

Conversion Plans as Health Benefits Plans

The following Advisory Opinion is to advise the reader of the current position of the Kentucky Department of Insurance ("the Department") on the specified issue. The Advisory Opinion is not legally binding on either the Department or the reader.

Kentucky Department of Insurance Advisory Opinion 99-01

In re: Conversion Plans as Health Benefit Plans

RELEVANT FACTS AND STATUTES: A recent question has arisen concerning conversion plans discussed in KRS 304.18-110. The question is are conversion plans considered health benefit plans pursuant to House Bill 315 Section 1(17)?

DEPARTMENT'S POSITION: KRS 304.18-110(5) confers on group members the right to conversion coverage upon termination of their group coverage.

House Bill 315 Section 1(17) defines "health benefit plan." Included in that definition are HMO contracts, coverage through provider-sponsored integrated delivery networks, and coverage through insurance companies. Certain forms of coverage are specifically excluded from the definition of health benefit plans. Policies specifically excluded include, but are not limited to, credit policies, dental policies, long-term care policies, and specified disease policies.

KRS 304.18-110, providing for conversion policies, was in effect before House bill 315 was enacted into law. If the General Assembly wanted to exclude conversion policies from the definition health benefit plans it would have included conversion policies in the list of specifically excluded coverages. Since conversion policies are not specifically excluded, they are included in the definition of health benefit plans.

In as much as conversion policies are health benefit plans, they will need to be filed in conformity with House Bill 315. Carriers must notify the Department within thirty (30) days from the effective date of this Advisory Opinion as to how they are complying with the conversion requirements of KRS 304.18-110, pursuant to this Advisory Opinion. Carriers needing to file their conversion policy forms and rates with the Department must do so within sixty (60) days from the date of their notice. Offering a conversion policy does not constitute doing business in the individual market. Therefore, a carrier is not required to offer the standard plan as a conversion option.

Any questions may be directed to Shaun T. Orme, Counsel for the Department.

George Nichols III

Commissioner

Date: 1/20/99
