

MAINE STATE LEGISLATURE

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Date: 5.5.11

INSURANCE AND FINANCIAL SERVICES

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**STATE OF MAINE
SENATE
125TH LEGISLATURE
FIRST REGULAR SESSION**

COMMITTEE AMENDMENT "A" to S.P. 93, L.D. 313, Bill, "An Act To Permit Senior Citizens To Designate a 3rd Party To Receive Notice of Cancellation of Insurance Policies"

Amend the bill by striking out the title and substituting the following:

'An Act To Permit Insured Persons To Designate a 3rd Party To Receive Notice of Cancellation of Medicare Supplement Policies and To Restrict the Cancellation of Certain Insurance Policies for Nonpayment of Premium Due to Cognitive Impairment or Functional Incapacity'

Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

'Sec. 1. 24-A MRSA §2556, sub-§§2 and 3, as enacted by PL 2007, c. 40, §1, are amended to read:

2. Restrictions on lapse or termination; cognitive impairment or functional incapacity. Notwithstanding any other provision of this chapter, the bureau shall adopt rules to an insurer shall provide restrictions on cancellation, termination or lapse of individual life insurance policies in accordance with this subsection to reduce the danger that a life insurance policyholder will lose life insurance coverage due to organic brain disease when the policyholder suffers from cognitive impairment or functional incapacity and the loss of coverage is due to that cognitive impairment or functional incapacity. Within 90 days after cancellation, termination or lapse of coverage due to nonpayment of premium, a policyholder, a person authorized to act on behalf of the policyholder or a dependent of the policyholder covered under a life insurance policy may request reinstatement on the basis that the loss of coverage was a result of the policyholder's cognitive impairment or functional incapacity. An insurer may request a medical demonstration that the policyholder suffered from cognitive impairment or functional incapacity at the time of cancellation, termination or lapse. The medical demonstration may be at the expense of the policyholder. A policy reinstated pursuant to this subsection must cover any loss or claim occurring from the date of the termination, cancellation or lapse and must be issued without any evidence of insurability. Within 15 days after

COMMITTEE AMENDMENT

PL 93

1 request from an insurer, a policyholder of a policy reinstated pursuant to this subsection
2 shall pay any unpaid premium from the date of the last premium payment at the rate that
3 would have been in effect had the policy remained in force. If the premium is not paid as
4 required, the policy may not be reinstated and the insurer is not responsible for claims
5 incurred after the initial date of cancellation, termination or lapse of coverage. If an
6 insurer denies a request for reinstatement, the insurer shall notify the policyholder that the
7 policyholder may request a hearing before the superintendent.

8 **3. Rulemaking.** The bureau may adopt rules to implement the requirements of this
9 section. The rules adopted pursuant to this ~~section~~ subsection apply to all life insurance
10 policies and riders delivered or issued for delivery, continued or renewed in this State.
11 Rules adopted pursuant to this ~~section~~ subsection are routine technical rules as defined in
12 Title 5, chapter 375, subchapter 2-A.

13 **Sec. 2. 24-A MRSA §2707-A,** as enacted by PL 1989, c. 835, §2, is amended to
14 read:

15 **§2707-A. Notification prior to cancellation; restrictions on lapse or termination due**
16 **to cognitive impairment or functional incapacity**

17 ~~The superintendent shall, by January 1, 1991, adopt rules to~~ An insurer shall provide
18 notification of the insured person and another person, if designated by the insured,
19 prior to cancellation of a health insurance policy for nonpayment of premiums, and to
20 provide restrictions on cancellation when an insured person suffers from organic brain
21 disease premium.

22 Within 90 days after cancellation due to nonpayment of premium, a policyholder, a
23 person authorized to act on behalf of the policyholder or a dependent of the policyholder
24 covered under a health insurance policy or certificate may request reinstatement on the
25 basis that the loss of coverage was the result of the policyholder's cognitive impairment or
26 functional incapacity. An insurer may require a medical demonstration that the
27 policyholder suffered from cognitive impairment or functional incapacity at the time of
28 cancellation. If the medical demonstration is waived or substantiates the existence of a
29 cognitive impairment or functional incapacity at the time of policy cancellation to the
30 satisfaction of the insurer, the policy must be reinstated. The medical demonstration may
31 be at the expense of the policyholder.

32 A policy reinstated pursuant to this section must cover any loss or claim occurring
33 from the date of the cancellation. Within 15 days after request from an insurer, a
34 policyholder of a policy reinstated pursuant to this section shall pay any unpaid premium
35 from the date of the last premium payment at the rate that would have been in effect had
36 the policy remained in force. If the premium is not paid as required, the policy may not
37 be reinstated and the insurer is not responsible for claims incurred after the initial date of
38 cancellation. If an insurer denies a request for reinstatement, the insurer shall notify the
39 policyholder that the policyholder may request a hearing before the superintendent.

40 The superintendent may adopt rules to implement the requirements of this section.
41 The rules may include, but are not limited to, definitions, minimum disclosure
42 requirements, notice provisions and ~~cancellation restrictions~~ the right of reinstatement.
43 Rules adopted pursuant to this section are routine technical rules as defined in Title 5,
44 chapter 375, subchapter 2-A.

R. 48.

1 **Sec. 3. 24-A MRSA §2847-C**, as enacted by PL 1991, c. 695, §5 and c. 824, Pt.
2 A, §51, is amended to read:

3 **§2847-C. Notification prior to cancellation; restrictions on cancellation, termination**
4 **or lapse due to cognitive impairment or functional incapacity**

5 ~~The superintendent shall, by January 1, 1991, adopt rules to~~ An insurer shall provide
6 for notification of the insured person and another person, if designated by the insured,
7 prior to cancellation of a health insurance certificate for nonpayment of premiums, ~~and to~~
8 ~~provide restrictions on cancellation when an insured person suffers from organic brain~~
9 ~~disease premium.~~

10 Within 90 days after cancellation due to nonpayment of premium, a policyholder, a
11 person authorized to act on behalf of the policyholder or a dependent of the policyholder
12 covered under a health insurance policy or certificate may request reinstatement on the
13 basis that the loss of coverage was a result of the policyholder's cognitive impairment or
14 functional incapacity. An insurer may require a medical demonstration that the
15 policyholder suffered from cognitive impairment or functional incapacity at the time of
16 cancellation. If the medical demonstration is waived or substantiates the existence of a
17 cognitive impairment or functional incapacity at the time of policy cancellation to the
18 satisfaction of the insurer, the policy must be reinstated. The medical demonstration may
19 be at the expense of the policyholder.

20 A policy reinstated pursuant to this section must cover any loss or claim occurring
21 from the date of the cancellation. Within 15 days after request from an insurer, a
22 policyholder of a policy reinstated pursuant to this section shall pay any unpaid premium
23 from the date of the last premium payment at the rate that would have been in effect had
24 the policy remained in force. If the premium is not paid as required, the policy may not
25 be reinstated and the insurer is not responsible for claims incurred after the initial date of
26 cancellation. If an insurer denies a request for reinstatement, the insurer shall notify the
27 policyholder that the policyholder may request a hearing before the superintendent.

28 The superintendent may adopt rules to implement the requirements of this section.
29 The rules may include, but are not limited to, definitions, minimum disclosure
30 requirements, notice provisions and ~~cancellation restrictions~~ the right of reinstatement.
31 Rules adopted pursuant to this section are routine technical rules as defined in Title 5,
32 chapter 375, subchapter 2-A.

33 The requirements of this section apply to all policies and certificates executed,
34 delivered, issued for delivery, continued or renewed in this State.

35 **Sec. 4. 24-A MRSA §5016** is enacted to read:

36 **§5016. Notification prior to cancellation; restrictions on lapse or termination due to**
37 **cognitive impairment or functional incapacity**

38 **1. Notice of cancellation.** An insurer that issues Medicare supplement policies shall
39 provide notification to the insured person and another person, if designated by the
40 insured, prior to cancellation of a Medicare supplement policy for nonpayment of
41 premiums.

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2. Right to reinstatement. Within 90 days after cancellation, termination or lapse of coverage due to nonpayment of premium, a policyholder, a person authorized to act on behalf of the policyholder or a dependent of the policyholder covered under the policy may request reinstatement of the policy on the basis that the loss of coverage was a result of the policyholder's cognitive impairment or functional incapacity. An insurer may require a medical demonstration that the policyholder suffered from cognitive impairment or functional incapacity at the time of cancellation, termination or lapse. If the medical demonstration is waived or substantiates the existence of a cognitive impairment or functional incapacity at the time of policy cancellation to the satisfaction of the insurer, the policy must be reinstated. The medical demonstration may be at the expense of the policyholder.

A policy reinstated pursuant to this subsection must cover any loss or claim occurring from the date of the termination, cancellation or lapse and must be issued without any evidence of insurability. Within 15 days after request from an insurer, a policyholder of a policy reinstated pursuant to this subsection shall pay any unpaid premium from the date of the last premium payment at the rate that would have been in effect had the policy remained in force. If the premium is not paid as required, the policy may not be reinstated and the insurer is not responsible for claims incurred after the initial date of cancellation. If an insurer denies a request for reinstatement, the insurer shall notify the policyholder that the policyholder may request a hearing before the superintendent.

3. Rules. The superintendent may adopt rules to implement the requirements of this section. Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A. The requirements of this section apply to all policies and certificates executed, delivered, issued for delivery, continued or renewed in this State.

Sec. 5. Application. The requirements of this Act apply to all policies, contracts and certificates executed, delivered, issued for delivery, continued or renewed in this State on or after January 1, 2012. For purposes of this Act, all policies, contracts and certificates are deemed to be renewed no later than the next yearly anniversary of the contract date.'

SUMMARY

This amendment is the majority report of the committee and replaces the bill. The amendment extends the right for an insured person to designate a 3rd party to receive notice of cancellation of Medicare supplement insurance policies. The amendment also provides the ability to reinstate life, health and Medicare supplement insurance policies to reduce the danger that a policyholder who suffers from cognitive impairment or functional incapacity will lose coverage for nonpayment of premium due to that cognitive impairment or functional incapacity. The amendment removes provisions in the bill relating to long-term care insurance as the notice of cancellation provisions and provisions restricting cancellation due to cognitive impairment or functional incapacity are already required by rule. The provisions in the amendment related to life, health and Medicare supplement insurance are consistent with the restrictions on cancellation due to cognitive impairment or functional incapacity already in place with respect to long-term care insurance.

R. S.

COMMITTEE AMENDMENT "A" to S.P. 93, L.D. 313

1 The provisions in the amendment apply to all insurance policies, contracts and
2 certificates issued or renewed on or after January 1, 2012.

FISCAL NOTE REQUIRED
(See Attached)



Approved: 04/24/11 *mac*

125th MAINE LEGISLATURE

LD 313

LR 864(02)

An Act To Permit Senior Citizens To Designate a 3rd Party To Receive Notice of Cancellation of Insurance Policies

Fiscal Note for Bill as Amended by Committee Amendment "A" (S-71)

Committee: Insurance and Financial Services

Fiscal Note Required: Yes

Fiscal Note

Minor cost increase - Other Special Revenue Funds

Fiscal Detail and Notes

Additional costs to the Bureau of Insurance in the Department of Professional and Financial Regulation are expected to be minor and can be absorbed utilizing existing budget resources.