

## **Memorandum Bulletin of July 25, 1988 (B)**

### **Continuation and conversion of policies**

July 25, 1988

During the 1988 Legislative Session, statutes addressing continuation and conversion were amended. The amendments to SDCL 58-18-7.5, 58-18-7.12, and 58-18-7.13 are discussed herein.

SDCL 58-18-7.5 prior to amendment allowed an employee, upon leaving employment or the termination of the coverage, to continue his coverage for 3 months. The statute as amended allows the employee to continue his coverage for 18 months. The right to continue coverage for 18 months also applies to anyone who has continued his coverage for the three months and the three months has not expired on July 1, 1988. Thus, if a person's three months expires on July 15, 1988, his coverage would continue for another fifteen months.

SDCL 58-18-7.12 as amended deleted the word *conversion*, inserted *extension*, and added thirty-six months. The statute now begins: "Subject to the conditions set forth above, the extension right shall also be available for thirty-six months. . ." The right applies to a surviving spouse or children at the death of the member, a spouse or child whose coverage terminates under the policy, a child whose coverage terminates, a medicare ineligible spouse, or the spouse or child of an employee receiving medicare.

The Division is interpreting extension right to mean continuation. Therefore, under the amendment, the beneficiaries listed in SDCL 58-18-7.12 may no longer convert a policy, but may elect to continue the group coverage for thirty-six months. Those people, however, who converted a policy prior to July 1, 1988, are not subject to the amended statute and may retain that coverage unless they fail to pay the premium or become ineligible for such coverage.

SDCL 58-18-7.13, as amended, no longer limits the amount of premium which may be charged for a policy of conversion. After July 1, 1988, the premium is not limited to 200 percent of the individual standard rate but may be based on the age and class of risk for each person to be covered. The amended basis for rate applies to policies issued or renewed after July 1. Thus, a person who renewed his policy in June, 1988, would not be subject to the amended statute until renewal of the policy in June, 1989.

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