

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

FIRST REGULAR SESSION-2003

Legislative Document

No. 1438

S.P. 476

In Senate, March 26, 2003

An Act To Require Disclosure of Benefit Offsets under Disability Insurance Policies

Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 204.

Reference to the Committee on Insurance and Financial Services suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator MAYO of Sagadahoc.

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

Sec. 1. 24-A MRSA §2717-A is enacted to read:

§2717-A. Disclosure of benefit offsets to applicants

At or before the time of application for any policy subject to this chapter that provides disability income benefits, the insurer shall provide the applicant with a clear and conspicuous written notice, on the face of or separate from the application form, that accurately explains to the applicant all sources of income that may result in a reduction of the benefits payable under the policy and the manner in which such reductions are calculated.

Sec. 2. 24-A MRSA §2829-A is enacted to read:

§2829-A. Disclosure of benefit offsets to enrollees

At or before the time that an individual enrolls for coverage under any policy subject to this chapter that provides disability income benefits, the insurer shall provide the individual with a clear and conspicuous written notice, on the face of the application form or certificate of coverage or on a separate page, that accurately explains to the individual all sources of income that may result in a reduction of the benefits payable under the policy and the manner in which such reductions are calculated.

SUMMARY

Disability income insurance policies routinely provide that benefits payable under a policy will be reduced by amounts received from other sources, including claims under other insurance policies such as workers' compensation or social security disability and retirement benefits. These offsets are not always clearly understood by a prospective insured at the time coverage is purchased or selected. This bill requires a clear, written disclosure of any such offsets at or before the time of application or enrollment to ensure that the prospective insured understands the limitation of any benefits under the policy before deciding whether to purchase coverage.