

# HOUSE BILL No. 1287

---

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 27-8-5-2; IC 27-8-10-5.1.

**Synopsis:** Mentally ill dependent insurance coverage. Adds a dependent child's incapability to self-sustain employment because of mental illness to the reasons that continue hospital and medical coverage to a child under certain insurance policies. (The introduced version of this bill was prepared by the Indiana commission on mental health.)

**Effective:** July 1, 1999.

---

---

**Crosby, Goeglein, Cheney, Welch**

---

---

January 11, 1999, read first time and referred to Committee on Human Affairs.

---

---

C  
O  
P  
Y



First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

C  
O  
P  
Y

## HOUSE BILL No. 1287



A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 27-8-5-2 IS AMENDED TO READ AS FOLLOWS  
2 [EFFECTIVE JULY 1, 1999]: Sec. 2. (a) No individual policy of  
3 accident and sickness insurance shall be delivered or issued for  
4 delivery to any person in this state unless **it complies with each of the**  
5 **following:**

- 6 (1) The entire money and other considerations ~~therefor for the~~  
7 **policy** are expressed ~~therein;~~ **in the policy.**
- 8 (2) The time at which the insurance takes effect and terminates is  
9 expressed ~~therein;~~ **in the policy.**
- 10 (3) ~~it~~ **The policy** purports to insure only one (1) person, except  
11 that a policy may insure, originally or by subsequent amendment,  
12 upon the application of any member of a family who shall be  
13 deemed the policyholder and who is at least eighteen (18) years  
14 of age, any two (2) or more eligible members of that family,  
15 including husband, wife, dependent children or any children  
16 under a specified age, which shall not exceed nineteen (19) years,  
17 and any other person dependent upon the policyholder.



- 1 (4) The style, arrangement, and overall appearance of the policy  
 2 give no undue prominence to any portion of the text, and unless  
 3 every printed portion of the text of the policy and of any  
 4 ~~indorsements~~ **endorsements** or attached papers is plainly printed  
 5 in ~~light-faced~~ **lightface** type of a style in general use, the size of  
 6 which shall be uniform and not less than ten point with a  
 7 lower-case unspaced alphabet length not less than one hundred  
 8 and twenty point (the "text" shall include all printed matter except  
 9 the name and address of the insurer, name or title of the policy,  
 10 the brief description if any, and captions and subcaptions).
- 11 (5) The exceptions and reductions of indemnity are set forth in the  
 12 policy and, except those which are set forth in section 3 of this  
 13 chapter, are printed, at the insurer's option, either included with  
 14 the benefit provision to which they apply, or under an appropriate  
 15 caption such as "EXCEPTIONS", or "EXCEPTIONS AND  
 16 REDUCTIONS", provided that if an exception or reduction  
 17 specifically applies only to a particular benefit of the policy, a  
 18 statement of such exception or reduction shall be included with  
 19 the benefit provision to which it applies.
- 20 (6) Each such form **of the policy**, including riders and  
 21 ~~indorsements~~; **endorsements**, shall be identified by a form  
 22 number in the lower left-hand corner of the first page ~~thereof~~; **of**  
 23 **the policy**.
- 24 (7) ~~it~~ **The policy** contains no provision purporting to make any  
 25 portion of the charter, rules, constitution, or bylaws of the insurer  
 26 a part of the policy unless such portion is set forth in full in the  
 27 policy, except in the case of the incorporation of or reference to  
 28 a statement of rates or classification of risks, or short-rate table  
 29 filed with the commissioner. ~~and~~
- 30 (8) If an individual accident and sickness insurance policy or  
 31 hospital service plan contract or medical service plan contract  
 32 provides that hospital or medical expense coverage of a  
 33 dependent child terminates upon attainment of the limiting age for  
 34 dependent children specified in such policy or contract, the policy  
 35 or contract must also provide that attainment of such limiting age  
 36 does not operate to terminate the hospital and medical coverage  
 37 of such child while the child is and continues to be both:
- 38 (a) (A) incapable of self-sustaining employment by reason of  
 39 mental retardation, **mental illness**, or physical disability; and  
 40 (b) (B) chiefly dependent upon the policyholder for support  
 41 and maintenance.
- 42 Proof of such incapacity and dependency must be furnished to the

C  
O  
P  
Y

1 insurer by the policyholder within thirty-one (31) days of the child's  
 2 attainment of the limiting age. The insurer may require at reasonable  
 3 intervals during the two (2) years following the child's attainment of the  
 4 limiting age subsequent proof of the child's disability and dependency.  
 5 After such two (2) year period, the insurer may require subsequent  
 6 proof not more than once each year. The foregoing provision shall not  
 7 require an insurer to insure a dependent who is a mentally retarded or  
 8 physically disabled child where such dependent does not satisfy the  
 9 conditions of the policy provisions as may be stated in the policy or  
 10 contract required for coverage thereunder to take effect. In any such  
 11 case the terms of the policy or contract shall apply with regard to the  
 12 coverage or exclusion from coverage of such dependent.

13 This subsection applies only to policies or contracts delivered or  
 14 issued for delivery in this state more than one hundred twenty (120)  
 15 days after August 18, 1969.

16 (b) If any policy is issued by an insurer domiciled in this state for  
 17 delivery to a person residing in another state, and if the official having  
 18 responsibility for the administration of the insurance laws of such other  
 19 state shall have advised the commissioner that any such policy is not  
 20 subject to approval or disapproval by such official, the commissioner  
 21 may by ruling require that such policy meet the standards set forth in  
 22 subsection (a) ~~of this section~~ and in section 3 of this chapter.

23 SECTION 2. IC 27-8-10-5.1 IS AMENDED TO READ AS  
 24 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 5.1. (a) Except as  
 25 provided in subsections (b) and (c), a person is not eligible for an  
 26 association policy if, at the effective date of coverage, the person has  
 27 or is eligible for coverage under any insurance plan that equals or  
 28 exceeds the minimum requirements for accident and sickness insurance  
 29 policies issued in Indiana as set forth in IC 27. Coverage under any  
 30 association policy is in excess of, and may not duplicate, coverage  
 31 under any other form of health insurance.

32 (b) Except as provided in IC 27-13-16-4, a person is eligible for an  
 33 association policy upon a showing that:

- 34 (1) the person has been rejected by one (1) carrier for coverage  
 35 under any insurance plan that equals or exceeds the minimum  
 36 requirements for accident and sickness insurance policies issued  
 37 in Indiana, as set forth in IC 27, without material underwriting  
 38 restrictions;
- 39 (2) an insurer has refused to issue insurance except at a rate  
 40 exceeding the association plan rate; or
- 41 (3) the person is a federally eligible individual.

42 For the purposes of this subsection, eligibility for Medicare coverage



C  
O  
P  
Y

1 does not disqualify a person who is less than sixty-five (65) years of  
2 age from eligibility for an association policy.

3 (c) The board of directors may establish procedures that would  
4 permit:

5 (1) an association policy to be issued to persons who are covered  
6 by a group insurance arrangement when that person or a  
7 dependent's health condition is such that the group's coverage is  
8 in jeopardy of termination or material rate increases because of  
9 that person's or dependent's medical claims experience; and

10 (2) an association policy to be issued without any limitation on  
11 preexisting conditions to a person who is covered by a health  
12 insurance arrangement when that person's coverage is scheduled  
13 to terminate for any reason beyond the person's control.

14 (d) An association policy must provide that coverage of a dependent  
15 unmarried child terminates when the child becomes nineteen (19) years  
16 of age (or twenty-five (25) years of age if the child is enrolled full-time  
17 in an accredited educational institution). The policy must also provide  
18 in substance that attainment of the limiting age does not operate to  
19 terminate a dependent unmarried child's coverage while the dependent  
20 is and continues to be both:

21 (1) incapable of self-sustaining employment by reason of mental  
22 retardation, **mental illness**, or physical disability; and

23 (2) chiefly dependent upon the person in whose name the contract  
24 is issued for support and maintenance.

25 However, proof of such incapacity and dependency must be furnished  
26 to the carrier within one hundred twenty (120) days of the child's  
27 attainment of the limiting age, and subsequently as may be required by  
28 the carrier, but not more frequently than annually after the two (2) year  
29 period following the child's attainment of the limiting age.

30 (e) An association policy that provides coverage for a family  
31 member of the person in whose name the contract is issued must, as to  
32 the family member's coverage, also provide that the health insurance  
33 benefits applicable for children are payable with respect to a newly  
34 born child of the person in whose name the contract is issued from the  
35 moment of birth. The coverage for newly born children must consist of  
36 coverage of injury or illness, including the necessary care and treatment  
37 of medically diagnosed congenital defects and birth abnormalities. If  
38 payment of a specific premium is required to provide coverage for the  
39 child, the contract may require that notification of the birth of a child  
40 and payment of the required premium must be furnished to the carrier  
41 within thirty-one (31) days after the date of birth in order to have the  
42 coverage continued beyond the thirty-one (31) day period.



C  
O  
P  
Y

1 (f) Except as provided in subsection (g), an association policy may  
2 contain provisions under which coverage is excluded during a period  
3 of three (3) months following the effective date of coverage as to a  
4 given covered individual for preexisting conditions, as long as medical  
5 advice or treatment was recommended or received within a period of  
6 three (3) months before the effective date of coverage.

7 This subsection may not be construed to prohibit preexisting condition  
8 provisions in an insurance policy that are more favorable to the insured.

9 (g) If a person applies for an association policy within six (6)  
10 months after termination of the person's coverage under a health  
11 insurance arrangement and the person meets the eligibility  
12 requirements of subsection (b), then an association policy may not  
13 contain provisions under which:

14 (1) coverage as to a given individual is delayed to a date after the  
15 effective date or excluded from the policy; or

16 (2) coverage as to a given condition is denied;

17 on the basis of a preexisting health condition. This subsection may not  
18 be construed to prohibit preexisting condition provisions in an  
19 insurance policy that are more favorable to the insured.

20 (h) For purposes of this section, coverage under a health insurance  
21 arrangement includes, but is not limited to, coverage pursuant to the  
22 Consolidated Omnibus Budget Reconciliation Act of 1985.

C  
O  
P  
Y

