

1 AN ACT in relation to insurance.

2 Be it enacted by the People of the State of Illinois,  
3 represented in the General Assembly:

4 Section 5. The Illinois Insurance Code is amended by  
5 changing Section 424 as follows:

6 (215 ILCS 5/424) (from Ch. 73, par. 1031)

7 Sec. 424. Unfair methods of competition and unfair or  
8 deceptive acts or practices defined. The following are  
9 hereby defined as unfair methods of competition and unfair  
10 and deceptive acts or practices in the business of insurance:

11 (1) The commission by any person of any one or more of  
12 the acts defined or prohibited by Sections 134, 143.24c, 147,  
13 148, 149, 151, 155.22, 155.22a, 236, 237, 364, and 469 of  
14 this Code.

15 (2) Entering into any agreement to commit, or by any  
16 concerted action committing, any act of boycott, coercion or  
17 intimidation resulting in or tending to result in  
18 unreasonable restraint of, or monopoly in, the business of  
19 insurance.

20 (3) Making or permitting, in the case of insurance of  
21 the types enumerated in Classes 1, 2, and 3 of Section 4, any  
22 unfair discrimination between individuals or risks of the  
23 same class or of essentially the same hazard and expense  
24 element because of the race, color, religion, or national  
25 origin of such insurance risks or applicants. The  
26 application of this Article to the types of insurance  
27 enumerated in Class 1 of Section 4 shall in no way limit,  
28 reduce, or impair the protections and remedies already  
29 provided for by Sections 236 and 364 of this Code or any  
30 other provision of this Code.

31 (4) Engaging in any of the acts or practices defined in

1 or prohibited by Sections 154.5 through 154.8 of this Code.

2 (5) Making or charging any rate for insurance against  
3 losses arising from the use or ownership of a motor vehicle  
4 which requires a higher premium of any person by reason of  
5 his physical handicap, race, color, religion, or national  
6 origin.

7 (6) Issuing a new policy within an individual health  
8 insurance market after notice of withdrawal from that market  
9 has been given according to item (i) of subparagraph (a) of  
10 paragraph (2) of subsection (C) of Section 50 of the Illinois  
11 Health Insurance Portability and Accountability Act if that  
12 coverage was among the types of coverage for which notice of  
13 withdrawal has been given.

14 (Source: P.A. 92-399, eff. 8-16-01; 92-651, eff. 7-11-02;  
15 92-669, eff. 1-1-03.)

16 Section 10. The Illinois Health Insurance Portability  
17 and Accountability Act is amended by changing Section 50 and  
18 adding Section 60 as follows:

19 (215 ILCS 97/50)

20 Sec. 50. Guaranteed renewability of individual health  
21 insurance coverage.

22 (A) In general. Except as provided in this Section, a  
23 health insurance issuer that provides individual health  
24 insurance coverage to an individual shall renew or continue  
25 in force such coverage at the option of the individual.

26 (B) General exceptions. A health insurance issuer may  
27 nonrenew or discontinue health insurance coverage of an  
28 individual in the individual market based only on one or more  
29 of the following:

30 (1) Nonpayment of premiums. The individual has  
31 failed to pay premiums or contributions in accordance  
32 with the terms of the health insurance coverage or the

1 issuer has not received timely premium payments.

2 (2) Fraud. The individual has performed an act or  
3 practice that constitutes fraud or made an intentional  
4 misrepresentation of material fact under the terms of the  
5 coverage.

6 (3) Termination of plan. The issuer is ceasing to  
7 offer coverage in the individual market in accordance  
8 with subsection (C) of this Section and applicable  
9 Illinois law.

10 (4) Movement outside the service area. In the case  
11 of a health insurance issuer that offers health insurance  
12 coverage in the market through a network plan, the  
13 individual no longer resides, lives, or works in the  
14 service area (or in an area for which the issuer is  
15 authorized to do business), but only if such coverage is  
16 terminated under this paragraph uniformly without regard  
17 to any health status-related factor of covered  
18 individuals.

19 (5) Association membership ceases. In the case of  
20 health insurance coverage that is made available in the  
21 individual market only through one or more bona fide  
22 associations, the membership of the individual in the  
23 association (on the basis of which the coverage is  
24 provided) ceases, but only if such coverage is terminated  
25 under this paragraph uniformly without regard to any  
26 health status-related factor of covered individuals.

27 (C) Requirements for uniform termination of coverage.

28 (1) Particular type of coverage not offered. In  
29 any case in which an issuer decides to discontinue  
30 offering a particular type of health insurance coverage  
31 offered in the individual market, coverage of such type  
32 may be discontinued by the issuer only if:

33 (a) the issuer provides notice to each covered  
34 individual provided coverage of this type in such

1 market of such discontinuation at least 90 days  
2 prior to the date of the discontinuation of such  
3 coverage;

4 (b) the issuer offers, to each individual in  
5 the individual market provided coverage of this  
6 type, the option to purchase any other individual  
7 health insurance coverage currently being offered by  
8 the issuer for individuals in such market; and

9 (c) in exercising the option to discontinue  
10 coverage of that type and in offering the option of  
11 coverage under subparagraph (b), the issuer acts  
12 uniformly without regard to any health  
13 status-related factor of enrolled individuals or  
14 individuals who may become eligible for such  
15 coverage.

16 (2) Discontinuance of all coverage.

17 (a) In general. Subject to subparagraph (c),  
18 in any case in which a health insurance issuer  
19 elects to discontinue offering all health insurance  
20 coverage in the individual market in Illinois,  
21 health insurance coverage may be discontinued by the  
22 issuer only if:

23 (i) the issuer provides notice to the  
24 Director and to each individual of the  
25 discontinuation at least 180 days prior to the  
26 date of the expiration of such coverage; and

27 (ii) all health insurance issued or  
28 delivered for issuance in Illinois in such  
29 market is discontinued and coverage under such  
30 health insurance coverage in such market is not  
31 renewed.

32 (a-5) A health insurance issuer may not  
33 discontinue offering health insurance coverage in an  
34 individual market in Illinois if another health

1           insurance issuer in the same family of companies  
2           continues selling health insurance in that market.  
3           Any health insurance issuer that discontinued  
4           coverage after January 1, 2001, in such a way as to  
5           not comply with this subparagraph (a-5) shall  
6           reunderwrite all policyholders affected by that  
7           discontinuation under terms and conditions identical  
8           to those enjoyed by the affected policyholders  
9           immediately prior to their policies'  
10          discontinuation. The terms and conditions include,  
11          but are not limited to, any fees and deductible  
12          amounts. To be reunderwritten under these terms and  
13          conditions, affected policyholders must notify the  
14          relevant insurance issuer in writing by January 1,  
15          2005, of their desire to be reunderwritten.

16                   (b) Prohibition on market reentry. In the  
17                   case of a discontinuation under subparagraph (a) in  
18                   the individual market, the issuer may not provide  
19                   for the issuance of any health insurance coverage in  
20                   Illinois involved during the 5-year period beginning  
21                   on the date of the discontinuation of the last  
22                   health insurance coverage not so renewed.

23                   (D) Exception for uniform modification of coverage. At  
24                   the time of coverage renewal, a health insurance issuer may  
25                   modify the health insurance coverage for a policy form  
26                   offered to individuals in the individual market so long as  
27                   the modification is consistent with Illinois law and  
28                   effective on a uniform basis among all individuals with that  
29                   policy form. A modification of coverage by a health  
30                   insurance issuer is not uniform if another health insurance  
31                   issuer in the same family of companies does not make the same  
32                   modification of coverage. Any health insurance issuer that  
33                   modified coverage after January 1, 2001, in such a way as to  
34                   not comply with this paragraph (D) shall reunderwrite all

1 policyholders affected by that discontinuation under terms  
 2 and conditions identical to those enjoyed by the affected  
 3 policyholders immediately prior to their policies'  
 4 modification. The terms and conditions include, but are not  
 5 limited to, any fees and deductible amounts. To be  
 6 reunderwritten under these terms and conditions, affected  
 7 policyholders must notify the relevant insurance issuer in  
 8 writing by January 1, 2005.

9 (E) Application to coverage offered only through  
 10 associations. In applying this Section in the case of health  
 11 insurance coverage that is made available by a health  
 12 insurance issuer in the individual market to individuals only  
 13 through one or more associations, a reference to an  
 14 "individual" is deemed to include a reference to such an  
 15 association (of which the individual is a member).

16 (F) For the purpose of this Section:

17 "Family of companies" means a business entity consisting  
 18 of a parent company and any subsidiaries in which the parent  
 19 company holds a 50% or greater ownership stake.

20 "Parent company" means a company identified by an  
 21 employer identification number that holds a 50% or greater  
 22 ownership stake in one or more other companies.

23 "Subsidiary" means an insurance issuer licensed to do  
 24 business in the State of Illinois and in which another  
 25 company holds a 50% or greater ownership stake.

26 (Source: P.A. 90-567, eff. 1-23-98.)

27 (215 ILCS 97/60 new)

28 Sec. 60. Notice requirement to the Department. In any  
 29 case where a health insurance issuer elects to uniformly  
 30 modify coverage, uniformly terminate coverage, or discontinue  
 31 coverage in a marketplace in accordance with Sections 30 and  
 32 50 of this Act, the issuer shall provide notice to the  
 33 Department prior to notifying the plan sponsors,

1 participants, beneficiaries, and covered individuals. The  
2 notice shall be sent by certified mail to the Department 90  
3 days in advance of any notification of the company's actions.  
4 The notice shall include: (i) a complete description of the  
5 action to be taken, (ii) a specific description of the type  
6 of coverage affected, (iii) the total number of covered lives  
7 affected, (iv) a sample draft of all letters being sent to  
8 the plan sponsors and participants, beneficiaries, or covered  
9 individuals, (v) time frames for the actions being taken,  
10 (vi) options the plans sponsors, participants, beneficiaries,  
11 or covered individuals may have available to them under the  
12 federal Health Insurance Portability and Accountability Act,  
13 and (vii) any other information as required by the  
14 Department.

15 Section 95. Severability. The provisions of this Act are  
16 severable under Section 1.31 of the Statute on Statutes.