

MAINE STATE LEGISLATURE

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117th MAINE LEGISLATURE

FIRST REGULAR SESSION-1995

Legislative Document

No. 1105

H.P. 788

House of Representatives, March 30, 1995

**An Act to Clarify the Responsibility of an Insurance Agent in the
Disclosure of Information.**

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 CAMPBELL of Holden.

Cosponsored by Representative: VIGUE of Winslow, Senator: ABROMSON of Cumberland.

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

4 **Sec. 1. 24-A MRSA §2414-A** is enacted to read:

6 **§2414-A. Incorporation by reference**

8 The provision of any surety or insurance contract making its
10 terms and conditions applicable to any other surety or insurance
12 contract is unenforceable unless:

14 1. **Specific reference.** The other surety or insurance
16 contract specifically refers to all terms and conditions that
18 have been incorporated; and

20 2. **Notice.** Sufficient disclosure has been made to put the
22 obligor on notice of the nature and extent of any obligation
24 being undertaken.

26 **Sec. 2. 24-A MRSA §2436-A, sub-§1, ¶¶C and D,** as enacted by PL
28 1987, c. 291, §2, are amended to read:

30 C. Threatening to appeal from an arbitration award in favor
32 of an insured for the sole purpose of compelling the insured
34 to accept a settlement less than the arbitration award; or

36 D. Failing to affirm coverage, reserving any appropriate
38 defenses, or deny coverage within a reasonable time after
40 completed proof of loss forms have been received by the
42 insurer; or

44 **Sec. 3. 24-A MRSA §2436-A, sub-§1, ¶E** is enacted to read:

E. Failing to disclose known obligations that are not
 stated in the contract.

38 **STATEMENT OF FACT**

40 This bill prevents the terms and conditions of one insurance
42 contract or surety from being incorporated into a subsequent
44 contract or surety unless appropriate disclosures are made. This
 bill also makes it an unfair claims practice by an insurer to
 fail to disclose known obligations that are not stated in the
 contract.