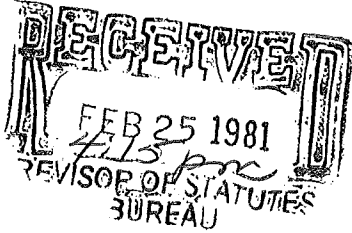


INS 3



STATE OF WISCONSIN  
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FEB 25 1981

VEL PHILLIPS  
SECRETARY OF STATE

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

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 adopting rules relating to conversion or continuation options for group and individual health insurance policies was issued by this office February 25, 1981.

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 my name  
in the City of Madison, State  
of Wisconsin, this 25th day of  
February, 1981.

Susan Mitchell  
Commissioner of Insurance

5-1-81

FEB 2 1981

VEL PHILLIPS  
SECRETARY OF STATE

ORDER OF THE COMMISSIONER OF INSURANCE

ADOPTING RULES

Relating to conversion and continuation options for group and individual health insurance policies.

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ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

These rules are to implement and interpret section 632.897, Stats.

The purpose of section Ins 3.41, Wis. Adm. Code, is to clarify the type of coverage which must be offered for conversion purposes, by interpreting the term "reasonably similar to the terminated coverage" as used in section 632.897 (4) (a), Stats., and expanded on in section 632.897 (4) (b), Stats., and by interpreting section 632.897 (2) (d), and (9) (c), Stats., as it relates to computation of the premium to be charged for individual conversion coverage.

The purpose of section Ins 3.42, Wis. Adm. Code, is to promulgate three plans of individual coverage varying in degree of covered benefits to be offered as individual conversion policies, as authorized by section 632.897 (4) (b), Stats.

The purpose of section Ins 3.43, Wis. Adm. Code, is to establish standards for approval of a policy form providing a high limit comprehensive plan of benefits for conversions, as authorized by section 632.897 (4) (b), Stats.

The purpose of section Ins 3.44, Wis. Adm. Code, is to interpret the provisions of section 632.897 (2) (b) and (9), Stats., describing when the provisions of that statute apply to individual and group insurance policies.

The purpose of section Ins 3.45, Wis. Adm. Code., is to interpret section 632.897 (4) (d) (first sentence) and (6) Stats., with respect to conversion requirements for an insurer offering group policies only.

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Pursuant to authority vested in the Commissioner of Insurance by sections 601.41 (3) and 632.897 (4) (b), Wis. Stats., the Commissioner of Insurance hereby adopts rules implementing and interpreting section 632.897, Wis. Stats., as follows:

Section Ins 3.41 is adopted to read:

Ins 3.41 Individual Conversion Policies. (1) Reasonably similar coverage. An insurer provides reasonably similar coverage under s. 632.897 (4), Stats., to a terminated insured as defined in s. 632.897 (1) (f), Stats., if a person is offered individual coverage substantially identical to the terminated coverage under the group policy or individual policy, or is offered his or her choice of the three plans described in section Ins 3.42, Wis. Adm. Code, or is offered a high limit comprehensive plan of benefits approved for the purpose of conversion by the commissioner as meeting the standards described in section Ins 3.43, Wis. Adm. Code. Individual conversion policies must include benefits required for individual disability insurance policies by subch. VI, ch. 632, Stats.

(2) Renewability. (a) Except as provided in par. (b), individual conversion policies shall be renewable at the option of the insured unless the insured fails to make timely payment of a required premium amount, there is over-insurance as provided by s. 632.897 (4) (d), Stats., or there was fraud or material misrepresentation in applying for any benefit under the policy.

(b) Conversion policies issued to a former spouse under s. 632.897 (9) (b), Stats., must include renewal provisions at least as favorable to the insured as did the previous coverage.

(3) Premium rates. (a) In determining the rates for the class of risks to be covered under individual conversion policies, the premium and

loss experience of policies issued to meet the requirements of s. 632.897 (4), Stats., may be considered in determining the table of premium rates applicable to the age and class of risks of each person to be covered under the policy and to the type and amount of coverage provided.

(b) Except as provided in par. (c), conditions pertaining to health shall not be an acceptable basis for classification of risks.

(c) A conversion policy issued to a former spouse under s. 632.897 (9) (b), Stats., may be rated on the basis of a health condition if a similar rating had been previously applied to the prior individual coverage due to the same condition.

Section Ins 3.42 is adopted to read:

Ins 3.42 Plans of Conversion Coverage. Pursuant to s. 632.897

(4) (b), Stats., the following plans of conversion coverage are established.

(1) Plan 1 - Basic Coverage - Plan 1 basic coverage consists of the following:

(a) Hospital room and board daily expense benefits in a maximum dollar amount approximating the average semi-private rate charged in the major metropolitan area of this state, for a maximum duration of 70 days per calendar year;

(b) Miscellaneous in-hospital expenses, including anesthesia services, up to a maximum amount of 20 times the hospital room and board daily expense benefits per calendar year; and

(c) In-hospital and out-of-hospital surgical expenses payable on a usual, customary and reasonable basis up to a maximum benefit of \$2,000 a calendar year.

(2) Plan 2 - Major Medical Expense Coverage - Plan 2 major medical expense coverage shall consist of benefits for hospital, surgical and medical expenses incurred either in or out of a hospital of the following:

(a) A lifetime maximum benefit of \$75,000.

(b) Payment of benefits at the rate of 80% of covered medical expenses which are in excess of the deductible, until 20% of such expenses in a benefit period reaches \$1,000, after which benefits will be paid at 100% for the remainder of the benefit period; provided, however, benefits for out-patient mental illness, if covered by the policy, may be provided at a lesser rate, but not below 50%, and surgical expenses will be provided at a usual, customary and reasonable level.

(c) A deductible for each benefit period of \$500 except that the deductible shall be \$1,000 for each benefit period for a policy insuring members of a family. All covered expenses of any insured family member may be applied to satisfy the deductible.

(d) A "benefit period" shall be defined as a calendar year.

(e) Payment for all services covered under the contract by any licensed health care professional qualified to provide the services.

(3) Plan 3 - Major Medical Expense Coverage - Plan 3 major medical expense coverage shall consist of benefits for hospital, surgical and medical expenses incurred either in or out of a hospital of the following:

(Same as Plan 2 except that maximum benefit is \$100,000 and deductible is \$1,000 for an individual and \$2,000 for a family.)

Section Ins 3.43 is adopted to read:

Ins 3.43 High Limit Comprehensive Plan of Benefits. (1) A policy form providing a high limit comprehensive plan of benefits may be approved as an individual conversion policy as provided by s. 632.897 (4) (b), Stats.,

if it provides comprehensive coverage of expenses of hospital, surgical and medical services of not less than the following:

(a) A lifetime maximum benefit of \$250,000.

(b) Payment of benefits at the rate of 80% of covered medical expenses which are in excess of the deductible, until 20% of such expenses in a benefit period reaches \$1,000, after which benefits will be paid at 100% for the remainder of the benefit period; provided, however, benefits for out-patient mental illness, if covered by the policy, may be provided at a lesser rate, but not below 50%, and surgical expenses will be provided at a usual, customary and reasonable level.

(c) A deductible for each benefit period of at least \$250 and not more than \$500 except that the deductible shall be at least \$250 and not more than \$1,000 for each benefit period for a policy insuring members of a family. All covered expenses of any insured family member may be applied to satisfy the deductible.

(d) A "benefit period" shall be defined as a calendar year.

(e) Payment for all services covered under the contract by any licensed health care professional qualified to provide the services.

(2) The filing procedures of s. Ins 3.12, Wis. Adm. Code, shall apply to policy forms filed as individual conversion policies.

Section Ins 3.44 is adopted to read:

Ins 3.44 Effective Date of Section 632.897, Stats. (1) Section 632.897, Stats., applies to group policies issued or renewed on or after May 14, 1980, or if a policy is not renewed within two years after the effective date of the act, section 632.897, Stats., is effective at the end of two years from May 14, 1980.

(2) (a) A group policy as defined in section 632.897 (1) (c) 1 or 3 shall be considered to have been renewed on any date specified in the policy as

a renewal date or on any date on which the insurer or the insured changed the rate of premium for the group policy.

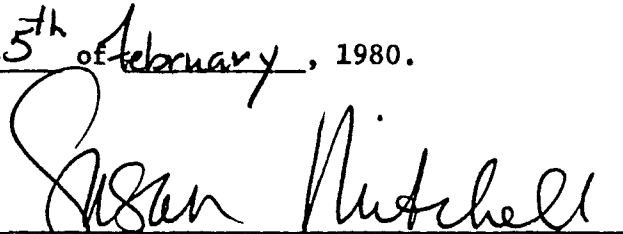
(b) A group policy as defined in section 632.897 (1) (c) 2. shall be considered to have been renewed on any date on which an underlying collective bargaining agreement or other underlying contract is renewed, or on which a significant change is made in benefits.

(3) Section 632.897, Stats., applies to individual policies issued or renewed after May 14, 1980, except that it shall not apply to any individual policy in force on May 13, 1980, in which the insurer does not have the option of changing premiums.

Section Ins 3.45 is adopted to read:

Ins 3.45 Conversion Policies by Insurers Offering Group Policies Only. Section 632.897 (4) (d) (first sentence), Stats., establishes that an insurer offering group policies only is not required to offer individual coverage. Since the insurer has no individual conversion policies which it may offer, it may not require a terminated insured who elected to continue coverage under s. 632.897 (2), Stats., to convert to individual coverage under s. 632.897 (6), Stats., after twelve months. The terminated person may continue group coverage except as provided in s. 632.897 (3) (a), Stats.

Dated at Madison, Wisconsin, this 25<sup>th</sup> of February, 1980.

  
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Susan Mitchell  
Commissioner of Insurance