

~~(3) "HOSPITAL INDEMNITY" MEANS THAT BENEFITS PAYABLE UNDER A POLICY ARE BASED ON FLAT FEES AN INSURER PAYS FOR EACH DAY AN INDIVIDUAL IS CONFINED IN A HOSPITAL REGARDLESS OF THE ACTUAL EXPENSES THE INDIVIDUAL INCURS DURING THE HOSPITAL CONFINEMENT.~~

(A) A POLICY WILL BE CONSIDERED TO PROVIDE BENEFITS ON AN EXPENSE-INCURRED BASIS IF BENEFITS PAYABLE UNDER THE POLICY ARE BASED ON BOTH MEDICAL EXPENSES INCURRED AND FLAT FEES REGARDLESS OF ACTUAL EXPENSES INCURRED.

(B) THIS SECTION APPLIES TO HEALTH BENEFIT PLANS ISSUED UNDER SUBTITLE 12 OF THIS TITLE.

(C) THIS SECTION DOES NOT APPLY IF:

(1) COVERAGE IS TERMINATED BECAUSE AN INDIVIDUAL FAILS TO PAY A REQUIRED PREMIUM;

(2) COVERAGE IS TERMINATED FOR FRAUD OR MATERIAL MISREPRESENTATION BY THE INDIVIDUAL; OR

(3) ANY COVERAGE PROVIDED BY A SUCCEEDING HEALTH BENEFIT PLAN:

(I) IS PROVIDED AT A COST TO THE INDIVIDUAL THAT IS LESS THAN OR EQUAL TO THE COST TO THE INDIVIDUAL OF THE EXTENDED BENEFIT REQUIRED UNDER THIS SECTION; AND

(II) DOES NOT RESULT IN AN INTERRUPTION OF BENEFITS.

(D) DURING AN EXTENSION PERIOD REQUIRED UNDER THIS SECTION A PREMIUM MAY NOT BE CHARGED.

(E) (1) THIS SUBSECTION APPLIES TO:

(I) INSURERS AND NONPROFIT HEALTH SERVICE PLANS THAT PROVIDE HOSPITAL, MEDICAL, OR SURGICAL BENEFITS ON AN EXPENSE-INCURRED BASIS UNDER GROUP OR BLANKET HEALTH INSURANCE POLICIES THAT ARE ISSUED OR DELIVERED IN THE STATE; AND

(II) HEALTH MAINTENANCE ORGANIZATIONS THAT PROVIDE HOSPITAL, MEDICAL, OR SURGICAL BENEFITS UNDER CONTRACTS THAT ARE ISSUED OR DELIVERED IN THE STATE.

(2) IF AN INDIVIDUAL IS TOTALLY DISABLED WHEN THE INDIVIDUAL'S COVERAGE TERMINATES, AN ENTITY SUBJECT TO THIS SUBSECTION SHALL CONTINUE TO PAY BENEFITS COVERED BENEFITS, IN ACCORDANCE WITH THE POLICY IN EFFECT AT THE TIME THE INDIVIDUAL'S COVERAGE TERMINATES, FOR EXPENSES INCURRED BY THE INDIVIDUAL FOR THE CONDITION CAUSING THE DISABILITY UNTIL THE EARLIER OF:

(I) THE DATE THE INDIVIDUAL CEASES TO BE TOTALLY DISABLED;
OR