

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

In the Matter of the Adoption
of the Proposed Amendments to
Rules Governing Group Insurance
Coverage Replacement

STATEMENT OF NEED
AND REASONABLENESS

STATEMENT OF AUTHORITY

Minnesota Statute § 60A.082 requires the commissioner to adopt rules to carry out the provisions of that section. Rules 4 MCAR § 1.9251 - § 1.9253 were adopted in June, 1981, in fulfillment of this requirement. Minnesota Statute § 60A.082 states that a person who is covered under a group life, group accidental death and dismemberment, group disability income or group medical expense insurance plan shall not be denied benefits to which he or she is otherwise entitled solely because of a change in the insurer writing the plan.

The current rules were written to define the exact mechanisms by which insureds would not be denied coverage solely because of a change in insurers. After affording interested and affected persons an opportunity to submit comments and receiving fewer than seven written requests for a public hearing, the rules were adopted without a public hearing. In 1984, Minnesota revised its system for organizing and referencing administrative rules. The rules are now found in Minnesota Rules, Chapter 2755, parts 2755.0100 to 2755.0500.

Following adoption of the current rules, several insurers were involved in disputes over the liability of the prior and succeeding carriers. These disputes were based on differing interpretations of the term "accrued liability." The meaning of the term "extension of benefits" also was unclear. Therefore, the proposed revisions to the current rules are necessary to clarify these two terms.

Amendments to the Current Rules

2755.0400 LIABILITY OF PRIOR CARRIER

Part 2755.0400 is amended to clarify that prior carriers are liable for any extension of benefits provisions in the contract of insurance existing at the time of replacement. This part is also amended to include a definition of accrued liability. Some insurers were involved in disputes over liability when a covered individual is hospital confined at the time of replacement. The rule amendment simply states longstanding Commerce Department policy. Specifically, the rule amendment states that expenses incurred by an individual who is hospital confined at the time of replacement are the liability of the prior carrier until the individual is discharged from the hospital or contract maximums are reached.

2755.0500 LIABILITY OF SUCCEEDING CARRIER

Subpart 2 is amended to change the term "extension of benefits" to "continuation of coverage." This change is needed to make a clear distinction between contractual provisions for extension of benefits and the continuation of coverage provisions in Minnesota Statutes § 62A.148 and § 62A.17. Currently, the term "extension of benefits" is used to apply to both situations and can cause confusion about the liability of the prior and succeeding carriers.

Effects on Small Businesses

The amendments to Chapter 2755 simply clarify existing Department policy and the meaning of certain terms. These amendments are not intended to modify the impact of the rules governing Group Insurance Coverage Replacement. Therefore, the Department expects the amendments will have no effect on small businesses.