

**TITLE 50: INSURANCE**  
**PART 2013 GROUP COVERAGE DISCONTINUANCE AND REPLACEMENT**  
**CHAPTER I: DEPARTMENT OF INSURANCE**

**Section 2013.10 Authority**

This Part is adopted and promulgated by the Director of Insurance pursuant to Section 367i of the Illinois Insurance Code (Ill. Rev. Stat. 1991, ch. 73, par. 979i) [215 ILCS 5/367i].

(Source: Amended at 18 Ill. Reg. 16921, effective November 15, 1994)

**Section 2013.20 Scope**

This Part is applicable to all group health or disability insurance contracts and group Health Maintenance Organization (HMO) contracts, issued for delivery in this State, renewed, amended or under which the level of benefits or premium is altered or modified, covering persons as employees of employers or as members of unions or associations.

(Source: Amended at 18 Ill. Reg. 16921, effective November 15, 1994)

**Section 2013.30 Definitions**

"Accrued Liability" means liabilities established on the date an injury is sustained or an illness commences.

"Group Contract" means a contract for health or disability insurance or an HMO contract made with an employer or other entity that covers a group of persons, identified as individuals, because of their relationship to the covered entity.

"Prior Carrier" means the carrier of group health care coverage provided by the employer or other entity immediately prior to the effective date of discontinuance and which has or has not been replaced by a succeeding plan.

"Succeeding Carrier" means the carrier of group health coverage provided by an employer or other entity which is issued within 90 days after the discontinuance of the prior plan.

"Totally Disabled" means:

For employees, the inability of the covered employee to perform his or her regular or customary occupational duties because of injury or disease; and after benefits have been paid for 24 months, the covered person cannot perform the duties of any gainful occupation for which he or she is reasonably fitted by training, education or experience; or

For dependents or retired employees, the inability because of injury or disease to engage in substantially all of the normal activities of a person in good health of like age and sex.

(Source: Amended at 18 Ill. Reg. 16921, effective November 15, 1994)

**Section 2013.40 Effective Date of Discontinuance for Non-Payment of Premium**

- a) If a group contract subject to this Part provides for automatic discontinuance of the contract after a premium has remained unpaid through the grace period allowed for such payment, the carrier shall be liable for valid claims for covered losses incurred prior to the end of the grace period. The carrier shall, however, be entitled to the premium due for coverage provided during the grace period.

- b) If the actions of the carrier after the end of the grace period indicate that it considers the group contract as continuing in force beyond the end of the grace period by continuing to recognize claims subsequently incurred, the carrier shall be liable for valid claims for losses beginning prior to the effective date of written notice of discontinuance to the contract holders or other entity responsible for making payments to the carrier. The effective date of discontinuance shall not be prior to midnight at the end of the third scheduled work day after the date upon which the notice is delivered.

(Source: Amended at 18 Ill. Reg. 16921, effective November 15, 1994)

### **Section 2013.50 Requirements for Notice of Discontinuance**

- a) Any notice of discontinuance so given by the carrier shall advise the group contract holder to notify enrolled individuals covered under the contract within 10 working days after receipt of such notice of the date the group contract will discontinue and to advise, unless otherwise provided in the contract, the carrier shall not be liable for claims for losses incurred after the date of discontinuance.
- b) In the instance in which the plan involves employee contributions, if the contract holder continues to collect contributions for the coverage after the date of discontinuance, the group contract holder may be held solely liable for the benefits with respect to the period for which the contributions have been collected.
- c) Simultaneously with the notice of discontinuance, the carrier shall furnish to the group contract holder a sample of a notice form to be distributed to the enrolled individuals indicating such discontinuance, the effective date thereof, and advising the enrolled individuals to refer to their certificates in order to determine what rights, if any, are available to them upon such discontinuance.

(Source: Amended at 17 Ill. Reg. 1525, effective January 20, 1993)

### **Section 2013.60 Extension of Benefits**

- a) Every group contract subject to this Part must include a provision for a reasonable extension of benefits in the event of total disability on the date of discontinuance of the group contract as required by subsections (b) and (c) hereunder.
- b) In the case of hospital and medical expense coverages and HMO plans, other than dental, pharmaceutical or other limited expense coverages, such extension will be considered "reasonable" if it provides for an extension until the earliest of the following:
  - 1) the end of twelve months; or
  - 2) the date the maximum benefit is reached; or
  - 3) the end of total disability.
- c) For other types of hospital or medical expenses plans, such as those limited to hospital expenses only, medical expenses only, or surgical expenses only, such extension will be considered "reasonable" if it provides for an extension until the earliest of the following:
  - 1) ninety days; or
  - 2) the date the maximum benefit is reached; or
  - 3) the end of total disability.

- d) In the case of a disability income contract providing benefits for loss of time from work, or specific indemnity during hospital confinement on an accrued liability basis, discontinuance of the group contract during a disability or confinement shall have no effect on benefits payable for that disability or confinement.
- e) Any applicable extension of benefits or accrued liability shall be described in the group contract involved as well as in group certificates. All benefits payable during any period of extension of benefits or accrued liability will be subject to the group contract's regular benefit limits (e.g., benefits ceasing at exhaustion of a benefit period or of maximum benefits or benefit restrictions for services provided by unaffiliated providers of an HMO) but in no event shall benefits be reduced solely because of the discontinuance of the group contract except as otherwise permitted by this Part.
- f) An extension of benefits need not be provided when an individual's coverage terminates under the group contract in accordance with the contract's eligibility and termination provisions.

(Source: Amended at 18 Ill. Reg. 16921, effective November 15, 1994)

### **Section 2013.70 Continuance of Coverage in Situations Involving Replacement of One Group Contract by Another**

This Section sets standards for determining liability when one group contract replaces another group contract.

- a) Liability of prior carrier.
  - 1) The prior carrier remains liable only to the extent of its accrued liabilities and extensions of benefits. The position of the prior carrier shall be the same whether the group contract holder or other entity secures replacement coverage from a new carrier, the same carrier, self-insures, or foregoes the provision of coverage.
  - 2) Employees and dependents who are totally disabled on the date of discontinuance of the group policy of the prior carrier shall be provided an extension of benefits for a disabling illness, injury or condition as described in Section 2013.60.
  - 3) The prior carrier, if an HMO, may limit the extension of benefits for a totally disabling illness, injury or condition to services provided by or through their participating providers, unless services are rendered on an emergency basis.
  - 4) No prior carrier may terminate the required extension of benefits because the totally disabled person becomes covered under the succeeding carrier's contract.
  - 5) The prior carrier must provide the extension of benefits without cost to the totally disabled person except for copayments, coinsurance and deductibles in effect at the time of discontinuance and following the discontinuance of coverage.
- b) Liability of Succeeding Carrier.
  - 1) Each person who is eligible for coverage in accordance with the succeeding carrier's plan of benefits in respect to classes eligible and actively at work and non-confinement rules, shall be covered by the succeeding carrier's plan of benefits. For purposes of this subsection, the succeeding carrier shall not

individually underwrite when determining eligibility except for purposes of accepting or rejecting the group as a whole.

- 2) Each person not covered under the succeeding carrier's plan of benefits in accordance with subsection (b)(1) because he or she does not satisfy the actively at work or non-confinement requirement, must nevertheless be covered by the succeeding carrier in accordance with the following standards if such individual was validly covered, including by extension of benefits, under the prior plan on the date of discontinuance and such individual is a member of the class or classes of individuals eligible for coverage. Any reference in the following standards to an individual who was or was not totally disabled is a reference to the individual's status immediately prior to the date the succeeding carrier's coverage becomes effective.
  - A) The minimum level of benefits to be provided by the succeeding carrier shall be the applicable level of benefits of the prior carrier's plan reduced by any benefits payable by the prior plan.
  - B) When the succeeding carrier is an HMO, the benefits must be the HMO's own level of benefits, reduced by benefits provided or payable by the prior plan.
  - C) Benefits under this subsection must be provided by the succeeding carrier until at least the earliest of the following dates:
    - i) the date the individual becomes eligible under the succeeding carrier's group contract according to subsection (b)(1) above.
    - ii) the date the individual's benefits would terminate in accordance with the succeeding carrier's plan provisions applicable to individual termination of coverage (e.g., at termination of employment or ceasing to be an eligible dependent).
    - iii) in the case of an individual who was totally disabled and in the case of a type of coverage for which Section 2013.60 requires an extension of benefits or accrued liability, the end of any period of extension or accrued liability, which is required of the prior carrier by Section 2013.60 or, if the prior carrier's policy is not subject to that Section, would have been required of that carrier had its policy been subject to Section 2013.60.
- 3) The conversion privilege shall be available to those individuals whose benefits cease, if the individual has not become eligible under the succeeding carrier's plan described in subsection (b)(1) above.
- 4) In the case of a pre-existing conditions limitation included in the succeeding carrier's plan, the level of benefits applicable to pre-existing conditions of persons covered by the succeeding carrier during the period of time this limitation applies, shall be the lesser of:
  - A) the benefits of the new plan determined without application of the pre-existing conditions limitation; or
  - B) the benefits of the prior plan.

- 5) The succeeding carrier, in applying any deductibles, coinsurance, copayments or waiting period in its plan, shall give credit for the satisfaction or partial satisfaction of the same or similar provisions under a prior plan providing similar benefits. In the case of deductible provisions, the credit shall apply for the same or overlapping benefit periods and shall be given for expenses actually incurred and applied against the deductible provision of the prior carrier's plan during the 90 days preceding the effective date of the succeeding carrier's plan, but only to the extent these expenses are recognized under the terms of the succeeding carrier's plan and are subject to similar deductible provisions.
  - 6) In any situation where a determination of the prior carrier's benefits is required by the succeeding carrier, at the succeeding carrier's request the prior carrier shall furnish a statement of the benefits available or pertinent information, sufficient to permit verification of the benefit determination or the determination itself by the succeeding carrier. For purposes of this Section, benefits of the prior plan will be determined in accordance with all of the definitions, conditions, and covered expenses provisions of the prior plan rather than those of the succeeding plan. The benefit determination will be made as if coverage had not been replaced by the succeeding carrier.
- c) Liability of Succeeding Carrier as an HMO
- 1) So long as federally qualified HMOs are not permitted to require actively at work, hospital non-confinement rules, medical evidence of insurability, or pre-existing condition limitations, subsections (b)(2)(A) and (b)(4) above do not apply to federally qualified HMOs.
  - 2) In situations where services for the totally disabled person are provided by the succeeding HMO, the succeeding HMO may bill the prior carrier for the reasonable cash value of services provided when the prior carrier has an obligation under its required extension of benefits. The prior carrier shall make direct payment to the succeeding HMO for the cost of the services provided.

(Source: Amended at 18 Ill. Reg. 16921, effective November 15, 1994)