited by law.

2 (15) A provision that to the group originally insured
3 may be added from time to time eligible new employees or
4 members or dependents, as the case may be, in accordance with
5 the terms of the policy.

6 (16) A provision that no action at law or in equity
7 shall be brought to recover on the policy prior to the
8 expiration of 60 days after proof of loss has been filed in
9 accordance with the requirements of the policy and that no
10 such action shall be brought at all unless brought within
11 three years from the expiration of the time within which
12 proof of loss is required by the policy.

13 (17) In the case of a policy insuring debtors, a
14 provision that the insurer will furnish to the policyholder
15 for delivery to each debtor insured under the policy a
16 certificate of insurance describing the coverage and
17 specifying that the benefits payable shall first be applied
18 to reduce or extinguish the indebtedness.

19 Section 6. Handicapped persons.

20 A policy delivered or issued for delivery on or after January
21 1, 1968 under which coverage of a dependent of an employee or
22 other member of the insured group terminates at a specified age
23 shall, with respect to an unmarried child covered by the policy
24 prior to the attainment of the age of 19 who is incapable of
25 self-sustaining employment by reason of mental retardation or
26 physical handicap and who became so incapable prior to
27 attainment of age 19 and who is chiefly dependent upon such
28 employee or member for support and maintenance, not so terminate
29 while the insurance of the employee or member or member remains
30 in force and the dependent remains in such condition, if the

1 insured employee or member has within 31 days of such
2 dependent's attainment of the termination age submitted proof of
3 such dependent's incapacity as described herein. The foregoing
4 provisions of this section shall not require an insurer to
5 insure a dependent who is a mentally retarded or physically
6 handicapped child of an employee or other member of the insured
7 group where such dependent does not satisfy the conditions of
8 the group policy as to any requirements for evidence of
9 insurability or other provisions as may be stated in the group
10 policy required for coverage thereunder to take effect. In any
11 such case the terms of the policy shall apply with regard to the
12 coverage or exclusion from coverage of such dependent.

13 Section 7. Conversion privileges.

14 A group policy delivered or issued for delivery in this
15 Commonwealth which provides hospital, surgical or major medical
16 expense insurance, or any combination of these coverages, on an
17 expense incurred basis, but not a policy which provides benefits
18 for specific diseases or for accidental injuries only, shall
19 provide that an employee or member whose insurance under the
20 group policy has been terminated for any reason, including
21 discontinuance of the group policy in its entirety or with
22 respect to an insured class, and who has been continuously
23 insured under the group policy, and under any group policy
24 providing similar benefits which it replaces, for at least three
25 months immediately prior to termination, shall be entitled to
26 have issued to him by the insurer a policy of health insurance,
27 hereafter referred to as the converted policy. An employee or
28 member shall not be entitled to have a converted policy issued
29 to him if termination of his insurance under the group policy
30 occurred because he failed to pay any required contribution, or

1 any discontinued group coverage was replaced by similar group
2 coverage within 31 days. Issuance of a converted policy shall be
3 subject to the following conditions:

4 (1) Written application for the converted policy shall
5 be made and the first premium paid to the insurer not later
6 than 31 days after such termination.

7 (2) The converted policy shall be issued without
8 evidence of insurability.

9 (3) The premium on the individual policy shall be at the
10 insurer's then customary rate applicable to the form and
11 amount of the individual policy, to the class of risk to
12 which such person then belongs and to his age attained on the
13 effective date of the individual policy.

14 (4) The effective date of the converted policy shall be
15 the day following the termination of insurance under the
16 group policy.

17 (5) The converted policy shall cover the employee or
18 member and his dependents who were covered by the group
19 policy on the date of termination of insurance. At the option
20 of the insurer, a separate converted policy may be issued to
21 cover any dependent.

22 (6) The insurer shall not be required to issue a
23 converted policy covering any person if such person is or
24 could be covered by Medicare under Title XVIII of the Federal
25 Social Security Act as added by the Social Security
26 Amendments of 1965 or as later amended or superseded.
27 Furthermore, the insurer shall not be required to issue a
28 converted policy covering any person if:

29 (i) (A) such person is covered for similar benefits
30 by another hospital, surgical, medical or major

1 medical expense insurance policy or hospital or
2 medical service subscriber contract or medical
3 practice or other prepayment plan or by any other
4 plan or program;

5 (B) such person is eligible for similar
6 benefits, whether or not covered therefor, under any
7 arrangement of coverage for individuals in a group,
8 whether on an insured or uninsured basis; or

9 (C) similar benefits are provided for or
10 available to such person, pursuant to or in
11 accordance with the requirements of any State or
12 Federal law; and

13 (ii) the benefits provided under the sources
14 referred to in subparagraph (i)(A) for such person or
15 benefits provided or available under the sources referred
16 to in subparagraph(i)(B) and (C) for such person together
17 with the benefits provided by the converted policy, would
18 result in overinsurance according to the insurer's
19 standards. The insurer's standards must bear some
20 reasonable relationship to actual health care costs in
21 the area in which the insured lives at the time of
22 conversion and must be filed with the commissioner prior
23 to their use in denying coverage.

24 (7) A converted policy may include a provision whereby
25 the insurer may request information in advance of any premium
26 due date of such policy of any person covered thereunder as
27 to whether:

28 (i) he is covered for similar benefits by another
29 hospital, surgical, medical or major medical expense
30 insurance policy or hospital or medical service

1 subscriber contract or medical practice or other
2 prepayment plan or by any other plan or program;

3 (ii) he is covered for similar benefits under any
4 arrangement of coverage for individuals in a group
5 whether on an insured or uninsured basis; or

6 (iii) similar benefits are provided for or are
7 available to such person, pursuant to or in accordance
8 with the requirements of any State or Federal law. The
9 converted policy may provide that the insurer may refuse
10 to renew the policy or the coverage of any person insured
11 thereunder for the following reasons only:

12 (A) Either the benefits provided under the
13 sources referred to in subparagraphs (i) and (ii) for
14 such person or benefits provided or available under
15 the sources referred to in this subparagraph for such
16 person, together with the benefits provided by the
17 converted policy, would result in overinsurance
18 according to the insurer's standards on file with the
19 commissioner or the converted policy holder fails to
20 provide the requested information.

21 (B) Fraud or material misrepresentation in
22 applying for any benefits under the converted policy.

23 (C) Eligibility of the insured person for
24 coverage by Medicare under Title XVIII of the Federal
25 Social Security Act as added by the Social Security
26 Amendments of 1965 or as later amended or superseded,
27 or under any other State or Federal law providing for
28 benefits similar to those provided by the converted
29 policy.

30 (D) Other reasons approved by the commissioner.

1 (8) An insurer shall not be required to issue a
2 converted policy which provides benefits in excess of those
3 provided under the group policy from which conversion is
4 made.

5 (9) The converted policy shall not exclude a preexisting
6 condition not excluded by the group policy. However,
7 converted policy may provide that any hospital, surgical or
8 medical benefits payable thereunder may be reduced by the
9 amount of any such benefits payable under the group policy
10 after the termination of the individual's insurance
11 thereunder. The converted policy may also include provisions
12 so that during the first policy year the benefits payable
13 under the converted policy, together with the benefits
14 payable under the group policy shall not exceed those that
15 would have been payable had the individual insurance under
16 the group policy remained in force and effect.

17 (10) Subject to the provisions and conditions of this
18 act, if the group insurance policy from which conversion is
19 made insures the employee or member for basic hospital or
20 surgical expense insurance, the employee or member shall be
21 entitled to obtain a converted policy providing, at his
22 option, coverage on an expense incurred basis under any of
23 the plans meeting the following requirements:

24 (i) Plan A:

25 (A) Hospital room and board daily expense
26 benefits in a maximum dollar amount approximating the
27 average semiprivate rate charged in metropolitan
28 areas of this Commonwealth, for a maximum duration of
29 70 days.

30 (B) Miscellaneous hospital expense benefits of a

1 maximum amount of ten times the hospital room and
2 board daily expense benefits.

3 (C) Surgical operation expense benefits
4 according to a surgical schedule consistent with
5 those customarily offered by the insurer under group
6 or individual health insurance policies and providing
7 a maximum benefit of \$800.

8 (ii) Plan B:

9 (A) Hospital room and board daily expense
10 benefits in a maximum dollar amount equal to 75% of
11 the maximum dollar amount determined for Plan A, for
12 a maximum duration of 70 days.

13 (B) Miscellaneous hospital expense benefits of a
14 maximum amount of ten times the hospital room and
15 board daily expense benefits.

16 (C) Surgical operation expense benefits
17 according to a surgical schedule consistent with
18 those customarily offered by the insurer under group
19 or individual health insurance policies and providing
20 a maximum benefit of \$600.

21 (iii) Plan C:

22 (A) Hospital room and board daily expense
23 benefits in a maximum dollar amount equal to 50% of
24 the maximum dollar amount determined for Plan A, for
25 a maximum duration of 70 days.

26 (B) Miscellaneous hospital benefits of a maximum
27 amount of ten times the hospital room and board daily
28 expense benefits.

29 (C) Surgical operation expense benefits
30 according to a surgical schedule consistent with

1 those customarily offered by the insurer under group
2 or individual health insurance policies and providing
3 a maximum benefit of \$400.

4 The maximum dollar amounts in plan A shall be determined by
5 the commissioner and may be redetermined by him from time to
6 time as to converted policies issued subsequent to such
7 redetermination. Such redetermination shall not be made more
8 often than once in three years. The maximum dollar amounts in
9 Plans A, B and C shall be rounded to the nearest multiple of
10 \$10.

11 (11) Subject to the provisions and conditions of this
12 act, if the group insurance policy from which conversion is
13 made insures the employee or member for major medical expense
14 insurance, the employee or member shall be entitled to obtain
15 a converted policy providing catastrophic or major medical
16 coverage under a plan meeting the following requirements:

17 (i) A maximum benefit at least equal to either, at
18 the option of the insurer.

19 (A) The smaller of the following amounts: the
20 maximum benefit provided under the group policy or a
21 maximum payment of \$250,000 per covered person for
22 all covered medical expenses incurred during the
23 covered person's lifetime.

24 (B) The smaller of the following amounts: the
25 maximum benefit provided under the group policy or a
26 maximum payment of \$250,000 for each unrelated injury
27 or sickness.

28 (ii) Payment of benefits at the rate of 80% of
29 covered medical expenses which are in excess of the
30 deductible, until 20% of such expenses in a benefit

1 period reaches \$1,000, after which benefits will be paid
2 at the rate of 100% during the remainder of such benefit
3 period. Payment of benefits for outpatient treatment of
4 mental illness, if provided in the converted policy, may
5 be at a lesser rate but not less than 50%.

6 (iii) A deductible for each benefit period which, at
7 the option of the insurer, shall be:

8 (A) the sum of the benefits deductible and \$100;

9 (B) a cash deductible, not to exceed \$1,000;

10 (C) the greater of the benefits deductible or
11 \$500; or

12 (D) the corresponding deductible in the group
13 policy.

14 The term benefit deductible, as used herein, means the
15 value of any benefits provided on an expense incurred
16 basis which are provided with respect to covered medical
17 expenses by any other hospital, surgical or medical
18 insurance policy or hospital or medical service
19 subscriber contract or medical practice or other
20 prepayment plan, or any other plan or program whether on
21 an insured or uninsured basis or in accordance with the
22 requirements of any State or Federal law and, if pursuant
23 to paragraph (12), the converted policy provides both
24 basic hospital or surgical coverage and major medical
25 coverage, the value of such basic benefits. If the
26 maximum benefit is determined by clause (B), the insurer
27 may require that the deductible be satisfied during a
28 period of not less than three months if the deductible is
29 \$100 or less, and not less than six months if the
30 deductible exceeds \$100.

1 (iv) The benefit period shall be each calendar year
2 when the maximum benefit is determined by clause (A) or
3 24 months when the maximum benefit is determined by
4 clause (B).

5 (v) The term covered medical expenses, as used
6 above, shall include at least, in the case of hospital
7 room and board charges, the lesser of the dollar amount
8 in Plan A and the average semiprivate room and board rate
9 for the hospital in which the individual is confined and
10 twice such amount for charges in an intensive care unit.
11 Any surgical schedule shall be consistent with those
12 customarily offered by the insurer under group or
13 individual health insurance policies and must provide at
14 least a \$1,200 maximum benefit.

15 (12) The conversion privilege required by this act
16 shall, if the group insurance policy insures the employee or
17 member for basic hospital or surgical expense insurance as
18 well as major medical expense insurance, make available the
19 plans of benefits set forth in paragraphs (10) and (11). At
20 the option of the insurer, such plans of benefits may be
21 provided under one policy. The insurer may also, in lieu of
22 the plans of benefits set forth in paragraphs (10) and (11),
23 provide a policy of comprehensive medical expense benefits
24 without first dollar coverage. The policy shall conform to
25 the requirements of paragraph (11) but an insurer electing to
26 provide such a policy shall make available a low deductible
27 option, not to exceed \$100, a high deductible option between
28 \$500 and \$1,000, and a third deductible option midway between
29 the high and low deductible options.

30 (13) The insurer may, at its option, also offer

1 alternative plans for group health conversion in addition to
2 those required by this act.

3 (14) In the event coverage would be continued under the
4 group policy on an employee following his retirement prior to
5 the time he is or could be covered by Medicare, he may elect,
6 in lieu of such continuation of group insurance, to have the
7 same conversion rights as would apply had his insurance
8 terminated at retirement by reason of termination of
9 employment or membership.

10 (15) The converted policy may provide for reduction of
11 coverage on any person upon his eligibility for coverage by
12 Medicare under Title XVIII of the Federal Social Security Act
13 as added by the Social Security Amendments of 1965 or as
14 later amended or superseded, or under any other State or
15 Federal law providing for benefits similar to those provided
16 by the converted policy.

17 (16) The conversion privilege shall also be available:

18 (i) to the surviving spouse, if any, at the death of
19 the employee or member, with respect to the spouse and
20 such children whose coverage under the group policy
21 terminates by reason of such death, otherwise to each
22 surviving child whose coverage under the group policy
23 terminates by reason of such death, or, if the group
24 policy provides for continuation of dependents coverage
25 following the employee's or member's death, at the end of
26 such continuation;

27 (ii) to the spouse of the employee or member upon
28 termination of coverage of the spouse, while the employee
29 or member remains insured under the group policy, by
30 reason of ceasing to be a qualified family member under

1 the group policy, with respect to the spouse and such
2 children whose coverage under the group policy terminates
3 at the same time; or

4 (iii) to a child solely with respect to himself upon
5 termination of his coverage by reason of ceasing to be a
6 qualified family member under the group policy, if a
7 conversion privilege is not otherwise provided above with
8 respect to such termination.

9 (17) If the benefit levels required in paragraph (10)
10 exceed the benefit levels provided under the group policy,
11 the conversion policy may offer benefits which are
12 substantially similar to those provided under the group
13 policy in lieu of those required in paragraph (10).

14 (18) The insurer may elect to provide group insurance
15 coverage in lieu of the issuance of a converted individual
16 policy.

17 (19) A notification of the conversion privilege shall be
18 included in each certificate of coverage. Each certificate
19 holder in the insured group shall be given written notice of
20 such conversion privilege and its duration within 15 days
21 before or after the date of termination of group coverage,
22 provided that if such notice be given more than 15 days but
23 less than 90 days after the date of termination of group
24 coverage, the time allowed for the exercise of such privilege
25 of conversion shall be extended for 15 days after the giving
26 of such notice. If such notice be not given within 90 days
27 after the date of termination of group coverage, the time
28 allowed for the exercise of such conversion privilege shall
29 expire at the end of such 90 days. Written notice by the
30 contract holder given to the certificate holder or mailed to

1 the certificate holder at his last known address, or written
2 notice by the insurer mailed to the certificate holder at the
3 last address furnished to the insurer by the contract holder,
4 shall be deemed full compliance with the provisions of this
5 paragraph for the giving of notice. A group contract issued
6 by an insurer may contain a provision to the effect that
7 notice of such conversion privilege and its duration shall be
8 given by the contract holder to each certificate holder upon
9 termination of his group coverage.

10 (20) Where the contract holder is the employer of the
11 certificate holder, the insurer shall also give written
12 notice of termination of the group contract to any
13 organization or organizations representing such certificate
14 holder for the purpose of collective bargaining, and the
15 employer shall provide to the insurer a written list of such
16 organizations within ten days after the date the policy is
17 issued and thereafter within ten days of the beginning or
18 termination of representation by any such organization of any
19 certificate holder or holders, which list shall identify the
20 collective bargaining unit and the group insurance contract
21 to which the request relates. There shall be no liability on
22 the part of, and no cause of action of any nature shall arise
23 against, any labor organization representing the employees of
24 a contract holder for the purposes of collective bargaining
25 due to any action it takes or fails to take as to the written
26 notice required to be given by the insurer under this
27 paragraph unless shown to have been done in bad faith with
28 malice in fact by any such organization. Compliance or
29 noncompliance with the provisions of this paragraph shall in
30 no way affect the rights, duties or obligations of the

1 contract holder, insurer or certificate holder as otherwise
2 set forth in this act.

3 (21) A converted policy which is delivered outside this
4 Commonwealth may be on a form which could be delivered in
5 such other jurisdiction as a converted policy had the group
6 policy been issued in that jurisdiction.

7 Section 8. Repeals.

8 Section 621.2(a)(6) and (d) of the act of May 17, 1921
9 (P.L.682, No.284), known as The Insurance Company Law of 1921,
10 are repealed.

11 Section 9. Effective date.

12 This act shall take effect in 180 days.