

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

SECOND REGULAR SESSION-2004

Legislative Document

No. 1678

S.P. 610

In Senate, December 17, 2003

An Act To Guarantee That Consumers Receive Notification of Insurance Policy Cancellation

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Received by the Secretary of the Senate on December 16, 2003. Referred to the Committee on Insurance and Financial Services pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 218.

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

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator HALL of Lincoln.

Cosponsored by Senator: HATCH of Somerset, Representatives: EARLE of Damariscotta, HATCH of Skowhegan, TRAHAN of Waldoboro, WALCOTT of Lewiston.

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

Sec. 1. 24-A MRSA §2739, as enacted by PL 1969, c. 132, §1, is repealed and the following enacted in its place:

§2739. Lapse of policy, advance notice; limitation of action

An individual policy of health insurance issued or delivered in this State, except a policy that by its terms is renewable or continuable with the insurer's consent, or except a policy the premiums for which are payable monthly or at shorter intervals, may not terminate or lapse for nonpayment of any premium until the expiration of 3 months from the due date of that premium unless the insurer, within not less than 10 nor more than 45 days prior to the due date, has mailed by certified mail, return receipt requested, to the insured at the insured's last address shown by the insurer's records a notice showing the amount of the premium and its due date. If a notice is not sent, the insured may pay the premium in default at any time within the period of 3 months. The affidavit of any officer, clerk or agent of the insurer, or of any other person authorized to mail the notice, that the notice required by this section has been duly mailed by the insurer in the manner required is prima facie evidence that the notice was duly given. Action may not be maintained on any policy to which this section applies and that has lapsed for nonpayment of any premium unless the action is commenced within 2 years from the due date of the premium.

Sec. 2. 24-A MRSA §2809-A, sub-§1-A, as amended by PL 2003, c. 428, Pt. B, §2, is further amended to read:

1-A. Notification of cancellation. An insurer may not cancel or refuse to renew any policy for hospital, surgical, dental or major medical expense insurance until the insurer has provided by ~~first-class~~ certified mail, return receipt requested at least 10 days' prior notification according to this section. The notice must include the date of cancellation of coverage and, if applicable, the time period for exercising policy conversion rights. The notice also must include an explanation of any applicable grace period. Notification is not required when the insurer has received written notice from the group policyholder that replacement coverage has been obtained.

44 A. Notice must be mailed to the group policyholder or
46 subgroup sponsor.

48 B-1. At the time of notification under paragraph A, notice
50 must be mailed to the certificate holder at the last address provided to the insurer by the subgroup sponsor, the group policyholder or the certificate holder. If the insurer does

2 not have an address on file for the certificate holder, the
3 notice must be mailed to the office of the subgroup sponsor,
4 if any, or the group ~~policy-holder~~ policyholder. The notice
5 must also include information to the certificate holder
6 about the availability of individual coverage as described
7 in subsection 1-B.

8 **Sec. 3. 24-A MRSA §2908, sub-§5, ¶A**, as amended by PL 1991, c.
9 885, Pt. E, §31 and affected by §47, is further amended to read:

10
11 A. Except for workers' compensation insurance, cancellation
12 may not be effective prior to 10 days after receipt by the
13 insured of a notice of cancellation. Notice must be sent to
14 the insured by certified mail, return receipt requested.
15 Notice of cancellation of workers' compensation insurance is
16 subject to Title 39-A, section 403, subsection 1. The
17 notice must state the effective date of and the reason or
18 reasons for cancellation.

19
20 **Sec. 4. 24-A MRSA §2915**, as amended by PL 1989, c. 172, §4,
21 is further amended to read:

22 **§2915. Delivery of notice**

23
24 ~~No-notice~~ Notice of cancellation of a policy ~~shall-be~~ is not
25 effective unless received by the named insured at least 20 days
26 prior to the effective date of cancellation, or, when the
27 cancellation is for nonpayment of premium, at least 10 days prior
28 to the effective date of cancellation. In the event the policy
29 is an automobile physical damage policy, like notice of
30 cancellation ~~shall~~ must also be given to any other person
31 mentioned in the loss payable clause. Notice must be sent to the
32 insured by certified mail, return receipt requested. A postal
33 service certificate of mailing to the named insured at the
34 insured's last known address ~~shall--be~~ is conclusive proof of
35 receipt on the 5th calendar day after mailing.

36
37
38 Except for a policy ~~which~~ that has been in effect for less
39 than 60 days at the time notice of cancellation is received by
40 the named insured, the reason for cancellation ~~shall~~ must
41 accompany the notice, together with a notice of the right to
42 apply for a hearing before the Superintendent of Insurance within
43 30 days, as provided in section 2920.

44
45 **Sec. 5. 24-A MRSA §3002, sub-§1, in that part relating to General**
46 **Conditions and Stipulations**, as amended by PL 1989, c. 316, §1, is
47 further amended by amending that part relating to General
48 Conditions and Stipulations in the 9th indented paragraph to read:

2 Cancellation of policy. This policy shall may be cancelled
4 at any time at the request of the insured, in which case this
Company shall, upon demand and surrender of this policy, refund
6 the excess of paid premium above the customary short rates for
the expired time. This policy may be cancelled at any time by
8 this Company by giving mailing by certified mail, return receipt
requested to the insured a ten days' written notice of
10 cancellation with or without tender of the excess of paid premium
above the pro rata premium for the expired time, which and that
12 excess, if not tendered, shall must be refunded on demand.
Notice of cancellation shall must state that said excess premium,
(if not tendered), will be refunded on demand.

14 **Sec. 6. 24-A MRSA §3007, sub-§5, ¶A,** as enacted by PL 1985, c.
16 671, §2, is amended to read:

18 A. To the extent that section 3002 is applicable, the
notice of cancellation shall must be given as provided for
20 in that section. If section 3002, is not applicable,
cancellation shall is not be effective prior to 10 days
22 after receipt by the insured of a notice of cancellation.
The notice shall must state the effective date of and the
24 reason or reasons for cancellation. The notice must be sent
to the insured by certified mail, return receipt requested.

26 **Sec. 7. 24-A MRSA §3050,** as amended by PL 1989, c. 172, §7,
28 is further amended to read:

30 **§3050. Delivery of notice**

32 ~~No-notice~~ Notice of cancellation of a policy shall ~~be~~ is not
effective unless received by the named insured at least 20 days
34 prior to the effective date of cancellation, or, when the
cancellation is for nonpayment of premium, at least 10 days prior
36 to the effective date of cancellation. Notice must be sent to
the insured by certified mail, return receipt requested. A
38 postal service certificate of mailing to the named insured at the
insured's last known address shall ~~be~~ is conclusive proof of
40 receipt on the 5th calendar day after mailing.

42 Except for a policy which that has been in effect for less
than 60 days at the time notice of cancellation is received by
44 the named insured, the reason for cancellation shall must
accompany the notice, together with a notice of the right to
46 apply for a hearing before the Superintendent of Insurance within
30 days, as provided in section 3054.

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