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HOUSE BILL 2521

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State of Washington

61st Legislature

2010 Regular Session

By Representatives Driscoll, Williams, Cody, Morrell, Ormsby, and Moeller; by request of Insurance Commissioner

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1 AN ACT Relating to conversion rights upon termination of  
2 eligibility for health plan coverage; amending RCW 48.21.260,  
3 48.44.370, and 48.46.450; and creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 48.21.260 and 1984 c 190 s 3 are each amended to read  
6 as follows:

7 (1) Except as otherwise provided by this section, any group  
8 disability insurance policy (~~issued, renewed, or amended on or after~~  
9 ~~January 1, 1985,~~) that provides benefits for hospital or medical  
10 expenses (~~shall~~) must contain a provision granting a person covered  
11 by the group policy the right to obtain a conversion policy from the  
12 insurer upon termination of the person's eligibility for coverage under  
13 the group policy.

14 (2) An insurer need not offer a conversion policy to:

15 (a) A person whose coverage under the group policy ended when the  
16 person's employment or membership was terminated for misconduct:  
17 PROVIDED, That when a person's employment or membership is terminated  
18 for misconduct, a conversion policy shall be offered to the spouse  
19 and/or dependents of the terminated employee or member. The policy

1 shall include in the conversion provisions the same conversion rights  
2 and conditions which are available to employees or members and their  
3 spouses and/or dependents who are terminated for reasons other than  
4 misconduct;

5 (b) A person who is eligible for federal medicare coverage; or

6 (c) A person who is covered under another group plan, policy,  
7 contract, or agreement providing benefits for hospital or medical care.

8 (3) To obtain the conversion policy, a person must submit a written  
9 application and the first premium payment for the conversion policy not  
10 later than thirty-one days after the date the person's group coverage  
11 terminates or thirty-one days after the date the person received notice  
12 of termination of coverage, whichever is later. The conversion policy  
13 shall become effective, without lapse of coverage, immediately  
14 following termination of coverage under the group policy.

15 (4) If an insurer or group policyholder does not renew, cancels, or  
16 otherwise terminates the group policy, the insurer (~~shall~~) must offer  
17 a conversion policy to any person who was covered under the terminated  
18 policy unless the person is eligible to obtain group hospital or  
19 medical expense coverage within thirty-one days after such nonrenewal,  
20 cancellation, or termination of the group policy or thirty-one days  
21 after the date the person received notice of termination of coverage,  
22 whichever is later.

23 (5) The insurer shall determine the premium for the conversion  
24 policy in accordance with the insurer's table of premium rates  
25 applicable to the age and class of risk of each person to be covered  
26 under the policy and the type and amount of benefits provided.

27 **Sec. 2.** RCW 48.44.370 and 1984 c 190 s 6 are each amended to read  
28 as follows:

29 (1) Except as otherwise provided by this section, any group health  
30 care service contract (~~entered into or renewed on or after January 1,~~  
31 ~~1985,~~) that provides benefits for hospital or medical expenses  
32 (~~shall~~) must contain a provision granting a person covered by the  
33 group contract the right to obtain a conversion contract from the  
34 contractor upon termination of the person's eligibility for coverage  
35 under the group contract.

36 (2) A contractor need not offer a conversion contract to:

1 (a) A person whose coverage under the group contract ended when the  
2 person's employment or membership was terminated for misconduct:  
3 PROVIDED, That when a person's employment or membership is terminated  
4 for misconduct, a conversion policy shall be offered to the spouse  
5 and/or dependents of the terminated employee or member. The policy  
6 shall include in the conversion provisions the same conversion rights  
7 and conditions which are available to employees or members and their  
8 spouses and/or dependents who are terminated for reasons other than  
9 misconduct;

10 (b) A person who is eligible for federal medicare coverage; or

11 (c) A person who is covered under another group plan, policy,  
12 contract, or agreement providing benefits for hospital or medical care.

13 (3) To obtain the conversion contract, a person must submit a  
14 written application and the first premium payment for the conversion  
15 contract not later than thirty-one days after the date the person's  
16 eligibility for group coverage terminates or thirty-one days after the  
17 date the person received notice of termination of coverage, whichever  
18 is later. The conversion contract shall become effective, without  
19 lapse of coverage, immediately following termination of coverage under  
20 the group contract.

21 (4) If a health care service contractor or group contract holder  
22 does not renew, cancels, or otherwise terminates the group contract,  
23 the health care service contractor (~~shall~~) must offer a conversion  
24 contract to any person who was covered under the terminated contract  
25 unless the person is eligible to obtain group hospital or medical  
26 expense coverage within thirty-one days after such nonrenewal,  
27 cancellation, or termination of the group contract or thirty-one days  
28 after the date the person received notice of termination of coverage,  
29 whichever is later.

30 (5) The health care service contractor shall determine the premium  
31 for the conversion contract in accordance with the contractor's table  
32 of premium rates applicable to the age and class of risk of each person  
33 to be covered under the contract and the type and amount of benefits  
34 provided.

35 **Sec. 3.** RCW 48.46.450 and 1984 c 190 s 9 are each amended to read  
36 as follows:

37 (1) Except as otherwise provided by this section, any group health

1 maintenance agreement (~~entered into or renewed on or after January 1,~~  
2 ~~1985,~~) that provides benefits for hospital or medical care (~~shall~~)  
3 must contain a provision granting a person covered by the group  
4 agreement the right to obtain a conversion agreement from the health  
5 maintenance organization upon termination of the person's eligibility  
6 for coverage under the group agreement.

7 (2) A health maintenance organization need not offer a conversion  
8 agreement to:

9 (a) A person whose coverage under the group agreement ended when  
10 the person's employment or membership was terminated for misconduct:  
11 PROVIDED, That when a person's employment or membership is terminated  
12 for misconduct, a conversion policy shall be offered to the spouse  
13 and/or dependents of the terminated employee or member. The policy  
14 shall include in the conversion provisions the same conversion rights  
15 and conditions which are available to employees or members and their  
16 spouses and/or dependents who are terminated for reasons other than  
17 misconduct;

18 (b) A person who is eligible for federal medicare coverage; or

19 (c) A person who is covered under another group plan, policy,  
20 contract, or agreement providing benefits for hospital or medical care.

21 (3) To obtain the conversion agreement, a person must submit a  
22 written application and the first premium payment for the conversion  
23 agreement not later than thirty-one days after the date the person's  
24 eligibility for group coverage terminates or thirty-one days after the  
25 date the person received notice of termination of coverage, whichever  
26 is later. The conversion agreement shall become effective without  
27 lapse of coverage, immediately following termination of coverage under  
28 the group agreement.

29 (4) If a health maintenance organization or group agreement holder  
30 does not renew, cancels, or otherwise terminates the group agreement,  
31 the health maintenance organization (~~shall~~) must offer a conversion  
32 agreement to any person who was covered under the terminated agreement  
33 unless the person is eligible to obtain group benefits for hospital or  
34 medical care within thirty-one days after such nonrenewal,  
35 cancellation, or termination of the group agreement or thirty-one days  
36 after the date the person received notice of termination of coverage,  
37 whichever is later.

1           (5) The health maintenance organization shall determine the premium  
2 for the conversion agreement in accordance with the organization's  
3 table of premium rates applicable to the age and class of risk of each  
4 person to be covered under the agreement and the type and amount of  
5 benefits provided.

6           NEW SECTION.   **Sec. 4.** This act applies to any group disability  
7 insurance policy, group health care service contract, and group health  
8 maintenance agreement issued, entered into, or renewed on or after  
9 January 1, 2011.

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