

§2556. Notification prior to lapse or termination

1. Notice to 3rd party. An individual life insurance policy that has been in force for at least one year may not be terminated for nonpayment of premium unless, at least 21 days prior to the expiration of the grace period, the insurer has mailed a notice of cancellation to the policyholder and any 3rd party designated by the policyholder by name and address in writing. The bureau shall adopt rules to implement the notice requirements under this subsection.

[PL 2007, c. 40, §1 (NEW).]

2. Restrictions on lapse or termination; cognitive impairment or functional incapacity. Notwithstanding any other provision of this chapter, 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 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 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, termination or lapse of coverage. If an insurer denies a request for reinstatement, the insurer shall notify the policyholder that the policyholder may request a hearing before the superintendent.

[PL 2011, c. 123, §1 (AMD); PL 2011, c. 123, §5 (AFF).]

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

[PL 2011, c. 123, §1 (AMD); PL 2011, c. 123, §5 (AFF).]

SECTION HISTORY

PL 2007, c. 40, §1 (NEW). PL 2011, c. 123, §1 (AMD). PL 2011, c. 123, §5 (AFF).

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