

# HOUSE BILL No. 4224

March 3, 1987, Introduced by Reps. Perry Bullard, DeMars, Weeks, Bartnik, Gubow, Leland, Browne, Scott and Jonker and referred to the Committee on Insurance.

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

"The insurance code of 1956,"

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:

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

5       SEC. 3612. (1) EXCEPT AS OTHERWISE PROVIDED IN  
6 SUBSECTION (2), EACH GROUP DISABILITY INSURANCE POLICY THAT  
7 INCLUDES HOSPITAL, MEDICAL, SURGICAL, OR SICK-CARE BENEFITS WHICH  
8 IS RENEWED OR IN EFFECT IN THIS STATE AFTER DECEMBER 31, 1987,  
9 SHALL INCLUDE PROVISIONS CONSISTENT WITH THIS SECTION.

1       (2) THIS SECTION SHALL NOT APPLY TO ANY GROUP DISABILITY  
2 INSURANCE POLICY IN ANY CALENDAR YEAR IF, DURING THE PRECEDING  
3 CALENDAR YEAR, EITHER OF THE FOLLOWING OCCURS:

4       (A) THE GROUP POLICYHOLDER MAINTAINING THE POLICY EMPLOYED  
5 FEWER THAN 20 EMPLOYEES FOR MORE THAN 270 DAYS.

6       (B) THE GROUP COVERED BY THE GROUP DISABILITY INSURANCE  
7 POLICY CONSISTED OF FEWER THAN 20 MEMBERS FOR MORE THAN 270  
8 DAYS.

9       (3) IF THE SPOUSE OR A DEPENDENT CHILD OF A MEMBER INSURED  
10 UNDER A GROUP DISABILITY INSURANCE POLICY IS ALSO INSURED UNDER  
11 THE POLICY, THE SPOUSE OR DEPENDENT CHILD MAY ELECT TO BE CONTIN-  
12 UED UNDER THE POLICY IF 1 OF THE FOLLOWING QUALIFYING EVENTS  
13 OCCURS:

14       (A) THE RETIREMENT OF THE GROUP MEMBER FROM HIS OR HER  
15 EMPLOYMENT.

16       (B) THE DIVORCE OR LEGAL SEPARATION OF THE GROUP MEMBER FROM  
17 HIS OR HER SPOUSE.

18       (C) THE DEATH OF THE GROUP MEMBER.

19       (4) A SPOUSE OR DEPENDENT CHILD WHO TIMELY ELECTS TO CON-  
20 TINUE UNDER A GROUP DISABILITY INSURANCE POLICY PURSUANT TO THIS  
21 SECTION SHALL RECEIVE COVERAGE IDENTICAL TO THE COVERAGE RECEIVED  
22 BY SIMILARLY SITUATED SPOUSES AND DEPENDENT CHILDREN COVERED  
23 UNDER THE GROUP DISABILITY POLICY WITH RESPECT TO WHOM A QUALIFY-  
24 ING EVENT HAS NOT OCCURRED. THE ELECTION BY A SPOUSE OR DEPENDENT  
25 CHILD OF CONTINUED COVERAGE SHALL BE CONSIDERED TIMELY IF  
26 NOTICE OF THE ELECTION IS GIVEN TO THE GROUP POLICYHOLDER AS  
27 PROVIDED IN SUBSECTION (15).

1 (5) EXCEPT AS OTHERWISE SPECIFIED IN AN ELECTION BY A  
2 DEPENDENT CHILD, AN ELECTION BY THE SPOUSE OF A GROUP MEMBER TO  
3 CONTINUED COVERAGE UNDER A GROUP DISABILITY INSURANCE POLICY PUR-  
4 SUANT TO THIS SECTION SHALL BE CONSIDERED AN ELECTION OF CONTIN-  
5 UED COVERAGE FOR EACH DEPENDENT CHILD WHO WOULD OTHERWISE LOSE  
6 COVERAGE BECAUSE OF THE OCCURRENCE OF A QUALIFYING EVENT.

7 (6) A PROVISION OF A GROUP DISABILITY INSURANCE POLICY MAY  
8 REQUIRE PAYMENT OF A PREMIUM BY THE SPOUSE OR DEPENDENT CHILD FOR  
9 ANY PERIOD OF CONTINUED COVERAGE, BEGINNING ON THE DATE ON WHICH  
10 THE QUALIFYING EVENT OCCURS. THE PREMIUM:

11 (A) SHALL NOT EXCEED 102% OF THE PREMIUM AMOUNT PAID BY SIM-  
12 ILARLY SITUATED SPOUSES AND DEPENDENT CHILDREN COVERED UNDER THE  
13 GROUP DISABILITY INSURANCE POLICY WITH RESPECT TO WHOM A QUALIFY-  
14 ING EVENT HAS NOT OCCURRED.

15 (B) SHALL BE PAID TO THE GROUP POLICYHOLDER.

16 (C) MAY, AT THE ELECTION OF THE SPOUSE OR DEPENDENT CHILD,  
17 BE MADE IN MONTHLY INSTALLMENTS.

18 (7) IF AN ELECTION TO CONTINUE COVERAGE IS MADE AFTER THE  
19 QUALIFYING EVENT, THE GROUP POLICY SHALL ALLOW THE SPOUSE OR  
20 DEPENDENT CHILD AT LEAST 45 DAYS AFTER THE DATE OF ELECTION TO  
21 PAY THE PREMIUM FOR CONTINUATION COVERAGE FOR THE PERIOD PRECED-  
22 ING THE DATE OF ELECTION.

23 (8) COVERAGE OF A SPOUSE OR DEPENDENT CHILD WHO TIMELY  
24 ELECTS TO BE CONTINUED UNDER A GROUP DISABILITY INSURANCE POLICY  
25 SHALL BE CONTINUED WITHOUT INTERRUPTION FROM, AND INCLUDING THE  
26 DATE OF THE OCCURRENCE OF THE QUALIFYING EVENT, AND SHALL NOT BE  
27 TERMINATED UNLESS 1 OF THE FOLLOWING OCCURS:

1 (A) THE GROUP POLICYHOLDER CEASES TO PROVIDE ANY GROUP  
2 HEALTH PLAN TO ANY POLICYHOLDER.

3 (B) THE SPOUSE OR DEPENDENT CHILD FAILS TO PAY THE PREMIUM  
4 IN A TIMELY FASHION.

5 (C) THE SPOUSE OR DEPENDENT CHILD BECOMES ELIGIBLE FOR  
6 EQUIVALENT COVERAGE UNDER ANOTHER GROUP HEALTH PLAN WITH AN  
7 EQUIVALENT PREMIUM.

8 (D) FOR INSUREDS WHO ARE DEPENDENT CHILDREN OF THE GROUP  
9 MEMBER, UPON CEASING TO BE A DEPENDENT CHILD UNDER THE GENERALLY  
10 APPLICABLE REQUIREMENTS OF THE GROUP POLICY, OR UNDER APPLICABLE  
11 FEDERAL LAW, WHICHEVER PROVIDES THE DEPENDENT CHILD WITH GREATER  
12 COVERAGE.

13 (9) THE ELIGIBILITY OF THE SPOUSE OR DEPENDENT CHILDREN FOR  
14 MEDICARE BENEFITS UNDER TITLE XVIII OF THE SOCIAL SECURITY ACT,  
15 42 U.S.C. 1395 TO 1395zz, SHALL NOT TERMINATE THEIR CONTINUED  
16 COVERAGE UNDER THE GROUP DISABILITY INSURANCE POLICY. HOWEVER,  
17 THE SPOUSE OR DEPENDENT CHILDREN MAY ELECT TO CONVERT TO A MEDI-  
18 CARE SUPPLEMENTAL POLICY. THE GROUP POLICYHOLDER SHALL NOTIFY A  
19 SPOUSE OF HIS OR HER OPTION TO SELECT A MEDICARE SUPPLEMENTAL  
20 POLICY. THE NOTICE SHALL BE GIVEN NOT LATER THAN 30 DAYS AFTER  
21 THE SPOUSE BECOMES ELIGIBLE FOR MEDICARE BENEFITS.

22 (10) A GROUP POLICYHOLDER SHALL NOTIFY ALL GROUP MEMBERS AND  
23 THE MEMBERS' SPOUSES AND DEPENDENT CHILDREN OF THE OPTION TO CON-  
24 TINUE UNDER THE GROUP DISABILITY INSURANCE POLICY. THE NOTICE  
25 SHALL BE GIVEN NOT LATER THAN 30 DAYS AFTER THE EFFECTIVE DATE OF  
26 THIS SECTION, AND THEREAFTER UPON ISSUANCE OF ANY NEW GROUP  
27 POLICY.

1 (11) A GROUP POLICYHOLDER SHALL NOTIFY EACH NEW GROUP MEMBER  
2 AND THE MEMBER'S SPOUSE AND DEPENDENT CHILDREN OF THE OPTION TO  
3 CONTINUE UNDER THE GROUP DISABILITY INSURANCE POLICY. THE NOTICE  
4 SHALL BE GIVEN NOT LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE  
5 NEW MEMBER RECEIVES COVERAGE UNDER AN ESTABLISHED GROUP POLICY.

6 (12) A GROUP MEMBER OR THE MEMBER'S SPOUSE SHALL NOTIFY THE  
7 GROUP POLICYHOLDER OF THE OCCURRENCE OF A QUALIFYING EVENT AS  
8 FOLLOWS:

9 (A) A GROUP MEMBER OR THE MEMBER'S SPOUSE SHALL NOTIFY THE  
10 GROUP POLICYHOLDER OF THE DATE OF THE MEMBER'S DIVORCE OR LEGAL  
11 SEPARATION NOT LATER THAN 30 DAYS AFTER THE DATE OF THE DIVORCE  
12 OR LEGAL SEPARATION.

13 (B) IF A GROUP POLICYHOLDER IS NOT THE EMPLOYER OF A GROUP  
14 MEMBER, THE SPOUSE OF A DECEASED GROUP MEMBER SHALL NOTIFY THE  
15 GROUP POLICYHOLDER OF THE DATE OF THE GROUP MEMBER'S DEATH NOT  
16 LATER THAN 30 DAYS AFTER THE DATE OF DEATH.

17 (13) A GROUP POLICYHOLDER SHALL NOTIFY THE SPOUSE AND DEPENDENT  
18 CHILDREN OF A GROUP MEMBER OF THEIR OPTION TO ELECT CONTINUED  
19 COVERAGE UNDER THE GROUP DISABILITY INSURANCE POLICY. THE  
20 NOTICE SHALL BE GIVEN NOT SOONER THAN 45 DAYS BEFORE, AND NOT  
21 LATER THAN 45 DAYS AFTER, THE DATE OF THE OCCURRENCE OF A QUALIFYING  
22 EVENT.

23 (14) A GROUP POLICYHOLDER SHALL NOTIFY THE INSURER OF THE  
24 OCCURRENCE OF A QUALIFYING EVENT NOT LATER THAN 45 DAYS AFTER THE  
25 DATE OF THE OCCURRENCE OF THE QUALIFYING EVENT.

26 (15) A SPOUSE OR DEPENDENT CHILD OF A GROUP MEMBER SHALL  
27 NOTIFY THE GROUP POLICYHOLDER OF THEIR ELECTION TO CONTINUE UNDER

1 A GROUP DISABILITY INSURANCE POLICY NOT LATER THAN 30 DAYS AFTER  
2 THEIR RECEIPT OF THE NOTICE PROVIDED FOR IN SUBSECTION (13).

3 (16) A GROUP POLICYHOLDER SHALL NOTIFY THE INSURER OF THE  
4 ELECTION BY THE SPOUSE AND DEPENDENT CHILDREN TO CONTINUE COVER-  
5 AGE UNDER A GROUP DISABILITY INSURANCE POLICY. THE NOTICE SHALL  
6 BE GIVEN NOT LATER THAN 15 DAYS AFTER THE GROUP POLICYHOLDER  
7 RECEIVES THE NOTICE PROVIDED FOR IN SUBSECTION (15).

8 (17) NOTICE TO THE SPOUSE OF A GROUP MEMBER PURSUANT TO SUB-  
9 SECTION (10), (11), OR (13) SHALL BE CONSIDERED NOTIFICATION TO  
10 ALL DEPENDENT CHILDREN RESIDING WITH THE SPOUSE AT THE TIME OF  
11 NOTIFICATION.

12 (18) THIS SECTION SHALL NOT BE CONSTRUED TO INTERFERE WITH  
13 OR DIMINISH ANY PROTECTION PROVIDED PURSUANT TO A COLLECTIVE BAR-  
14 GAINING AGREEMENT OR AN EMPLOYER-SPONSORED HEALTH PLAN THAT IS  
15 MORE FAVORABLE TO THE DEPENDENTS BENEFITED UNDER THE AGREEMENT OR  
16 PLAN THAN THE PROTECTION OFFERED BY THIS SECTION.

17 (19) AS USED IN THIS SECTION, "QUALIFYING EVENT" MEANS 1 OF  
18 THE EVENTS DESCRIBED IN SUBSECTION (3)(A) TO (C).

19 Section 2. This amendatory act shall not take effect unless  
20 all of the following bills of the 84th Legislature are enacted  
21 into law:

22 (a) House Bill No. 4227 (request no. 00692'87 a).

23 (b) House Bill No. 4225 (request no. 00692'87 b).

24 (c) House Bill No. 4226 (request no. 00692'87 c).