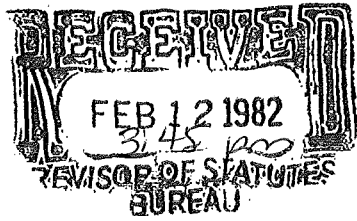


INS 6



STATE OF WISCONSIN  
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STATE OF WISCONSIN )  
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OFFICE OF THE COMMISSIONER OF INSURANCE)

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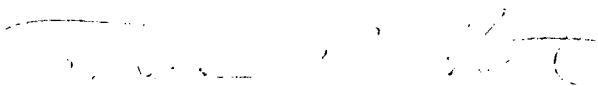
VEL PHILLIPS  
SECRETARY OF STATE

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Susan Mitchell, Commissioner of Insurance and custodian of the official records of said office, do hereby certify that the annexed order repealing and recreating a rule relating to group coverage termination and replacement was issued by this office February 11, 1982.

I further certify that said copy has been compared by me with the original on file in this office and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto subscribed by name in the City of Madison, State of Wisconsin, this 11th day of February, 1982.

  
Thomas R. Hefty  
Deputy Commissioner of Insurance

STATE OF WISCONSIN  
RECEIVED AND FILED

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VEL PHILLIPS  
SECRETARY OF STATE

ORDER OF THE COMMISSIONER OF INSURANCE

REPEALING AND RECREATING A RULE

Relating to group coverage termination and replacement.

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ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

The purpose of this rule is to revise the provisions of Ins 6.51, which sets forth the procedures to be followed when a group life or disability insurance policy is terminated or replaced. Ins 6.51 interprets ss. 600.03 (35), 601.01 (2), 632.79 and 632.897, Stats. Portions of the language have been simplified, corrected, and clarified. In some cases the provisions have been updated to be consistent with current practice and policy.

Several definitions were added to sub. (3) to clarify the terms used in the rule.

Inconsistencies with s. 632.79, Stats., dealing with termination notices, are reconciled by sub. (4) of the rule. Subsection (5) of the rule was reorganized for increased clarity. Sub (6) (c) indicates when integration of Social Security disability or retirement benefit increases can occur. In sub. (6) (d), reference to a specific event causing a

disability was deleted because the intent is to require that extension of benefits begin from the actual date of termination of the prior group plan, not from some earlier date.

Reference to the provision in s. 632.897, Stats., relating to the right to coverage under a replacement group policy is included in sub (7) (c) 1.

If the disabled employee is not eligible for regular replacement coverage, the proposed rule would continue to require that insurers provide temporary coverage until the insured becomes eligible.

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Pursuant to the authority vested in the Commissioner of Insurance by section 601.41 (3), Stats., the Commissioner of Insurance hereby repeals and recreates a rule interpreting sections 600.03 (35), 601.01 (2), 628.34 (12), 632.79, and 632.897, Stats., as follows:

Section Ins 6.51 is repealed and recreated to read:

Ins 6.51 GROUP LIFE AND DISABILITY COVERAGE TERMINATION AND REPLACEMENT. (1) PURPOSE. This section is intended to promote the fair and equitable treatment of group policyholders, insurers, employes and dependents, and the general public by setting out procedures to be followed when a group life or disability insurance policy is terminated or replaced, and to interpret ss. 632.79 and 632.897, Stats.

(2) SCOPE. This section shall apply to all group life and group disability policies covering employes or employes and dependents, issued

by insurers providing insurance as defined in s. Ins 6.75 (1) (a) or (c) or (2) (c). It shall apply to blanket policies only if they provide 24-hour coverage for both injury and sickness; any blanket policy, covering any type of group, which provides for renewal shall be subject to subs. (4) and (5); any blanket policy covering students of a college or university, regardless of whether it provides for renewal, shall be subject to subs. (6) and (7). Sub. (4) (a) shall apply only to group policies as defined in sub. (3) (c) 2.

(3) DEFINITIONS. (a) "Blanket policy" has the meaning in s. 600.03 (35) (c), Stats.

(b) "Employee" means an employe of an employer or a member of a union or association or a student of a college or university.

(c) "Group policy:" 1. Means a policy or contract covering employes issued by an insurer to an employer, labor union, association or trust fund or, in the case of a blanket policy, a college or university, or a group type plan, except that;

2. In par. (4) (a), means only a policy or contract issued by an insurer or a s. 185.981, Stats., co-operative or a group type plan issued by a ch. 613, Stats., corporation, providing hospital, surgical or medical expense coverage to or on behalf of an employer.

(d) A "group policy providing medical expense coverage" does not include a policy providing coverage for dental, vision care, hearing care or prescription drug expense coverage only.

(e) "Group policyholder" means an employer, labor union, association, trust fund or other entity responsible for making group policy premium payments to an insurer.

(f) "Group type plan" means an insurance plan using individual policies which meets the following conditions:

1. Coverage is provided to classes of employees defined in terms of conditions pertaining to employment or membership.

2. The coverage is not available to the general public and can be obtained and maintained only because of the covered person's connection with a particular organization or group,

3. Premiums are paid by the group policyholder to the insurer on behalf of covered employees, and

4. An employer, union, association or trust fund sponsors or authorizes the plan.

(g) "Individual policy" means an individual or family policy or subscriber contract issued by an insurer.

(h) "Insurer" means an insurance company subject to chs. 631 and 632, Stats., or a service insurance corporation subject to ch. 613, Stats.

(i) "Premium" means a policy premium or a subscriber contract subscription fee.

(j) "Pre-existing condition" means a disease or physical condition including pregnancy which manifested itself prior to the effective date of coverage through medical diagnosis or treatment or the existence of symptoms which would cause an ordinarily prudent person to seek diagnosis or treatment.

(k) "Validly covered" means that the individual involved was covered and met all policy requirements regarding eligibility for coverage, as opposed to an individual who was covered without having met all such requirements.

(4) EFFECTIVE DATE OF TERMINATION FOR NON-PAYMENT OF PREMIUM; NOTICE OF TERMINATION; LIABILITY OF INSURER. (a) A group policy subject to s. 632.79, Stats., as defined in sub. (3) (b) 2. may not be terminated by the insurer unless it has provided the termination notices required by s. 632.79 (2), Stats., except as provided in s. 632.79 (5), Stats. The insurer shall be liable for valid claims for covered losses as provided in s. 632.79 (3), Stats.

(b) Under a group policy other than one subject to s. 632.79, Stats., the insurer shall be liable for valid claims for covered losses incurred prior to the end of the grace period provided in the policy. This provision does not prevent a group policyholder from giving written notice of termination of the group policy, prior to the termination date, in accordance with the group policy terms, to reduce or eliminate the grace period.

(c) 1. The insurer shall also be liable for valid claims for covered losses beginning prior to the effective date of written notice of termination to the group policyholder if, after the end of the grace period provided in the policy:

- a. It continues to recognize claims subsequently incurred for which recognition is not required by any applicable extension of coverage provision, or
- b. It fails to request that the group policyholder notify covered employees of the termination and, except for life and disability income coverages, describe their rights, if any, upon termination.

2. The effective date of termination shall not be prior to midnight at the end of the third scheduled work day after the date on which the notice is delivered.

3. This paragraph shall not apply if a group policy is terminated and immediately replaced by another group policy providing similar coverage.

(5) CONTENT OF NOTICE OF TERMINATION. (a) A notice of termination given by an insurer to a group policyholder in accordance with pars. (4) (a) or (c) shall include:

1. The date as of which the group policy will be terminated,
2. A request to notify covered employes of the termination and, except for life and disability income coverages, the rights, if any, available to them under the group policy,
3. A statement that, unless otherwise provided in the group policy, the insurer will not be liable for claims for losses incurred after the termination date, and
4. If the group policy involves employe contributions, a statement that, if the group policyholder continues to collect contributions for the coverage beyond the date of termination, the group policyholder may be held solely liable for the benefits with respect to which the contributions have been collected.

(b) At the same time, the insurer shall furnish to the group policyholder for distribution to covered employes a supply of a notice form indicating the termination, its effective date and the rights, if any, available to them upon termination, except that, for life and disability income coverages, the notice need only urge the covered employes to refer to their certificate or individual policy to determine what rights, if any, are available upon termination.

(6) EXTENSION OF COVERAGE. (a) A group policy shall, if a covered employe or dependent is totally disabled at the date of termination of the policy, provide an extension of coverage for the individual, beginning at the date of termination of the group policy and continuing during the period of total disability as provided in this subsection.

(b) Under a group life policy which contains a disability benefit extension of any type, such as premium waiver extension, extended death benefit in event of total disability, or payment of income for a specified period during total disability, the termination of the group policy shall not operate to terminate the extension.

(c) Under a group policy providing benefits for loss of time from work or a specific indemnity during hospital confinement, termination of the group policy during a period of total disability or confinement shall have no effect on benefits payable for the condition or conditions causing continuing total disability or continuing confinement. The extension of coverage provision for loss of time benefits may provide for the integration of Social Security disability or retirement benefit increases which occur after the date of termination of the group policy only if integration of these benefit increases is also applicable prior to termination of the group policy.

(d) Under a group policy providing hospital, surgical or medical expense coverages, the extension of coverage shall be at least 12 months under major medical or comprehensive medical coverage and at least 90 days under other hospital, surgical or medical expense coverage, subject to the following:



1. Coverage need not be extended beyond the date on which:

a. Total disability terminates,

b. The benefit period specified in the policy ends,

c. The maximum benefit is paid or

d. Coverage for the condition or conditions causing total disability is provided under similar coverage, other than temporary coverage under sub (7) (b) 2., under the succeeding insurer's group policy.

2. Extended coverage need not cover dental or uncomplicated pregnancy expenses or a condition other than the condition or conditions causing total disability.

3. The extension of coverage is not required where the succeeding insurer agrees, or the prior and succeeding insurers agree, to provide coverage, for individuals who are totally disabled at the date of termination of the group policy, which is not less favorable to them than would otherwise be required by this paragraph.

4. After the termination of extended basic hospital, surgical or medical expense coverage, extended major medical expense coverage shall cover expenses eligible under the major medical expense coverage which are normally covered under the basic coverage, subject to subd. 1.

5. A policy providing hospital, surgical or medical expense coverage which covers only expenses in excess of those covered by basic hospital-surgical-medical expense coverage and major medical coverage or comprehensive medical coverage, issued to the same group policyholder, need not provide extended coverage if the underlying coverage provides extended coverage.

NOTE: The effect of paragraph (6) (d), with respect to pregnancy expense coverage, is to require that extended coverage provide benefits only for pregnancy complication expense, to be consistent with section Ins 6.55 (4) (b) 5. However, employers and insurers may wish to consider the provisions of federal public law 95-555 enacted October 31, 1978, which requires that employers subject to it provide benefits for pregnancy, including extended benefits, under employe benefit programs to the same extent that benefits are provided for injury and sickness. Also, the equal rights division of the Wisconsin Department of Industry, Labor and Human Relations has taken the position, based on Wisconsin case law, that the Wisconsin fair employment act, sections 111.31-.37, Stats., applies to temporary disability resulting from pregnancy and requires that employe benefit programs provide loss of time benefits for temporary disability resulting from pregnancy, including extended benefits, to the same extent that such benefits are provided for injury and sickness.

(e) A provision for extending coverage shall be contained in each group policy as well as in corresponding certificates.

(f) The benefits payable during any period of extended coverage shall be subject to the group policy's regular coverage limits. The extended coverage shall terminate at the end of a normal benefit period or when the maximum benefit amount has been paid.

(7) LIABILITY OF PRIOR INSURER AND OF SUCCEEDING INSURER. (a) Liability of prior insurer. The prior insurer shall be liable only to the extent of its extensions of coverage. Its liability

shall be the same whether the group policyholder secures replacement coverage from another insurer, self-insures or declines to provide the group with insurance.

(b) Liability of succeeding insurer. The succeeding insurer shall be liable as provided in this paragraph where its group policy replaces another providing similar coverage:

1. Regular coverage. Regular coverage shall be provided under the succeeding insurer's group policy to:

a. Each employe who is eligible for coverage in accordance with the succeeding insurer's group policy provisions regarding classes eligible and actively at work requirements,

b. Each dependent who is eligible for coverage in accordance with the succeeding insurer's group policy provisions regarding classes eligible and non-hospital confinement requirements,

c. A dependent of a disabled employe if the dependent is eligible for coverage in accordance with the succeeding insurer's group policy provisions regarding classes eligible and non-hospital confinement requirements and if the disabled employe is covered under the succeeding insurer's group policy, and

d. Each terminated insured who has elected to continue coverage under s. 632.897 (3), Stats.

2. Temporary coverage. Each employe or dependent not covered under the succeeding insurer's group policy in accordance with subd. 1 shall be provided with temporary coverage by the succeeding insurer, for losses occurring or beginning under the replacement policy, subject to:

a. Temporary coverage need be provided only if the individual was validly covered under the prior group policy or the date of its termination and meets the requirements necessary to be a member of an eligible class under the succeeding insurer's group policy, other than requirements for working full time, part time or a stated number of hours.

b. The coverage to be provided by the succeeding insurer shall be the coverage of the prior group policy reduced by any benefits payable under such policy. The benefits of the succeeding insurer's group policy shall be determined after the benefits of the prior group policy have been determined.

c. Temporary coverage shall be provided by the succeeding insurer until the first of:

(i) The date the individual becomes eligible under the coverage and under the circumstances described in subd. 1. above.

(ii) For each type of coverage, the date the individual's coverage would terminate in accordance with the succeeding insurer's group policy provisions regarding individual termination of coverage, such as at termination of employment or when ceasing to be an eligible dependent.

(iii) For an individual who is totally disabled on the effective date of the succeeding group policy, under a type of coverage for which sub. (6) requires an extension of coverage, the end of any period of extended coverage required of the prior insurer or, if the prior insurer's group policy was not subject to sub. (6), would have been required of the prior insurer had its group policy been so subject.

3. Pre-existing conditions. If the succeeding insurer's group policy contains a pre-existing condition limitation, the coverage for these conditions of persons becoming covered by the succeeding group policy under subd. 1 or 2, during the period the limitation applies under that group policy, shall be the lesser of:

a. The coverage of the succeeding group policy determined without application of the limitation and

b. The coverage of the prior group policy determined after application of any such limitation contained in the policy.

4. Deductibles and waiting periods. The succeeding insurer, in applying deductibles or waiting periods contained in its group policy, including pre-existing condition waiting periods, shall give credit for the satisfaction or partial satisfaction of the same or similar provisions under the prior group policy, to the extent that the prior and succeeding group policies provide similar coverage. Deductible provision credit shall be given for the same or overlapping benefit periods for expenses incurred and applied against the deductible provisions of the prior group policy during the 90 days preceding the effective date of the succeeding group policy, but only to the extent that these expenses are recognized under the succeeding group policy and are subject to a similar deductible provision.

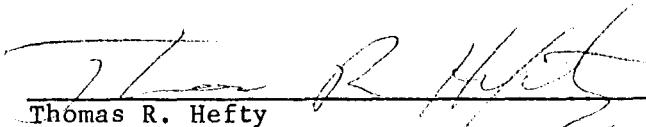
5. Determining of prior insurer's coverage. Where a determination of the prior insurer's coverage is required by the succeeding insurer, the prior insurer, at the succeeding insurer's request, shall furnish a statement of the coverage available and a copy of pertinent group policy provisions to permit the succeeding insurer to

verify the coverage statement or make its own coverage determination. Coverage of the prior group policy shall be determined in accordance with the definitions, conditions and covered expense provisions of that group policy rather than those of the succeeding group policy. The coverage determination shall be made as if coverage had not been replaced by the succeeding insurer.

(8) MORE FAVORABLE PROVISIONS PERMITTED. This section sets out minimum requirements. It does not prohibit a group policyholder and an insurer from agreeing to policy provisions which are more favorable to insured persons.

(9) EFFECTIVE DATE. As provided in s. 227.026 (1) (intro), this section shall take effect on the first day of the month following its publication.

Dated at Madison, Wisconsin, this 17<sup>th</sup> day of February, 1982.

  
Thomas R. Hefty  
Deputy Commissioner of Insurance

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