

# MAINE STATE LEGISLATURE

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# 122nd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2005

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Legislative Document

No. 1222

H.P. 840

House of Representatives, March 10, 2005

### An Act Regarding Cancellation of Disability Insurance

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

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative LERMAN of Augusta.

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

4 **Sec. 1. 24-A MRSA §2737-A** is enacted to read:

6 **§2737-A. Retroactive cancellation of disability insurance prohibited**

8 A disability income insurance policy may not, on a  
10 retroactive basis, be terminated, lapsed or cancelled for any  
reason other than nonpayment of the premium.

12 **Sec. 2. 24-A MRSA §2809-A. sub-§1-A**, as amended by PL 2003, c.  
14 428, Pt. B, §2, is further amended to read:

16 **1-A. Notification of cancellation.** An insurer may not  
cancel or refuse to renew any policy for hospital, disability  
18 income, surgical, dental or major medical expense insurance until  
the insurer has provided by first class mail at least 10 days'  
20 prior notification according to this section. The notice must  
include the date of cancellation of coverage and, if applicable,  
22 the time period for exercising policy conversion rights. The  
notice also must include an explanation of any applicable grace  
24 period. Notification is not required when the insurer has  
received written notice from the group policyholder that  
replacement coverage has been obtained.

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

30 B-1. At the time of notification under paragraph A, notice  
must be mailed to the certificate holder at the last address  
32 provided to the insurer by the subgroup sponsor, the group  
policyholder or the certificate holder. If the insurer does  
34 not have an address on file for the certificate holder, the  
notice must be mailed to the office of the subgroup sponsor,  
36 if any, or the group ~~policy-holder~~ policyholder. The notice  
must also include information to the certificate holder  
38 about the availability of individual coverage as described  
in subsection 1-B.

40  
42 **SUMMARY**

44 This bill prohibits the retroactive cancellation of  
individual disability insurance for any reason other than the  
46 nonpayment of the premium. It also clarifies that at least 10  
days' prior notice be given before cancellation of group  
48 disability insurance.