

SUBCHAPTER F. Group Health Insurance Mandatory Conversion Privilege

28 TAC 3.501-3.520

1. INTRODUCTION. The Texas Department of Insurance proposes to repeal 28 TAC Chapter 3, Subchapter F, concerning Group Health Insurance Mandatory Conversion Privilege. The repeal of 28 TAC Chapter 3, Subchapter F; its replacement by the proposed new 28 TAC Chapter 21, Subchapter SS; and concurrently proposed amendments to 28 TAC Chapter 11, Subchapter F, are necessary to conform TDI's continuation and conversion rules to statutory changes that have occurred over time, including HB 710, 75th Legislature, Regular Session (1997) and SB 1771, 81st Legislature, Regular Session (2009), to consolidate the rules for insured and HMO products. The amended and new rules will conserve agency resources by reducing the need for multiple rule projects resulting from future changes in continuation or conversion laws.

TDI proposes to replace the repealed 28 TAC Chapter 3, Subchapter F and the text deleted by amendments proposed to 28 TAC Chapter 11, Subchapter F with the new 28 TAC Chapter 21, Subchapter SS proposed at the same time.

2. FISCAL NOTE. Jan Graeber, director and chief actuary, Rate and Form Review Office, in the Life, Accident, and Health Section, has determined that for each year of the first five years the proposed repeal is in effect, there will be no fiscal impact to state

and local governments as a result of the repeal. There will be no measurable effect on local employment or the local economy as a result of the proposed repeal.

3. PUBLIC BENEFIT AND COST NOTE. Ms. Graeber has also determined that for each year of the first five years the proposed repeal is effect, the public will benefit from a more compact and consistent body of rules covering insured and HMO products in one place and the conformity of the rules to changes in related statutes. There is no anticipated cost to persons required to comply with the proposal because it is a repeal of current requirements.

4. ECONOMIC IMPACT STATEMENT AND REGULATORY FLEXIBILITY ANALYSIS FOR SMALL AND MICRO BUSINESSES. As required by Government Code §2006.002, the department has determined that the proposed repeal will not have an adverse economic impact on small and micro businesses. As a result, the department is not required to prepare a regulatory flexibility analysis.

5. TAKINGS IMPACT ASSESSMENT. The department has determined that no private real property interests are affected by this proposal and that this proposal does not restrict or limit an owner's right to property that would otherwise exist in the absence of government action and so does not constitute a taking or require a takings impact assessment under the Government Code §2007.043.

6. REQUEST FOR PUBLIC COMMENT. If you wish to comment or request a hearing on this proposal, you must do so in writing no later than 5 p.m. Central time, August 4, 2014. Send your comments or hearing request by email to chiefclerk@tdi.texas.gov, or by mail to Sara Waitt, General Counsel, Mail Code 113-2A, Texas Department of Insurance, P.O. Box 149104, Austin, Texas 78714-9104. A hearing request must be on a separate page from any written comments. You must simultaneously submit an additional copy of the comments or hearing request by email to lhcomments@tdi.texas.gov or by mail to Jan Graeber, Director and Chief Actuary, Rate and Form Review Office, Mail Code 107-2A, Texas Department of Insurance, P.O. Box 149104, Austin, Texas 78714-9104.

7. STATUTORY AUTHORITY. The department proposes the new sections under Insurance Code §§36.001, 843.051(b)(3), 1251.008, 1251.251, 1251.253, 1251.258, 1251.260, 1271.301(b), 1271.306(c), and 1701.060(a).

Section 36.001 provides that the commissioner may adopt any rules necessary and appropriate to implement the powers and duties of the department under the Insurance Code and other laws of this state.

Section 843.051(b)(3) states, "(b) A health maintenance organization is subject to ... (3) Subchapter G, Chapter 1251, and Section 1551.064."

Section 1251.008 states, "The commissioner may adopt rules necessary to administer this chapter. A rule adopted under this section is subject to notice and hearing as provided by Section 1201.007 for a rule adopted under Chapter 1201."

Section 1251.251 states, "(a) An insurer or group hospital service corporation that issues policies that provide hospital, surgical, or major medical expense insurance coverage or any combination of those coverages on an expense incurred basis shall, as required by this subchapter, provide continuation of group coverage for employees or members and their eligible dependents, subject to the eligibility provisions prescribed by Section 1251.252."

Section 1251.253 states, "An employee, member, or dependent must provide to the employer or group policyholder a written request for continuation of group coverage not later than the 60th day after the later of: (1) the date the group coverage would otherwise terminate; or (2) the date the individual is given, in a format prescribed by the commissioner, notice by either the employer or the group policyholder of the right to continuation of group coverage."

Section 1251.258 states, "The commissioner by rule shall establish minimum standards for benefits under converted policies issued under this subchapter."

Section 1251.260 states, "(a) An employer that provides to its employees group accident and health insurance coverage that includes a group continuation or conversion privilege on termination of coverage shall give written notice of the continuation or conversion privileges under the policy to each employee or dependent insured under the group and affected by the termination. (b) The commissioner by rule shall establish minimum standards for the notice required by this section."

Section 1271.301(b) states, "A health maintenance organization shall provide a group coverage continuation privilege as required by and subject to the eligibility provisions of this subchapter."

Section 1271.306(c) states, “A conversion contract must meet the minimum standards for services and benefits for conversion contracts. The commissioner shall adopt rules to prescribe the minimum standards for services and benefits applicable to conversion contracts.”

Section 1701.060(a) provides that the commissioner may adopt reasonable rules necessary to implement the purposes of Chapter 1701.

8. CROSS REFERENCE TO STATUTE. The following statutes are affected by this proposal:

Insurance Code Chapter 1251

Insurance Code Chapter 1271

Insurance Code Chapter 1701

9. TEXT.

§3.501 Purpose and Scope

§3.502 Definitions

§3.503 Forms Adopted and Incorporated by Reference

§3.504 Eligibility for Mandatory Group Conversion and Continuation Privilege

§3.505 Mandatory Conversion or Continuation Options

§3.506 Notification Requirement of Insurers and Employer/Group Policyholders

§3.507 Election and Effective Dates

§3.508 Conversion Premium

§3.509 Continuation Premium

§3.510 Minimum Standards for Benefits for Other Conversion Policies

**§3.511 Minimum Standards for Conversion Policy Provisions and Requirements
for Conversion Policies**

**§3.512 Lifetime Maximums and Benefits Calculations; Deductible and Co-
Insurance Credit**

§3.513 Minimum Standards for Renewability of Conversion Policies

§3.514 Minimum Standards for Continuation of Coverage

§3.515 Prototype Forms and Required Conversion Benefit Packages

§3.516 Filing Requirements

§3.517 Language Readability Requirements

§3.518 Mandatory Group Policy Provisions

§3.519 Compliance

§3.520 Appendix

10. CERTIFICATION. This agency certifies that legal counsel has reviewed the proposal and found it to be within the agency's legal authority to adopt.

Issued at Austin, Texas, on June 17, 2014



Sara Waitt
General Counsel
Texas Department of Insurance