

# MAINE STATE LEGISLATURE

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**LAWS**  
OF THE  
**STATE OF MAINE**  
AS PASSED BY THE

ONE HUNDRED AND TENTH LEGISLATURE

**SECOND SPECIAL SESSION**

September 25, 1981

AND

**THIRD SPECIAL SESSION**

December 9, 1981

AND

**SECOND REGULAR SESSION**

January 6, 1982 to April 13, 1982

AND AT THE

**FOURTH SPECIAL SESSION**

April 28, 1982 to April 29, 1982

AND AT THE

**FIFTH SPECIAL SESSION**

May 13, 1982

PUBLISHED BY THE DIRECTOR OF LEGISLATIVE RESEARCH IN  
ACCORDANCE WITH MAINE REVISED STATUTES ANNOTATED,  
TITLE 3, SECTION 164, SUBSECTION 6.

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J.S. McCarthy Co.  
Augusta, Maine  
1981

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**PUBLIC LAWS**  
OF THE  
**STATE OF MAINE**

AS PASSED AT THE  
SECOND AND THIRD SPECIAL SESSIONS

and

SECOND REGULAR SESSION

and

FOURTH AND FIFTH SPECIAL SESSIONS

of the

ONE HUNDRED AND TENTH LEGISLATURE

1981

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Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

24-A MRSA §5007 is enacted to read:

§5007. Examination and return of Medicare supplement policies

Medicare supplement policies or certificates, other than those issued pursuant to direct response solicitation, shall have a notice prominently printed on the first page of the policy or certificate or attached thereto, stating in substance that the applicant shall have the right to return the policy or certificate within 10 days of its delivery and to have the premium refunded if, after examination of the policy or certificate, the applicant is not satisfied for any reason. Medicare supplement policies or certificates issued pursuant to a direct response solicitation to persons eligible for Medicare by reason of age shall have a notice prominently printed on the first page or attached thereto, stating in substance that the applicant shall have the right to return the policy or certificate within 30 days of its delivery and to have the premium refunded if, after examination, the applicant is not satisfied for any reason.

**Emergency clause.** In view of the emergency cited in the preamble, this Act shall take effect when approved.

Effective March 23, 1982.

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**CHAPTER 606**

S.P. 774 - L.D. 1845

AN ACT to Permit the Superintendent of Insurance to Promulgate Rules Requiring Provisions in Group Health Contracts Providing for Conversion to Individual Coverage Upon Termination of Group Coverage.

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

Sec. 1. 24 MRSA §2330 is enacted to read:

§2330. Conversion on termination of contracts or eligibility

1. Conversion provision required. A group hospital, medical or health care service contract issued for delivery in this State by a nonprofit hospital, medical or health service organization, other than a contract which provides benefits for specific diseases or accidental injuries only, shall contain a provision that if the health coverage on an employee or member ceases because of termination of employment or termination of the contract or any portion thereof, and the person has been continuously insured for a period of at least 3 months under the group contract or under the group contract and any prior group contract or policy providing similar benefits which it replaces, that person shall be entitled to have issued to him by the nonprofit service corporation, without evidence of insurability, a nongroup health care contract or, at the option of the nonprofit service corporation, a group certificate, provided that application shall be made and the first subscription charge paid to the nonprofit service corporation within 31 days after that termination. At the option of the employee or member, the converted contract may cover the employee or member, the employee or member and his dependents or the dependents of the employee or member; provided that, in the latter 2 cases, the dependents had been covered for a period of at least 3 months under the group contract, unless the dependent persons were not eligible for coverage until after the beginning of the 3-month period. The nonprofit service corporation shall have the option to provide the required coverage upon conversion through either a group or nongroup health care contract, and may issue a separate converted contract to cover any dependent. A nonprofit service corporation shall not be required to provide a conversion privilege if termination of coverage under the group contract occurred because the employee or member failed to pay any required contribution or if any discontinued group coverage is replaced by continuous and substantially similar group coverage within 31 days.

2. Other circumstances where conversion provision shall be required. The conversion privilege shall also be available:

A. Upon the death of an employee or member, to the surviving spouse with respect to the spouse and the children whose coverage terminates by reason of that death, or if there is no surviving spouse to each surviving child whose coverage so terminates. If the group contract provides for continuation of dependents' coverage upon the death of the employee or member, the

conversion privilege shall be made available at the end of that continuation;

B. To the spouse of a member or employee upon termination of coverage by reason of ceasing to be a qualified family member under the group policy whether by divorce or otherwise, whether or not the employee or member remains covered, with respect to the spouse and the children whose coverage terminates at the same time;

C. To a child upon termination of coverage by reason of ceasing to be a qualified family member under the group contract if a conversion privilege is not otherwise provided with respect to him in this subsection; or

D. To an employee or member whose coverage would otherwise continue under the group contract upon retirement prior to eligibility for coverage under Medicare, "United States Insurance for the Aged Act," Title XVIII of the Social Security Amendments of 1965, Public Law 89-97, as amended, at the option of that employee or member in lieu of continued coverage under the group contract.

3. Converted contract not required. The nonprofit service corporation shall not be required to issue a converted contract covering an otherwise eligible person:

A. If:

(1) That person is eligible for Medicare; or

(2) That person:

(a) Is covered for similar benefits by any other plan or program;

(b) Is eligible for similar benefits under any group coverage arrangement whether on an insured or uninsured basis; or

(c) Has similar benefits provided for or available to him pursuant to requirements of any state or federal law; and

B. The benefits as described in paragraph A, subparagraph 2, division (a), (b) or (c) provided for or available to the person, together with the benefits provided by the converted contract, would result in over-insurance according to standards which have been filed by the nonprofit service corporation prior to

denial of coverage and approved by the superintendent.

4. Premium. The premium on the converted contract shall be determined in accordance with premium rates applicable to individually underwritten standard risks for the age and class of risk of each person to be covered and the type and amount of coverage provided. Experience under converted contracts shall not be an acceptable basis for establishing rates for converted contracts, except to the extent permitted by regulations promulgated by the superintendent.

5. Effective date. The effective date of the converted contract shall be the date of termination of the individual's coverage under the group contract.

6. Conformity to regulations. A converted contract issued under this section shall conform to regulations promulgated by the superintendent. These regulations shall ensure that continuity of coverage with similar benefits as determined by the superintendent is provided, but shall not require a nonprofit service corporation to provide benefits in excess of those provided under the group contract from which conversion is made.

7. Notice. Notice of the conversion privilege shall be included in each certificate of coverage.

8. Form for contracts delivered outside the State. A converted contract issued pursuant to this section which is delivered outside this State may be on such form as the nonprofit service corporation may then be offering for that conversion in the jurisdiction where the delivery is to be made.

9. Refusal to renew. A contract issued pursuant to the conversion privilege provided by this section may provide that the nonprofit service corporation may refuse to renew the contract or coverage of any person covered thereunder for the following reasons only:

A. Fraud or material misrepresentation in applying for any benefits under the converted contract; or

B. Any reason for which the nonprofit service corporation may refuse to issue a converted contract under subsection 3.

Sec. 2. 24-A MRSA §2809-A is enacted to read:

§2809-A. Conversion on termination of policy or eligibility

1. A group policy which provides hospital, surgical or

major medical expense insurance or any combination thereof, other than a policy which provides benefits for specific diseases or accidental injuries only, shall contain a provision that if the insurance on an employee or member ceases because of termination of employment or termination of the policy or any portion thereof, and the person has been continuously insured for a period of at least 3 months under the group policy or under the group policy and any prior group policy or contract providing similar benefits which it replaces, that person shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy or, at the insurer's option, a group certificate of health insurance, provided that application shall be made and the first premium paid to the insurer within 31 days after that termination. At the option of the employee or member, the converted policy may cover the employee or member, the employee or member and his dependents or the dependents of the employee or member; provided that, in the latter 2 cases, the dependents have been covered for a period of at least 3 months under the group policy, unless the dependent persons were not eligible for coverage until after the beginning of the 3-month period. The insurer shall have the option to provide the required coverage upon conversion through either a group or individual policy, and may issue a separate converted policy to cover any dependent. An insurer shall not be required to provide a conversion privilege if termination of insurance under the group policy occurred because the employee or member failed to pay any required contribution or if any discontinued group coverage is replaced by continuous and substantially similar group coverage within 31 days.

2. The conversion privilege shall also be available:

A. Upon the death of an employee or member, to the surviving spouse with respect to the spouse and the children whose coverage terminates by reason of that death, or if there is no surviving spouse to each surviving child whose coverage so terminates. If the group policy provides for continuation of dependents' coverage upon the death of the employee or member, the conversion privilege shall be made available at the end of that continuation;

B. To the spouse of a member or employee upon termination of coverage by reason of ceasing to be a qualified family member under the group policy whether by divorce or otherwise, whether or not the employee or member remains insured, with respect to the spouse and the children whose coverage terminates at the same time;

C. To a child upon termination of coverage by reason



of ceasing to be a qualified family member under the group policy if a conversion privilege is not otherwise provided with respect to him in this subsection; or

D. To an employee or member whose coverage would otherwise continue under the group policy upon retirement prior to eligibility for coverage under Medicare, "United States Insurance for the Aged Act," Title XVIII of the Social Security Amendments of 1965, Public Law 89-97, as amended, at the option of that employee or member in lieu of continued coverage under the group policy.

3. The insurer shall not be required to issue a converted policy covering an otherwise eligible person:

A. If:

(1) That person is eligible for Medicare; or

(2) That person:

(a) Is covered for similar benefits by any other plan or program;

(b) Is eligible for similar benefits under any group coverage arrangement whether on an insured or uninsured basis; or

(c) Has similar benefits provided for or available to him pursuant to requirements of any state or federal law; and

B. The benefits as described in paragraph A, subparagraph 2, division (a), (b) or (c) provided for or available to the person together with the benefits provided by the converted policy would result in overinsurance according to standards which have been filed by the insurer prior to denial of coverage and approved by the superintendent.

4. The premium on the converted policy shall be determined in accordance with premium rates applicable to individually underwritten standard risks for the age and class of risk of each person to be covered and the type and amount of insurance provided. Experience under converted policies shall not be an acceptable basis for establishing rates for converted policies except to the extent permitted by regulations promulgated by the superintendent.

5. The effective date of the converted policy shall be the date of termination of the individual's insurance under

the group policy.

6. A converted policy issued under this section shall conform to regulations promulgated by the superintendent. These regulations shall ensure that continuity of coverage with similar benefits as determined by the superintendent is provided, but shall not require an insurer to provide benefits in excess of those provided under the group policy from which conversion is made.

7. Notice. Notice of the conversion privilege shall be included in each certificate of coverage.

8. A converted policy issued pursuant to this section which is delivered outside this State may be on such form as the insurer may then be offering for that conversion in the jurisdiction where the delivery is to be made.

9. A policy issued pursuant to the conversion privilege provided by this section may provide that the insurer may refuse to renew the policy or coverage of any person insured thereunder for the following reasons only:

A. Fraud or material misrepresentation in applying for any benefits under the converted policy; or

B. Any reason for which the insurer may refuse to issue a converted policy under subsection 3.

**Sec. 3. Application.** This Act shall apply to any contract or policy executed, delivered, issued for delivery, renewed, modified or amended in this State after its effective date.

Effective July 13, 1982.

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## CHAPTER 607

H.P. 1807 - L.D. 1792

AN ACT to Increase the Working Capital of the State  
Liquor Commission.

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