

# MAINE STATE LEGISLATURE

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# 117th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1995

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Legislative Document

No. 1039

H.P. 765

House of Representatives, March 28, 1995

**An Act to Require Prior Notice of Cancellation of Group Health Insurance Policies.**

(AFTER DEADLINE)

(EMERGENCY)

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Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 27. Reference to the Committee on Banking and Insurance suggested and ordered printed.

A handwritten signature in cursive script that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative MITCHELL of Vassalboro.  
Cosponsored by Representatives: CHASE of China, DAGGETT of Augusta, GREEN of Monmouth, MADORE of Augusta, MAYO of Bath, TOWNSEND of Portland, TREAT of Gardiner, TRIPP of Topsham, VIGUE of Winslow, WATSON of Farmingdale, Senators: BUSTIN of Kennebec, CAREY of Kennebec, McCORMICK of Kennebec.

2           **Emergency preamble.** Whereas, Acts of the Legislature do not  
become effective until 90 days after adjournment unless enacted  
as emergencies; and

4  
6           **Whereas,** the laws have previously required nonprofit  
hospital or medical service organizations, nonprofit health care  
plans and health insurers to provide notice of cancellation of  
8 group subscriber contracts and group health insurance contracts;  
and

10  
12           **Whereas,** previous requirements do not clearly specify when  
the requisite notices must be given; and

14           **Whereas,** a nonprofit hospital or medical service  
organization and a health insurer have attempted to effectuate a  
16 cancellation prior to the provision of the notices required by  
law; and

18  
20           **Whereas,** this action would retroactively and unfairly cause  
persons otherwise entitled to health insurance coverage or health  
care service benefits to incur health care costs or to be  
22 unfairly required to pay additional sums to receive benefits; and

24           **Whereas,** in the judgment of the Legislature, these facts  
create an emergency within the meaning of the Constitution of  
26 Maine and require the following legislation as immediately  
necessary for the preservation of the public peace, health and  
28 safety; now, therefore,

30           **Be it enacted by the People of the State of Maine as follows:**

32           **Sec. 1. 24 MRSA §2330, sub-§1-A,** as enacted by PL 1991, c.  
822, §2, is amended to read:

34  
36           **1-A. Notification of cancellation.** A nonprofit hospital,  
or medical or health service organization or nonprofit health  
care plan must provide by first class mail at least 10 days'  
38 prior notification of cancellation for nonpayment of subscription  
charges according to this section. The notice must include the  
40 date of cancellation of coverage and the time period for  
exercising contract conversion rights. Notification is not  
42 required when the nonprofit hospital, or medical or service  
organization or nonprofit health care plan has received written  
44 notice from the group contract holder or subgroup sponsor that  
replacement coverage has been obtained.

46  
48           A. Notice must be mailed to the group contract holder or  
subgroup sponsor;

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

52

2 (1) The last address provided by the subgroup sponsor  
or the group contract holder to the nonprofit hospital,  
4 or medical or health service organization or nonprofit  
health care plan; or

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

8 C. Notice must be mailed to the Bureau of Insurance and to  
10 the Bureau of Labor Standards.

12 **Sec. 2. 24-A MRSA §2809-A, sub-§1-A,** as enacted by PL 1991,  
c. 822, §4, is amended to read:

14 **1-A. Notification of cancellation.** An insurer must  
16 provide by first class mail at least 10 days' prior notification  
of cancellation for nonpayment of premium for hospital, surgical  
18 or major medical expense insurance according to this section.  
The notice must include the date of cancellation of coverage and  
20 the time period for exercising policy conversion rights.  
Notification is not required when the insurer has received  
22 written notice from the group policyholder that replacement  
coverage has been obtained.

24 A. Notice must be mailed to the group policyholder or  
26 subgroup sponsor.

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

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

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

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

40 **Emergency clause.** In view of the emergency cited in the  
preamble, this Act takes effect when approved.

42  
44 **STATEMENT OF FACT**

46 This bill clarifies that nonprofit hospital or medical  
service organizations, nonprofit health care plans and health  
48 insurers that cancel group hospital, medical or health care  
service contracts or group health insurance policies must  
50 provide at least 10 days' prior notification of the cancellation.