

1 AN ACT concerning insurance.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Insurance Code is amended by
5 changing Sections 367.2 and 367e, and adding Section 367.2-5
6 as follows:

7 (215 ILCS 5/367.2) (from Ch. 73, par. 979.2)

8 Sec. 367.2. Continuation privilege; group contracts.

9 A. No policy of group accident or health insurance, nor
10 any certificate thereunder shall be delivered or issued for
11 delivery in this State after December 1, 1985, unless the
12 policy provides for a continuation of the existing insurance
13 benefits for an employee's spouse and dependent children who
14 are insured under the provisions of that group policy or
15 certificate thereunder, notwithstanding that the marriage is
16 dissolved by judgment or terminated by the death of the
17 employee spouse or, after the effective date of this
18 amendatory Act of the 93rd General Assembly 1991,
19 notwithstanding the retirement of the employee who has
20 attained age 65 spouse provided that the employee's spouse is
21 at least 55 years of age, in each case without any other
22 eligibility requirements. The provisions of this amendatory
23 Act of the 93rd General Assembly 1991 apply to every group
24 policy of accident or health insurance and every certificate
25 issued thereunder delivered or issued for delivery after the
26 effective date of this amendatory Act of the 93rd General
27 Assembly 1991.

28 B. Within 30 days of the entry of judgment or the death
29 or retirement of the employee spouse, the spouse of an
30 employee insured under the policy who seeks a continuation of
31 coverage thereunder shall give the employer or and the

1 insurer written notice of the dissolution of the marriage or
 2 the death or retirement of the employee spouse. The
 3 employer, within 15 days of receipt of the notice shall give
 4 written notice of the dissolution of the employee's marriage
 5 or the death or retirement of the employee and that former
 6 spouse's or retired employee's spouse's residence, to the
 7 insurance company issuing the policy. ~~of the dissolution of~~
 8 ~~the employee's marriage or the death or retirement of the~~
 9 ~~employee spouse and the former or retired employee's spouse's~~
 10 ~~residence.~~

11 The employer shall immediately send a copy of the notice
 12 to the former spouse of the employee or the spouse of the
 13 retired employee at the retired employee's spouse's residence
 14 or at the former spouse's residence. For purposes of this
 15 Act, the term "former spouse" includes "widow" or "widower".

16 C. Within 30 days after the date of receipt of a notice
 17 from the employer, retired employee's spouse or former spouse
 18 or of the initiation of a new group policy, the insurance
 19 company, by certified mail, return receipt requested, shall
 20 notify the retired employee's spouse or former spouse at his
 21 or her residence that the policy may be continued for ~~as to~~
 22 that retired employee's spouse or former spouse and covered
 23 dependents, and the notice shall include:

- 24 (i) a form for election to continue the insurance
- 25 coverage;
- 26 (ii) the amount of periodic premiums to be charged
- 27 for continuation coverage and the method and place of
- 28 payment; and
- 29 (iii) instructions for returning the election form
- 30 ~~by certified mail, return receipt requested,~~ within 30
- 31 days after the date it is received from ~~of the mailing~~
- 32 ~~receipt of the instruction by~~ the insurance company.

33 Failure of the retired employee's spouse or former spouse
 34 to exercise the election to continue insurance coverage by

1 notifying the insurance company in writing ~~by certified mail,~~
2 ~~return--receipt--requested,~~ within such 30 day period shall
3 terminate the continuation of benefits and the right to
4 continuation.

5 If the insurance company fails to notify the retired
6 employee's spouse or former spouse as provided for in
7 subsection C hereof, all premiums shall be waived from the
8 date the notice was required until notice is sent, and the
9 benefits shall continue under the terms and provisions of the
10 policy, from the date the notice was required until the
11 notice is sent, notwithstanding any other provision hereof,
12 except where the benefits in existence at the time the
13 company's notice was to be sent pursuant to subsection C are
14 terminated as to all employees.

15 D. With respect to a former spouse who has not attained
16 the age of 55 at the time continuation coverage begins
17 hereunder, the monthly premium for continuation shall be
18 computed as follows:

19 (i) an amount, if any, that would be charged an
20 employee if the former spouse were a current employee of
21 the employer, plus;

22 (ii) an amount, if any, that the employer would
23 contribute toward the premium if the former spouse were a
24 current employee.

25 Failure to pay the initial monthly premium within 30 days
26 after the date of receipt of notice required in subsection C
27 of this Section terminates the continuation benefits and the
28 right to continuation benefits.

29 The continuation coverage for ~~right-granted-hereunder--to~~
30 former spouses who have not attained the age of 55 at the
31 time coverage begins hereunder shall terminate upon the
32 earliest to happen of the following:

33 (i) The failure to pay premiums when due, including
34 any grace period allowed by the policy; or

1 (ii) When coverage would terminate under the terms
2 of the existing policy if the employee and former spouse
3 were still married to each other; however, the existing
4 coverage shall not be modified or terminated during the
5 first 120 consecutive days subsequent to the employee
6 spouse's death or to the entry of the judgment dissolving
7 the marriage existing between the employee and the former
8 spouse unless the master policy in existence at the time
9 is modified or terminated as to all employees; or

10 (iii) the date on which the former spouse first
11 becomes, after the date of election, an insured employee
12 under any other group health plan; or

13 (iv) the date on which the former spouse remarries;
14 or

15 (v) the expiration of 2 years from the date
16 continuation coverage began hereunder.

17 Upon the termination of continuation coverage hereunder,
18 the former spouse shall be entitled to convert the coverage
19 to an individual policy.

20 The continuation rights granted to former spouses who
21 have not attained age 55 shall also include eligible
22 dependents insured prior to the dissolution of marriage or
23 the death of the employee.

24 E. With respect to a retired employee's spouse or former
25 spouse who has attained the age of 55 at the time
26 continuation coverage begins hereunder, the monthly premium
27 for the continuation shall be computed as follows:

28 (i) an amount, if any, that would be charged an
29 employee if the retired employee's spouse or former
30 spouse were a current employee of the employer, plus;

31 (ii) an amount, if any, that the employer would
32 contribute toward the premium if the retired employee's
33 spouse or former spouse were a current employee.

34 Beginning 2 years after coverage begins under this

1 paragraph, the monthly premium shall be computed as follows:

2 (i) an amount, if any, that would be charged an
3 employee if the retired employee's spouse or former
4 spouse were a current employee of the employer, plus;

5 (ii) an amount, if any, that the employer would
6 contribute toward the premium if the retired employee's
7 spouse or former spouse were a current employee.

8 (iii) an additional amount, not to exceed 20% of
9 (i) and (ii) above, for costs of administration.

10 Failure to pay the initial monthly premium within 30 days
11 after the date of receipt of the notice required in
12 subsection C of this Section terminates the continuation
13 benefits and the right to continuation benefits.

14 The continuation coverage for right--granted--to retired
15 employees' spouses and former spouses who have attained the
16 age of 55 at the time coverage begins hereunder shall
17 terminate upon the earliest to happen of the following:

18 (i) The failure to pay premiums when due, including
19 any grace period allowed by the policy; or

20 (ii) When coverage would terminate, except due to
21 the retirement of an employee, under the terms of the
22 existing policy if the employee and former spouse were
23 still married to each other; however, the existing
24 coverage shall not be modified or terminated during the
25 first 120 consecutive days subsequent to the employee
26 spouse's death or retirement to the entry of the judgment
27 dissolving the marriage existing between the employee and
28 the former spouse unless the master policy in existence
29 at the time is modified or terminated as to all
30 employees; or

31 (iii) the date on which the retired employee's
32 spouse or former spouse first becomes, after the date of
33 election, an insured employee under any other group
34 health plan; or

1 (iv) the date on which the former spouse remarries;
2 or

3 (v) the date that person reaches the qualifying age
4 or otherwise establishes eligibility under the Medicare
5 Program pursuant to Title XVIII of the federal Social
6 Security Act.

7 Upon the termination of continuation coverage hereunder,
8 the former spouse shall be entitled to convert the coverage
9 to an individual policy.

10 The continuation rights granted to former spouses who
11 have attained age 55 shall also include eligible dependents
12 insured prior to the dissolution of marriage, the death of
13 the employee, or the retirement of the employee.

14 F. The renewal, amendment, or extension of any group
15 policy affected by this Section shall be deemed to be
16 delivery or issuance for delivery of a new policy or contract
17 of insurance in this State.

18 G. If (i) the policy is canceled eanceled, and (ii)
19 another insurance company contracts to provide group health
20 and accident insurance to the employer, and (iii)
21 continuation coverage is in effect for the retired employee's
22 spouse or former spouse at the time of cancellation and (iv)
23 the employee is or would have been included under the new
24 group policy, then the new insurer must also offer
25 continuation coverage to the retired employee's spouse and to
26 an employee's former spouse under the same terms and
27 conditions as contained in this Section.

28 H. This Section shall not limit the right of the retired
29 employee's spouse or any former spouse to exercise the
30 privilege to convert to an individual policy as contained in
31 this Code.

32 I. No person who obtains coverage under this Section
33 shall be required to pay a rate greater than that applicable
34 to any employee or member covered under that group except as

1 provided in clause (iii) of the second paragraph of
2 subsection E.

3 (Source: P.A. 87-615.)

4 (215 ILCS 5/367.2-5 new)

5 Sec. 367.2-5. Dependent child continuation privilege;
6 group contracts.

7 (a) No policy of group accident or health insurance, nor
8 any certificate thereunder shall be amended, renewed,
9 delivered, or issued for delivery in this State after July 1,
10 2004, unless the policy provides for a continuation of the
11 existing insurance benefits for an employee's dependent child
12 who is insured under the provisions of that group policy or
13 certificate in the event of the death of the employee and the
14 child is not eligible for coverage as a dependent under the
15 provisions of Section 367.2 or the dependent child has
16 attained the limiting age under the policy.

17 (b) In the event of the death of the employee, if
18 continuation coverage is desired, the dependent child or a
19 responsible adult acting on behalf of the dependent child
20 shall give the employer or the insurer written notice of the
21 death of employee within 30 days of the date the coverage
22 terminates. The employer, within 15 days of receipt of the
23 notice, shall give written notice to the insurance company
24 issuing the policy of the death of the employee and the
25 dependent child's residence. The employer shall immediately
26 send a copy of the notice to the dependent child or
27 responsible adult at the dependent child's residence.

28 (c) In the event of the dependent child attaining the
29 limiting age under the policy, if continuation coverage is
30 desired, the dependent child shall give the employer or the
31 insurer written notice of the attainment of the limiting age
32 within 30 days of the date the coverage terminates. The
33 employer, within 15 days of receipt of the notice, shall give

1 written notice to the insurance company issuing the policy of
2 the attainment of the limiting age by the dependent child and
3 of the dependent child's residence.

4 (d) Within 30 days after the date of receipt of a notice
5 from the employer, dependent child, or responsible adult
6 acting on behalf of the dependent child, or of the initiation
7 of a new group policy, the insurance company, by certified
8 mail, return receipt requested, shall notify the dependent
9 child or responsible adult at the dependent child's residence
10 that the policy may be continued for the dependent child.

11 The notice shall include:

12 (1) a form for election to continue the insurance
13 coverage;

14 (2) the amount of periodic premiums to be charged
15 for continuation coverage and the method and place of
16 payment; and

17 (3) instructions for returning the election form
18 within 30 days after the date it is received from the
19 insurance company.

20 Failure of the dependent child or the responsible adult
21 acting on behalf of the dependent child to exercise the
22 election to continue insurance coverage by notifying the
23 insurance company in writing within such 30 day period shall
24 terminate the continuation of benefits and the right to
25 continuation.

26 If the insurance company fails to notify the dependent
27 child or responsible adult acting on behalf of the dependent
28 child as provided for in this subsection (d), all premiums
29 shall be waived from the date the notice was required until
30 notice was sent, and the benefits shall continue under the
31 terms and provisions of the policy, from the date the notice
32 was required until the notice was sent, notwithstanding any
33 other provision hereof, except where the benefits in
34 existence at the time the company's notice was to be sent

1 pursuant to this subsection (d) are terminated as to all
2 employees.

3 (e) The monthly premium for continuation shall be
4 computed as follows:

5 (1) an amount, if any, that would be charged an
6 employee if the dependent child were a current employee
7 of the employer, plus;

8 (2) an amount, if any, that the employer would
9 contribute toward the premium if the dependent child were
10 a current employee.

11 Failure to pay the initial monthly premium within 30 days
12 after the date of receipt of notice required in subsection
13 (d) of this Section terminates the continuation benefits and
14 the right to continuation benefits.

15 Continuation coverage provided under this Act shall
16 terminate upon the earliest to happen of the following:

17 (1) the failure to pay premiums when due, including
18 any grace period allowed by the policy;

19 (2) when coverage would terminate under the terms
20 of the existing policy if the dependent child was still
21 an eligible dependent of the employee;

22 (3) the date on which the dependent child first
23 becomes, after the date of election, an insured employee
24 under any other group health plan; or

25 (4) the expiration of 2 years from the date
26 continuation coverage began.

27 Upon the termination of continuation coverage, the
28 dependent child shall be entitled to convert the coverage to
29 an individual policy.

30 (f) The renewal, amendment, or extension of any group
31 policy affected by this Section shall be deemed to be
32 delivery or issuance for delivery of a new policy or contract
33 of insurance in this State.

34 (g) If (1) the policy is cancelled, and (2) another

1 insurance company contracts to provide group health and
2 accident insurance to the employer, and (3) continuation
3 coverage is in effect for the dependent child at the time of
4 cancellation, and (4) the employee is or would have been
5 included under the new group policy, then the new insurer
6 must also offer continuation coverage to the dependent child
7 under the same terms and conditions as contained in this
8 Section.

9 (h) This Section shall not limit the right of any
10 dependent child to exercise the privilege to convert to an
11 individual policy as contained in this Code.

12 (i) No person who obtains coverage under this Section
13 shall be required to pay a rate greater than that applicable
14 to any employee or member covered under that group.

15 (215 ILCS 5/367e) (from Ch. 73, par. 979e)

16 Sec. 367e. Continuation of Group Hospital, Surgical and
17 Major Medical Coverage After Termination of Employment or
18 Membership.

19 A group policy delivered, issued for delivery, renewed or
20 amended in this state which insures employees or members for
21 hospital, surgical or major medical insurance on an expense
22 incurred or service basis, other than for specific diseases
23 or for accidental injuries only, shall provide that employees
24 or members whose insurance under the group policy would
25 otherwise terminate because of termination of employment or
26 membership or because of a reduction in hours below the
27 minimum required by the group plan shall be entitled to
28 continue their hospital, surgical and major medical insurance
29 under that group policy, for themselves and their eligible
30 dependents, subject to all of the group policy's terms and
31 conditions applicable to those forms of insurance and to the
32 following conditions:

33 1. Continuation shall only be available to an employee

1 or member who has been continuously insured under the group
2 policy (and for similar benefits under any group policy which
3 it replaced) during the entire 3 months period ending with
4 such termination or reduction in hours below the minimum
5 required by the group plan.

6 2. Continuation shall not be available for any person
7 who is covered by Medicare, except for those individuals who
8 have been covered under a group Medicare supplement policy.
9 Neither shall continuation be available for any person who is
10 covered by any other insured or uninsured plan which provides
11 hospital, surgical or medical coverage for individuals in a
12 group and under which the person was not covered immediately
13 prior to such termination or reduction in hours below the
14 minimum required by the group plan or who exercises his
15 conversion privilege under the group policy.

16 3. Continuation need not include dental, vision care,
17 prescription drug benefits, disability income, specified
18 disease, or similar supplementary benefits which are provided
19 under the group policy in addition to its hospital, surgical
20 or major medical benefits.

21 4. Upon termination or reduction in hours below the
22 minimum required by the group plan written notice of
23 continuation shall be presented to the employee or member by
24 the employer or mailed by the employer to the last known
25 address of the employee. An employee or member who wishes
26 continuation of coverage must request such continuation in
27 writing within the ten-day period following the later of: (i)
28 the date of such termination or reduction in hours below the
29 minimum required by the group plan, or (ii) the date the
30 employee is given written notice of the right of continuation
31 by either the employer or the group policyholder. In no
32 event, however, may the employee or member elect continuation
33 more than 60 days after the date of such termination or
34 reduction in hours below the minimum required by the group

1 plan. Written notice of continuation presented to the
2 employee or member by the policyholder, or mailed by the
3 policyholder to the last known address of the employee, shall
4 constitute the giving of notice for the purpose of this
5 provision.

6 5. An employee or member electing continuation must pay
7 to the group policyholder or his employer, on a monthly basis
8 in advance, the total amount of premium required by the
9 insurer, including that portion of the premium contributed by
10 the policyholder or employer, if any, but not more than the
11 group rate for the insurance being continued with appropriate
12 reduction in premium for any supplementary benefits which
13 have been discontinued under paragraph (3) of this Section.
14 The premium rate required by the insurer shall be the
15 applicable premium required on the due date of each payment.

16 6. Continuation of insurance under the group policy for
17 any person shall terminate when he becomes eligible for
18 Medicare or is covered by any other insured or uninsured plan
19 which provides hospital, surgical or medical coverage for
20 individuals in a group and under which the person was not
21 covered immediately prior to such termination or reduction in
22 hours below the minimum required by the group plan as
23 provided in condition 2 above or, if earlier, at the first to
24 occur of the following:

25 (a) The date 9 months after the date the employee's
26 or member's insurance under the policy would otherwise
27 have terminated because of termination of employment or
28 membership or reduction in hours below the minimum
29 required by the group plan.

30 (b) If the employee or member fails to make timely
31 payment of a required contribution, the end of the period
32 for which contributions were made.

33 (c) The date on which the group policy is
34 terminated or, in the case of an employee, the date his

1 employer terminates participation under the group policy.
2 However, if this (c) applies and the coverage ceasing by
3 reason of such termination is replaced by similar
4 coverage under another group policy, the following shall
5 apply:

6 (i) The employee or member shall have the
7 right to become covered under that other group
8 policy, for the balance of the period that he would
9 have remained covered under the prior group policy
10 in accordance with condition 6 had a termination
11 described in this (c) not occurred.

12 (ii) The prior group policy shall continue to
13 provide benefits to the extent of its accrued
14 liabilities and extensions of benefits as if the
15 replacement had not occurred.

16 7. A notification of the continuation privilege shall be
17 included in each certificate of coverage.

18 8. Continuation shall not be available for any employee
19 who was discharged because of the commission of a felony in
20 connection with his work, or because of theft in connection
21 with his work, for which the employer was in no way
22 responsible; provided the employee admitted his commission of
23 the felony or theft or such act has resulted in a conviction
24 or order of supervision by a court of competent jurisdiction.

25 The requirements of this amendatory Act of 1983 shall
26 apply to any group policy as defined in this Section,
27 delivered or issued for delivery on or after 180 days
28 following the effective date of this amendatory Act of 1983.

29 The requirements of this amendatory Act of 1985 shall
30 apply to any group policy as defined in this Section,
31 delivered, issued for delivery, renewed or amended on or
32 after 180 days following the effective date of this
33 amendatory Act of 1985.

34 Group Accident and Health Insurance Conversion Privilege.

1 (A) A group policy which provides hospital, medical, or
2 major medical expense insurance, or any combination of these
3 coverages, on an expense-incurred basis, but not including a
4 policy which provides benefits for specific diseases or for
5 accidental injuries only, shall provide that an employee or
6 member (i) whose insurance under the group policy has been
7 terminated for any reason other than discontinuance of the
8 group policy in its entirety where there is a succeeding
9 carrier, or failure of the employee or member to pay any
10 required contribution; and (ii) who has been continuously
11 insured under the group policy (and under any group policy
12 providing similar benefits which it replaces) for at least
13 three months immediately prior to termination, shall be
14 entitled to have issued to him by the insurer a policy of
15 health insurance (hereafter referred to as the converted
16 policy), subject to the following conditions:

17 (1) Written application for the converted policy
18 shall be made and the first premium paid to the insurer
19 not later than the latter of (i) thirty-one days after
20 such termination or (ii) 15 days after the employee or
21 member has been given written notice of the existence of
22 the conversion privilege, but in no event later than 60
23 days after such termination.

24 Written notice presented to the employee or member by
25 the policyholder, or mailed by the policyholder to the
26 last known address of the employee or member, shall
27 constitute the giving of notice for the purpose of this
28 provision.

29 (2) The converted policy shall be issued without
30 evidence of insurability.

31 (3) The initial premium for the converted policy
32 shall be determined in accordance with the insurer's
33 table of premium rates applicable to the age and class of
34 risk of each person to be covered under the converted

1 policy and to the type and amount of the insurance
2 provided. Conditions pertaining to health shall not be an
3 acceptable basis of classification for the purposes of
4 this subsection. The frequency of premium payment shall
5 be the frequency customarily required by the insurer for
6 the policy form and plan selected, provided that the
7 insurer shall not require premium payments less
8 frequently than quarterly without the consent of the
9 insured.

10 (4) The effective date of the converted policy
11 shall be the day following the termination of insurance
12 under the group policy.

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

18 (6) The insurer shall not be required to issue a
19 converted policy covering any person if such person is or
20 could be covered by Medicare (Title XVIII of the United
21 States Social Security Act as added by the Social
22 Security Amendments of 1965 or as later amended or
23 superseded). Furthermore, the insurer shall not be
24 required to issue a converted policy covering any person
25 if (i) such person is covered for similar benefits by
26 another hospital, surgical, medical, or major medical
27 expense insurance policy or hospital or medical service
28 subscriber contract or medical practice or other
29 prepayment plan or by any other plan or program; or (ii)
30 such person is eligible for similar benefits (whether or
31 not covered therefor) under any arrangement of coverage
32 for individuals in a group, whether on an insured or
33 uninsured basis; or (iii) similar benefits are provided
34 for or available to such person, pursuant to or in

1 accordance with the requirements of any statute, and the
2 benefits provided or available under the sources referred
3 to in (i), (ii), (iii) above for such person together
4 with the converted policy would result in overinsurance
5 according to the insurer's standards.

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

13 (8) Subject to the conditions set forth above, the
14 conversion privilege shall also be available (i) to the
15 surviving spouse, if any, at the death of the employee or
16 member, with respect to the spouse and such children
17 whose coverage under the group policy terminates by
18 reason of such death, otherwise to each surviving child
19 whose coverage under the group policy terminates by
20 reason of such death, or, if the group policy provides
21 for continuation of dependents' coverage following the
22 employee's or member's death, at the end of such
23 continuation; (ii) to the spouse of the employee or
24 member upon termination of coverage of the spouse, while
25 the employee or member remains insured under the group
26 policy, by reason of ceasing to be a qualified family
27 member under the group policy, with respect to the spouse
28 and such children whose coverage under the group policy
29 terminates at the same time; or (iii) to a child solely
30 with respect to himself upon termination of his coverage
31 by reason of ceasing to be a qualified family member
32 under the group policy, if a conversion privilege is not
33 otherwise provided above with respect to such
34 termination.

1 (9) A notification of the conversion privilege
2 shall be included in each certificate.

3 (10) The insurer may elect to provide group
4 insurance coverage in lieu of the issuance of a converted
5 policy.

6 (B) A converted policy issued upon the exercise of the
7 conversion privilege required by subsection (A) of this
8 Section shall conform to the following minimum standards:

9 (1) If the group policy provided hospital,
10 surgical, or medical expense insurance, or a combination
11 thereof, the converted policy shall provide benefits on
12 an expense-incurred basis equal to the lesser of (i) the
13 hospital room and board, miscellaneous hospital, surgical
14 and medical benefits provided under the group policy; and
15 (ii) the corresponding benefits described below:

16 (a) Hospital room and board benefits in an
17 amount per day elected by the group policyholder,
18 but in no event less than 60% of the then average
19 semi-private hospital room and board charge in the
20 State, such benefits to be payable for a maximum of
21 not less than 70 days for any period of hospital
22 confinement, as defined in the converted policy.

23 (b) Miscellaneous hospital benefits for any
24 one period of hospital confinement in an amount up
25 to twenty times the hospital room and board daily
26 benefit provided under the converted policy.

27 (c) Surgical benefits according to a surgical
28 schedule providing a benefit amount elected by the
29 group policy holder, but in no event less than 60%
30 of the then average surgical charge in the State and
31 with a maximum amount appropriate thereto. The
32 maximum surgical benefit shall be applicable to all
33 surgical operations of an individual resulting from
34 or contributed to by the same and all related causes

1 occurring in one period of disability. Two or more
2 surgical procedures performed in the course of a
3 single operation through the same incision, or in
4 the same natural body orifice, may be treated as one
5 surgical procedure with the payment determined by
6 the scheduled benefit for the most expensive
7 procedure performed. The surgical schedule shall be
8 consistent with the schedule of operations
9 customarily offered by the insurer under group or
10 individual health insurance policies.

11 (d) Non-surgical medical attendance benefits
12 for in-hospital services in an amount elected by the
13 group policyholder, but in no event less than 60% of
14 the then average in-hospital physician's visit
15 charge in the State, such benefits may be limited to
16 one visit per day of hospitalization and a maximum
17 number of visits numbering not less than seventy for
18 any period of hospital confinement as defined in the
19 converted policy.

20 (2) If the group policy provided major medical
21 insurance, the insurer may offer the insurance described
22 in (1) above only, major medical insurance only, or a
23 combination of the insurance described in (1) above and
24 major medical insurance. If the insurer elects to
25 provide major medical insurance, the converted policy
26 shall provide:

27 (a) A maximum benefit at least equal to (i) or
28 (ii) below:

29 (i) A maximum payment of twenty-five
30 thousand dollars for all covered medical
31 expenses incurred during the covered person's
32 lifetime with an annual restoration of the
33 lesser of, while coverage is in force, one
34 thousand dollars and the amount counted against

1 the maximum benefit which was not previously
2 restored; or

3 (ii) A maximum payment of twenty-five
4 thousand dollars for each unrelated injury or
5 illness.

6 (b) Payment of benefits for covered medical
7 expenses, in excess of the deductible, at a rate not
8 less than 80% except as otherwise permitted below.

9 (c) A deductible for each benefit period
10 which, at the option of the insurer, shall be (i)
11 the greater of \$500 and the benefits deductible;
12 (ii) the sum of the benefits deductible and \$100; or
13 (iii) the corresponding deductible in the group
14 policy. The term "benefit period," as used herein,
15 means, when the maximum payment is determined by (a)
16 (i) above, either a calendar year or a period of
17 twelve consecutive months; and, when the maximum
18 payment is determined by (a) (ii) above, a period of
19 twenty-four consecutive months. The term "benefits
20 deductible," as used herein, means the value of any
21 benefits provided on an expense-incurred basis which
22 are provided with respect to covered medical
23 expenses by any other hospital, surgical, or medical
24 insurance policy or hospital or medical service
25 subscriber contract of medical practice or other
26 prepayment plan, or any other plans or program
27 whether on an insured or uninsured basis, or of any
28 similar benefits which are provided or made
29 available pursuant to or in accordance with the
30 requirements of any statute and, if, pursuant to the
31 provisions of this subsection, the converted policy
32 provides both the coverage described in (1) above
33 and major medical insurance, the value of the
34 coverage described in (1) above. The insurer may

1 require that the deductible be satisfied during a
2 period of not less than three months. If the maximum
3 payment is determined by (a) (i) above, and if no
4 benefits become payable during the preceding benefit
5 period due to the cash deductible not being
6 satisfied; credit shall be given, in the succeeding
7 benefit period, to any expense applied toward the
8 cash deductible of the preceding benefit period and
9 incurred during the last three months of such
10 preceding benefit period, subject to any requirement
11 that the deductible be satisfied during a specified
12 period of time.

13 (d) The term "covered medical expenses," as
14 used above, may be limited (i) in the case of
15 hospital room and board benefits, maximum surgical
16 schedule, and non-surgical medical attendance
17 benefits to amounts not less than the amounts
18 provided in (1) (a), (1) (c) and (1) (d) above; and
19 (ii) in the case of mental and nervous condition
20 treatments while the patient is not a hospital
21 in-patient, to co-insurance of 50%, a maximum
22 benefit of \$500 per calendar year or twelve
23 consecutive month periods subject to the inclusion
24 by the insurer of reasonable limits on the number of
25 visits and the maximum permissible expense per
26 visit.

27 (3) The converted policy may contain any exclusion,
28 reduction, or limitation contained in the group policy
29 and any exclusion, reduction, or limitation customarily
30 used in individual accident and health policies delivered
31 or issued for delivery in this state. It is not required
32 that the converted policy contain all of the covered
33 medical expenses or the same level of benefits as
34 provided in the group policy.

1 (4) The insurer may, at its option, also offer
2 alternative plans for group accident and health
3 conversion.

4 (5) The converted policy may only exclude a
5 pre-existing condition excluded by the group policy.
6 Any hospital, surgical, medical or major medical benefits
7 payable under the converted policy may be reduced by the
8 amount of any such benefits payable under the group
9 policy after the termination of the individual's
10 insurance thereunder and, during the first policy year of
11 such converted policy, the benefits payable under the
12 converted policy may be so reduced so that they are not
13 in excess of the benefits that would have been payable
14 had the individual's insurance under the group policy
15 remained in force and effect.

16 (6) The converted policy may provide for the
17 termination of coverage thereunder of any person when he
18 is or could be covered by Medicare (Title XVIII of the
19 United States Social Security Act as added by the Social
20 Security Amendments of 1965 or as later amended or
21 superseded).

22 (7) The converted policy may provide that the
23 insurer may request information from the converted
24 policyholder, in advance of any premium due date of the
25 converted policy, to determine whether any person covered
26 thereunder (i) is covered for similar benefits by another
27 hospital, surgical, medical, or major medical expense
28 insurance policy or hospital or medical service
29 subscriber contract or medical practice or other
30 prepayment plan or by any other plan or program; or (ii)
31 is eligible for similar benefits (whether or not covered
32 therefor) under any arrangement of coverage for
33 individuals in a group, whether on an insured or
34 uninsured basis; or (iii) has similar benefits provided

1 for or available to such person, pursuant to or in
2 accordance with the requirements of any statute. The
3 converted policy may also provide that the insurer need
4 not renew the converted policy or the coverage of any
5 person insured thereunder if either the benefits provided
6 or available under the sources referred to in (i), (ii),
7 (iii) above for such person, together with the converted
8 policy, would result in overinsurance according to the
9 insurer's standards, or if the converted policyholder
10 refuses to provide the requested information.

11 (8) The converted policy shall not contain any
12 provision allowing the insurer to non-renew due to a
13 change in the health of an insured.

14 (9) The converted policy may contain any provisions
15 permitted herein and may also include any other
16 provisions not expressly prohibited by law. Any
17 provisions required or permitted herein may be made a
18 part of the converted policy by means of an endorsement
19 or rider.

20 (10) In the conversion of group health insurance in
21 accordance with the provisions of subsection (A) above,
22 the insurer may, at its option, accomplish the conversion
23 by issuing one or more converted policies.

24 (11) With respect to any person who was covered by
25 the group policy, the period specified in the Time Limit
26 on Certain Defenses provisions of the converted policy
27 shall commence with the date the person's insurance
28 became effective under the group policy.

29 (12) If the insurer elects to provide group
30 insurance coverage in lieu of a converted policy, the
31 benefit levels required for a converted policy must be
32 applicable to such group insurance coverage.

33 (C) The requirements of this Section shall apply to any
34 group policy of accident and health insurance delivered,

1 issued for delivery, renewed or amended on or after 180 days
2 following the effective date of this Section.

3 (Source: P.A. 85-210; 86-1475.)

4 Section 10. The Health Maintenance Organization Act is
5 amended by changing Section 5-3 as follows:

6 (215 ILCS 125/5-3) (from Ch. 111 1/2, par. 1411.2)

7 Sec. 5-3. Insurance Code provisions.

8 (a) Health Maintenance Organizations shall be subject to
9 the provisions of Sections 133, 134, 137, 140, 141.1, 141.2,
10 141.3, 143, 143c, 147, 148, 149, 151, 152, 153, 154, 154.5,
11 154.6, 154.7, 154.8, 155.04, 355.2, 356m, 356v, 356w, 356x,
12 356y, 356z.2, 367.2, 367.2-5, 367i, 368a, 401, 401.1, 402,
13 403, 403A, 408, 408.2, 409, 412, 444, and 444.1, paragraph
14 (c) of subsection (2) of Section 367, and Articles IIA, VIII
15 1/2, XII, XII 1/2, XIII, XIII 1/2, XXV, and XXVI of the
16 Illinois Insurance Code.

17 (b) For purposes of the Illinois Insurance Code, except
18 for Sections 444 and 444.1 and Articles XIII and XIII 1/2,
19 Health Maintenance Organizations in the following categories
20 are deemed to be "domestic companies":

21 (1) a corporation authorized under the Dental
22 Service Plan Act or the Voluntary Health Services Plans
23 Act;

24 (2) a corporation organized under the laws of this
25 State; or

26 (3) a corporation organized under the laws of
27 another state, 30% or more of the enrollees of which are
28 residents of this State, except a corporation subject to
29 substantially the same requirements in its state of
30 organization as is a "domestic company" under Article
31 VIII 1/2 of the Illinois Insurance Code.

32 (c) In considering the merger, consolidation, or other

1 acquisition of control of a Health Maintenance Organization
2 pursuant to Article VIII 1/2 of the Illinois Insurance Code,

3 (1) the Director shall give primary consideration
4 to the continuation of benefits to enrollees and the
5 financial conditions of the acquired Health Maintenance
6 Organization after the merger, consolidation, or other
7 acquisition of control takes effect;

8 (2)(i) the criteria specified in subsection (1)(b)
9 of Section 131.8 of the Illinois Insurance Code shall not
10 apply and (ii) the Director, in making his determination
11 with respect to the merger, consolidation, or other
12 acquisition of control, need not take into account the
13 effect on competition of the merger, consolidation, or
14 other acquisition of control;

15 (3) the Director shall have the power to require
16 the following information:

17 (A) certification by an independent actuary of
18 the adequacy of the reserves of the Health
19 Maintenance Organization sought to be acquired;

20 (B) pro forma financial statements reflecting
21 the combined balance sheets of the acquiring company
22 and the Health Maintenance Organization sought to be
23 acquired as of the end of the preceding year and as
24 of a date 90 days prior to the acquisition, as well
25 as pro forma financial statements reflecting
26 projected combined operation for a period of 2
27 years;

28 (C) a pro forma business plan detailing an
29 acquiring party's plans with respect to the
30 operation of the Health Maintenance Organization
31 sought to be acquired for a period of not less than
32 3 years; and

33 (D) such other information as the Director
34 shall require.

1 (d) The provisions of Article VIII 1/2 of the Illinois
2 Insurance Code and this Section 5-3 shall apply to the sale
3 by any health maintenance organization of greater than 10% of
4 its enrollee population (including without limitation the
5 health maintenance organization's right, title, and interest
6 in and to its health care certificates).

7 (e) In considering any management contract or service
8 agreement subject to Section 141.1 of the Illinois Insurance
9 Code, the Director (i) shall, in addition to the criteria
10 specified in Section 141.2 of the Illinois Insurance Code,
11 take into account the effect of the management contract or
12 service agreement on the continuation of benefits to
13 enrollees and the financial condition of the health
14 maintenance organization to be managed or serviced, and (ii)
15 need not take into account the effect of the management
16 contract or service agreement on competition.

17 (f) Except for small employer groups as defined in the
18 Small Employer Rating, Renewability and Portability Health
19 Insurance Act and except for medicare supplement policies as
20 defined in Section 363 of the Illinois Insurance Code, a
21 Health Maintenance Organization may by contract agree with a
22 group or other enrollment unit to effect refunds or charge
23 additional premiums under the following terms and conditions:

24 (i) the amount of, and other terms and conditions
25 with respect to, the refund or additional premium are set
26 forth in the group or enrollment unit contract agreed in
27 advance of the period for which a refund is to be paid or
28 additional premium is to be charged (which period shall
29 not be less than one year); and

30 (ii) the amount of the refund or additional premium
31 shall not exceed 20% of the Health Maintenance
32 Organization's profitable or unprofitable experience with
33 respect to the group or other enrollment unit for the
34 period (and, for purposes of a refund or additional

1 premium, the profitable or unprofitable experience shall
2 be calculated taking into account a pro rata share of the
3 Health Maintenance Organization's administrative and
4 marketing expenses, but shall not include any refund to
5 be made or additional premium to be paid pursuant to this
6 subsection (f)). The Health Maintenance Organization and
7 the group or enrollment unit may agree that the
8 profitable or unprofitable experience may be calculated
9 taking into account the refund period and the immediately
10 preceding 2 plan years.

11 The Health Maintenance Organization shall include a
12 statement in the evidence of coverage issued to each enrollee
13 describing the possibility of a refund or additional premium,
14 and upon request of any group or enrollment unit, provide to
15 the group or enrollment unit a description of the method used
16 to calculate (1) the Health Maintenance Organization's
17 profitable experience with respect to the group or enrollment
18 unit and the resulting refund to the group or enrollment unit
19 or (2) the Health Maintenance Organization's unprofitable
20 experience with respect to the group or enrollment unit and
21 the resulting additional premium to be paid by the group or
22 enrollment unit.

23 In no event shall the Illinois Health Maintenance
24 Organization Guaranty Association be liable to pay any
25 contractual obligation of an insolvent organization to pay
26 any refund authorized under this Section.

27 (Source: P.A. 91-357, eff. 7-29-99; 91-406, eff. 1-1-00;
28 91-549, eff. 8-14-99; 91-605, eff. 12-14-99; 91-788, eff.
29 6-9-00; 92-764, eff. 1-1-03.)