

1975 Assembly Bill 594

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## CHAPTER 352, Laws of 1975

AN ACT to amend 185.983 (1) (intro.) and 200.26 (4); and to create 204.324 of the statutes, relating to notice of termination of group hospital, surgical or medical expense insurance due to cessation of business or default in payment of premiums.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

SECTION 1. 185.983 (1) (intro.) of the statutes is amended to read:

185.983 (1) (intro.) Every such voluntary nonprofit sickness care plan shall be exempt from the state insurance laws, with the exception of ss. 201.045, 204.324 and 601.31 but the sponsoring association shall:

SECTION 1m. 200.26 (4) of the statutes is amended to read:

200.26 (4) SUBJECT TO INSURANCE LAWS FOR CERTAIN PURPOSES. Such organizations and their agents, plans and contracts are subject to s. 201.045 relating to licensing, s. 204.324 relating to notice of termination of coverage, ch. 207 relating to unfair methods of competition and unfair or deceptive acts or practices, s. 209.04 (11) relating to agents, ch. 601 relating to the administration of the insurance laws, ch. 620 relating to investments, and to ch. 645 relating to delinquency proceedings, to the same extent and in the same manner as if such organizations were domestic insurance corporations. Such organizations are also subject to s. 201.18 (1) relating to premium reserves except that where risks are written for more than one month and the premium or fee is paid on a monthly basis, the reserve shall be computed at 50% of the monthly premium or fee received each month.

SECTION 2. 204.324 of the statutes is created to read:

**204.324 Notice of termination of group hospital, surgical or medical expense insurance coverage due to cessation of business or default in payment of premiums.** (1) SCOPE. This section shall apply to every group hospital, surgical or medical expense insurance policy or service plan purchased by or on behalf of an employer to provide coverage for employes and issued under authority of s. 148.03, 182.032, 185.981, 200.26, 201.04 (4) or 204.321 which has been delivered, renewed or is otherwise in force on or after the effective date of this act (1975).

(2) NOTICE TO POLICYHOLDER OR PARTY RESPONSIBLE FOR PAYMENT OF PREMIUMS. (a) Prior to termination of any group policy, plan or coverage subject to this section due to a cessation of business or default in payment of premiums by the

policyholder, trust, association or other party responsible for such payment, the insurer or organization issuing the policy, contract, booklet or other evidence of insurance shall notify in writing the policyholder, trust, association or other party responsible for payment of premiums of the date as of which the policy or plan will be terminated or discontinued. At such time, the insurer or organization shall additionally furnish to the policyholder, trust, association or other party a notice form in sufficient number to be distributed to covered employes or members indicating what rights, if any, are available to them upon termination.

(b) For purpose of notice and distribution to covered employes and members under par. (a) and notice to the commissioner of insurance under sub. (3), the administrator responsible for determining the persons covered and the premiums payable to the insurer or organization under any group policy or plan of the type described in s. 204.321 (1) (b) or (c) is responsible for providing such notices.

(3) NOTICE TO COMMISSIONER OF INSURANCE. At the time notice is provided under sub. (2) to the policyholder, trust, association or other party responsible for payment of premiums, the insurer or organization shall provide similar written notice to the commissioner of insurance specifying the name and address of the group policyholder and the employer involved, the date when the policy, plan or coverage will be terminated, and any additional information the commissioner may require.

(4) LIABILITY OF INSURER OR SERVICE ORGANIZATION FOR PAYMENT OF CLAIMS. Under any group policy or plan subject to this section, the insurer or organization shall be liable for all valid claims for covered losses prior to the expiration of any grace period specified in the group policy or plan or prior to the 15th day following receipt by the commissioner of insurance of the notice required under sub. (3), whichever is later.

(5) NOTICE TO COVERED EMPLOYES OR MEMBERS. Upon receipt of any notice of termination of coverage required under sub. (3), the commissioner of insurance shall promptly publish a class 2 notice, under ch. 985, of such termination to covered employes or members in an official newspaper and a newspaper of general circulation, if any, serving the locality of the employer's place of business. Such notice shall include the name and business address of the employer, the name and address of the insurer or organization, the date on which coverage will terminate, and any additional information the commissioner deems pertinent for the protection of covered employes or members.

(6) NOTICE EXCEPTION. The notice requirements of this section shall not apply if a group policy or plan providing coverage to employes or members is terminated and immediately replaced by another policy or plan providing similar coverage to such employes or members.

NOTE: This bill would require insurance companies and service organizations issuing group hospital, surgical or medical expense insurance policies and plans covering groups of employes to provide advance notice whenever coverage is to be terminated due to a default in the payment of premiums or a cessation of the employer's business.

In such instances, notice of termination must be given to both the employer, or other party responsible for the payment of premiums, who shall directly notify affected employes, and to the commissioner of insurance. The commissioner is then required to provide additional notice of termination of coverage to affected employes by promptly publishing such notice in the local newspaper.

In addition, the bill provides that an insurance company or service organization shall remain liable for all valid claims incurred by employes

under the group policy or plan until the expiration of any grace period for late premium payments as may be provided in the group contract or until the 15th day after notice of termination is received by the commissioner, whichever is later.

The administrator of any multiemployer group insurance trust or plan covering employes would also be required to provide the above notices, and for such purpose the administrator is deemed the agent of the insurer or service organization. Finally, an exemption from the notice requirements is provided where a group policy is terminated and immediately replaced by similar group coverage for the same employes.

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