

MAINE STATE LEGISLATURE

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
115TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1617, L.D. 2278, Bill, "An Act to Require Group Insurance Companies to Notify Covered Employees of Nonpayment of Premiums by Employers"

Amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

Sec. 1. 24 MRSA §2330, sub-§1, as enacted by PL 1981, c. 606, §1, is amended to read:

1. Conversion provision required. A group hospital, medical or health care service contract issued for delivery in this State by a nonprofit hospital, medical or health service organization, other than a contract which that provides benefits for specific diseases or accidental injuries only, shall must contain a provision that if the health coverage on an employee or member ceases because of termination of employment or termination of the contract or any portion thereof, and the person has been continuously insured for a period of at least 3 months under the group contract or under the group contract and any prior group contract or policy providing similar benefits which that it replaces, that person shall ~~be~~ is entitled to have issued to him that person by the nonprofit service corporation, without evidence of insurability, a nongroup health care contract or, at the option of the nonprofit service corporation, a group certificate, provided that application shall ~~be~~ is made and the first subscription charge paid to the nonprofit service corporation within ~~31~~ 90 days after that termination. At the option of the employee or member, the converted contract may cover the employee or member, the employee or member and his the dependents of the employee or member or the dependents of the employee or member; provided that, in the latter 2 cases, the dependents had been covered for a period of at least 3 months

2 under the group contract, unless the dependent persons were not
3 eligible for coverage until after the beginning of the 3-month
4 period. The nonprofit service corporation shall--have has the
5 option to provide the required coverage upon conversion through
6 either a group or nongroup health care contract, and may issue a
7 separate converted contract to cover any dependent. A nonprofit
8 service corporation shall may not be required to provide a
9 conversion privilege if termination of coverage under the group
10 contract occurred because the employee or member failed to pay
11 any required contribution or if any discontinued group coverage
12 is replaced by continuous and substantially similar group
coverage within 31 days.

14 **Sec. 2. 24 MRSA §2330, sub-§1-A is enacted to read:**

16 1-A. Notification of cancellation. A nonprofit hospital,
17 medical or health service organization must provide by first
18 class mail notification of cancellation for nonpayment of
19 subscription charges according to this section. The notice must
20 include the date of cancellation of coverage and the time period
21 for exercising contract conversion rights. Notification is not
22 required when the nonprofit hospital, medical or service
23 organization has received written notice from the group contract
24 holder or subgroup sponsor that replacement coverage has been
obtained.

26 A. Notice must be mailed to the group contract holder or
27 subgroup sponsor;

30 B. At the time of notification under paragraph A, notice
31 must be mailed to the certificate holder at:

32 (1) The last address provided by the subgroup sponsor
33 or the group contract holder to the nonprofit hospital,
34 medical or health service organization; or

35 (2) The office of the subgroup sponsor, if any, or the
36 group contract holder; and

37 C. Notice must be mailed to the Bureau of Insurance and to
38 the Bureau of Labor Standards.

40 **Sec. 3. 24-A MRSA §2809-A, sub-§1, as enacted by PL 1981, c.**
41 **606, §2, is amended to read:**

42 **1. A group policy which that provides hospital, surgical or**
43 **major medical expense insurance or any combination thereof, other**
44 **than a policy which that provides benefits for specific diseases**
45 **or accidental injuries only, shall must contain a provision that**
46 **if the insurance on an employee or member ceases because of**

2 termination of employment or termination of the policy or any
3 portion thereof, and the person has been continuously insured for
4 a period of at least 3 months under the group policy or under the
5 group policy and any prior group policy or contract providing
6 similar benefits which that it replaces, that person shall-be is
7 entitled to have issued to him that person by the insurer,
8 without evidence of insurability, an individual policy or, at the
9 insurer's option, a group certificate of health insurance,
10 provided that application shall-be is made and the first premium
11 paid to the insurer within 31 90 days after that termination. At
12 the option of the employee or member, the converted policy may
13 cover the employee or member, the employee or member and his the
14 employee or member's dependents or the dependents of the employee
15 or member; provided that, in the latter 2 cases, the dependents
16 have been covered for a period of at least 3 months under the
17 group policy, unless the dependent persons were not eligible for
18 coverage until after the beginning of the 3-month period. The
19 insurer shall--have has the option to provide the required
20 coverage upon conversion through either a group or individual
21 policy, and may issue a separate converted policy to cover any
22 dependent. An insurer shall is not be required to provide a
23 conversion privilege if termination of insurance under the group
24 policy occurred because the employee or member failed to pay any
25 required contribution or if any discontinued group coverage is
26 replaced by continuous and substantially similar group coverage
27 within 31 days.

28 **Sec. 4. 24-A MRSA §2809-A, sub-§1-A is enacted to read:**

29 1-A. Notification of cancellation. An insurer must provide
30 by first class mail notification of cancellation for nonpayment
31 of premium for hospital, surgical or major medical expense
32 insurance according to this section. The notice must include the
33 date of cancellation of coverage and the time period for
34 exercising policy conversion rights. Notification is not
35 required when the insurer has received written notice from the
36 group policyholder that replacement coverage has been obtained.

37 A. Notice must be mailed to the group policyholder or
38 subgroup sponsor.

39 B. At the time of notification under paragraph A, notice
40 must be mailed to the certificate holder at:

41 (1) The last address provided by the subgroup sponsor
42 or the group policyholder to the insurer; or

43 (2) The office of the subgroup sponsor, if any, or the
44 group policyholder.

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2 C. Notice must be mailed to the Bureau of Insurance and to
3 the Bureau of Labor Standards.

4 **Sec. 5. Effective date; application.** Sections 1 and 3 of this Act
5 apply to all group certificates and group policies executed,
6 delivered, issued for delivery, continued or renewed in this
7 State on or after January 1, 1993; all group certificates and
8 group policies are deemed to be renewed no later than the next
9 yearly anniversary of the policy contract date.

10 **FISCAL NOTE**

11
12 **1992-93**

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14 **APPROPRIATIONS/ALLOCATIONS**

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16 Other Funds \$1,400

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18 The Bureau of Insurance will require an allocation from
19 existing Other Special Revenue funds of \$1,400 in fiscal year
20 1992-93 for the costs associated with revising rules related to
21 the conversion rights of group insurance members.
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25 **STATEMENT OF FACT**

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27 This amendment changes the requirement of notification of
28 cancellation of group health insurance for nonpayment of premium
29 from prior notification to notification on the same day as notice
30 of cancellation is mailed to the group. It requires mailed
31 notice to the group and to the group members at the last address
32 provided by the group or at work and to the Bureau of Insurance
33 and the Department of Labor, Bureau of Labor Standards. This
34 amendment also increases from 31 days to 90 days the conversion
35 rights of the group members.
36

Reported by the Committee on Banking and Insurance
Reproduced and distributed under the direction of the Clerk of the
House
3/18/92 (Filing No. H-1155)