

## 215 ILCS 5/367e.1 Conversion

### Sec. 367e.1. Group Accident and Health Insurance Conversion Privilege.

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

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

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

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

(3) The initial premium for the converted policy shall be determined in accordance with the insurer's table of premium rates applicable to the age and class of risk of each person to be covered under the converted policy and to the type and amount of the insurance provided. Conditions pertaining to health shall not be an acceptable basis of classification for the purposes of this subsection. The frequency of premium payment shall be the frequency customarily required by the insurer for the policy form and plan selected, provided that the insurer shall not require premium payments less frequently than quarterly without the consent of the insured.

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

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

(6) The insurer shall not be required to issue a converted policy covering any person if such person is or could be covered by Medicare (Title XVIII of the United States Social Security Act as added by the Social Security Amendments of 1965 or as later amended or superseded). Furthermore, the insurer shall not be required to issue a converted policy covering any person if (i) such person is covered for similar benefits by another hospital, surgical, medical, or major medical expense insurance policy or hospital or medical service subscriber contract or medical practice or other prepayment plan or by any other plan or program; or (ii) such person is eligible for similar benefits (whether or not covered therefore) under any arrangement of coverage for individuals in a group, whether on an insured or uninsured basis; or (iii) similar benefits are provided for or available to such person, pursuant to or in accordance with the requirements of any statute, and the benefits provided or available under the sources referred to in (i), (ii), (iii) above for such person

together with the converted policy would result in overinsurance according to the insurer's standards.

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

(8) Subject to the conditions set forth above, the conversion privilege shall also be available (i) to the surviving spouse, if any, at the death of the employee or member, with respect to the spouse and such children whose coverage under the group policy terminates by reason of such death, otherwise to each surviving child whose coverage under the group policy terminates by reason of such death, or, if the group policy provides for continuation of dependents' coverage following the employee's or member's death, at the end of such continuation; (ii) to the spouse of the employee or member upon termination of coverage of the spouse, while the employee or member remains insured under the group policy, by reason of ceasing to be a qualified family member under the group policy, with respect to the spouse and such children whose coverage under the group policy terminates at the same time; or (iii) to a child solely with respect to himself upon termination of his coverage by reason of ceasing to be a qualified family member under the group policy, if a conversion privilege is not otherwise provided above with respect to such termination.

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

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

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

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

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

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

(c) Surgical benefits according to a surgical schedule providing a benefit amount elected by the group policy holder, but in no event less than 60% of the then average surgical charge in the State and with a maximum amount appropriate thereto. The maximum surgical benefit shall be applicable to all surgical operations of an individual resulting from or contributed to by the same and all related causes occurring in one period of disability. Two or more surgical procedures performed in the course of a single operation through the same incision, or in the same natural body orifice, may be treated as one surgical procedure with the payment determined by the scheduled benefit for the most expensive procedure performed. The surgical schedule shall be consistent with the schedule of

operations customarily offered by the insurer under group or individual health insurance policies.

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

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

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

(i) A maximum payment of twenty-five thousand dollars for all covered medical expenses incurred during the covered person's lifetime with an annual restoration of the lesser of, while coverage is in force, one thousand dollars and the amount counted against the maximum benefit which was not previously restored; or

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

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

(c) A deductible for each benefit period which, at the option of the insurer, shall be (i) the greater of \$500 and the benefits deductible; (ii) the sum of the benefits deductible and \$100; or (iii) the corresponding deductible in the group policy. The term "benefit period," as used herein, means, when the maximum payment is determined by (a) (i) above, either a calendar year or a period of twelve consecutive months; and, when the maximum payment is determined by (a) (ii) above, a period of twenty-four consecutive months. The term "benefits deductible," as used herein, means the value of any benefits provided on an expense-incurred basis which are provided with respect to covered medical expenses by any other hospital, surgical, or medical insurance policy or hospital or medical service subscriber contract of medical practice or other prepayment plan, or any other plans or program whether on an insured or uninsured basis, or of any similar benefits which are provided or made available pursuant to or in accordance with the requirements of any statute and, if, pursuant to the provisions of this subsection, the converted policy provides both the coverage described in (1) above and major medical insurance, the value of the coverage described in (1) above. The insurer may require that the deductible be satisfied during a period of not less than three months. If the maximum payment is determined by (a) (i) above, and if no benefits become payable during the preceding benefit period due to the cash deductible not being satisfied; credit shall be given, in the succeeding benefit period, to any expense applied toward the cash deductible of the preceding benefit period and incurred during the last three months of such preceding benefit period, subject to any requirement that the deductible be satisfied during a specified period of time.

(d) The term "covered medical expenses," as used above, may be limited (i) in the case of hospital room and board benefits, maximum surgical schedule, and non-surgical medical attendance benefits to amounts not less than the amounts provided in (1) (a), (1) (c) and (1) (d) above; and (ii) in the case of mental and nervous condition treatments while the patient is not a hospital in-patient, to co-insurance of 50%, a maximum benefit of \$500 per calendar year or twelve consecutive month periods subject to the inclusion

by the insurer of reasonable limits on the number of visits and the maximum permissible expense per visit.

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

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

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

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

(7) The converted policy may provide that the insurer may request information from the converted policyholder, in advance of any premium due date of the converted policy, to determine whether any person covered thereunder (i) is covered for similar benefits by another hospital, surgical, medical, or major medical expense insurance policy or hospital or medical service subscriber contract or medical practice or other prepayment plan or by any other plan or program; or (ii) is eligible for similar benefits (whether or not covered therefore) under any arrangement of coverage for individuals in a group, whether on an insured or uninsured basis; or (iii) has similar benefits provided for or available to such person, pursuant to or in accordance with the requirements of any statute. The converted policy may also provide that the insurer need not renew the converted policy or the coverage of any person insured thereunder if either the benefits provided or available under the sources referred to in (i), (ii), (iii) above for such person, together with the converted policy, would result in overinsurance according to the insurer's standards, or if the converted policyholder refuses to provide the requested information.

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

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

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

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

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

(C) The requirements of this Section shall apply to any group policy of accident and health insurance delivered, issued for delivery, renewed or amended on or after 180 days following the effective date of this Section.

(Source: P.A. 93-477, eff. 1-1-04.)