# MAINE STATE LEGISLATURE

The following document is provided by the

LAW AND LEGISLATIVE DIGITAL LIBRARY

at the Maine State Law and Legislative Reference Library

http://legislature.maine.gov/lawlib



Reproduced from scanned originals with text recognition applied (searchable text may contain some errors and/or omissions)



# 115th MAINE LEGISLATURE

# SECOND REGULAR SESSION-1992

### Legislative Document

No. 2278

H.P. 1617

House of Representatives, February 3, 1992

Submitted by the Department of the Attorney General pursuant to Joint Rule 24. Reference to the Committee on Banking and Insurance suggested and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative GWADOSKY of Fairfield.
Cosponsored by Representative PINEAU of Jay and Representative KONTOS of Windham.

#### STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND NINETY-TWO

An Act to Require Group Insurance Companies to Notify Covered Employees of Nonpayment of Premiums by Employers.



|     | Be it enacted by the People of the State of Maine as follows:  |
|-----|--|
| 2   | Sec. 1. 24 MRSA §2370, as enacted by PL 1989, c. 835, §1, is   |
| 4   | amended by adding at the end a new paragraph to read:  |
| 6   | This section is repealed January 1, 1993.  |
| 8   | Sec. 2. 24 MRSA §2370-A is enacted to read:  |
| 1.0 | §2370-A. Notification required prior to cancellation   |
| 12  | Beginning January 1, 1993, a nonprofit service organization may not cancel a group health certificate for nonpayment of  |
| 14  | premiums without providing prior notification to the certificate holder and another person, if designated by the certificate   |
| 16  | holder. The prior notification is not required when the nonprofit service organization has obtained written notice from  |
| 18  | the group healthcare contract holder that coverage has been replaced. The superintendent shall adopt, by January 1, 1993,  |
| 20  | rules to provide for notification of the insured person and another person, if designated by the insured, prior to   |
| 22  | cancellation of a health certificate for nonpayment of premiums and to provide restrictions on cancellation when a certificate   |
| 24  | holder suffers from organic brain disease.   |
| 26  | The rules may include, but are not limited to, definitions, minimum disclosure requirements, notice provisions and   |
| 28  | cancellation restrictions.   |
| 30  | The requirements of this section apply to all group certificates executed, delivered, issued for delivery, continued   |
| 32  | or renewed in this State.  |
| 34  | Sec. 3. 24-A MRSA §2847-C is enacted to read:  |
| 36  | §2847-C. Notification prior to cancellation  |
| 38  | The superintendent shall adopt rules to provide for  |
| 40  | notification of the insured person and another person, if designated by the insured, prior to cancellation of a health   |
| 42  | insurance certificate for nonpayment of premiums and to provide restrictions on cancellation when an insured person suffers from   |
| 44  | organic brain disease.  - assective the first professional programmed a matter and the matter of the first f |
| 46  | The rules may include, but are not limited to, definitions, minimum disclosure requirements, notice provisions and   |
| 48  | cancellation restrictions.   |
| 50  | The requirements of this section apply to all policies and certificates executed, delivered, issued for delivery, continued or renewed in this State.  |

б

8

10

12

14

16

18

#### Sec. 4. 24-A MRSA §2847-D is enacted to read:

### §2847-D. Notification required prior to cancellation

Beginning January 1, 1993, an insurance company may not cancel a health insurance certificate for nonpayment of premiums without providing prior notification to the insured person and another person, if designated by the insured. The prior notification is not required when the insurer has obtained written notice from the group policyholder that coverage has been replaced. The superintendent shall adopt, by January 1, 1993, rules to provide for notification of the insured person and another person, if designated by the insured, prior to cancellation of a health insurance certificate for nonpayment of premiums and to provide restrictions on cancellation when an insured person suffers from organic brain disease.

20

22

The rules may include, but are not limited to, definitions, minimum disclosure requirements, notice provisions and cancellation restrictions.

24

26

The requirements of this section apply to all policies and certificates executed, delivered, issued for delivery, continued or renewed in this State.

28

Sec. 5. 24-A MRSA  $\S2849$ , as enacted by PL 1989, c. 835,  $\S3$  and c. 867,  $\S\S8$  and 10, is repealed and the following enacted in its place:

32

30

## §2849. Continuity on replacement of group policy

34

36

38

40

42

44

46

- 1. Policies subject to this section. Notwithstanding any other provision of law, this section applies to all group policies, except group long-term care policies as defined in section 5051 or group long-term disability policies, issued by insurers or health maintenance organizations to policyholders who are obtaining coverage to replace coverage under a different contract or policy issued by any nonprofit hospital or medical service organization, insurer or health maintenance organization. For purposes of this section, the group policy issued to replace the prior contract or policy is the "replacement policy." The group contract or policy being replaced is the "replaced contract or policy."
- 2. Persons provided continuity of coverage under this section. This section provides continuity of coverage to persons who were covered under the replaced contract or policy at any time during the 90 days before the discontinuance of the replaced

52 <u>contract or policy.</u>

| 2   | <ol> <li>Prohibition against discontinuity. In a replacement</li> </ol>   |
|-----|---|
|     | policy subject to this section, an insurer or health maintenance  |
| 4   | organization may not, for any person described in subsection 2:   |
| 6   | A. Request that the person provide or otherwise seek to   |
|     | obtain evidence of insurability;  |
| 8   |   |
|     | B. Decline to enroll the person on the basis of evidence of   |
| 10  | insurability if the person is otherwise eligible for  |
|     | coverage; or  |
| 12  |   |
|     | C. Impose a preexisting condition exclusion period or   |
| 14  | waiting period on that person, except as provided in this   |
|     | section.  |
| 16  |   |
|     | 4. Persons covered for fewer than 90 continuous days.   |
| 18  | Notwithstanding subsection 3, a person who was covered under the  |
|     | replaced contract or policy for fewer than 90 continuous days may   |
| 20  | be subject to a preexisting condition exclusion or waiting period   |
|     | in the replacement policy, provided the period is not longer than   |
| 22  | 90 days, and credit is given for satisfaction or partial  |
|     | satisfaction of the same or similar provisions under the replaced   |
| 24  | contract or policy.   |
|     |   |
| 26  | 5. Liability after discontinuance. The nonprofit hospital   |
|     | or medical service organization, insurer or health maintenance  |
| 28  | organization that issued the replaced contract or policy is   |
|     | liable after discontinuance of that contract or policy only to  |
| 30  | the extent of its accrued liabilities and extensions of benefits.   |
| 2.2 | Con & Tiffensking data of the contract of the |
| 32  | Sec. 6. Effective date. Sections 2 and 4 of this Act take   |
| 5.4 | effect January 1, 1993.   |
| 34  | STATEMENT OF FACT   |
|     | SIAIEMENI OF FACI   |
| 36  |   |
|     | This bill explicitly requires that beginning January 1, 1993  |
| 38  | an insurance company notify an insured person before it cancels a   |
| 4.0 | group health insurance contract for nonpayment of premiums.   |
| 40  |   |
| 4.2 | This bill also corrects a conflict created by 2 public laws   |
| 42  | enacting the same section.  |