
By: **Chairman, Health and Government Operations Committee (By Request
- Departmental - Insurance Administration, Maryland)**

Introduced and read first time: February 6, 2003

Assigned to: Health and Government Operations

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Insurance Administration - Disability Benefits - Adoption of**
3 **Regulations**

4 FOR the purpose of requiring the Maryland Insurance Commissioner to adopt
5 certain regulations establishing a process to be used by certain insurers for
6 handling disability benefit claims under certain circumstances; requiring
7 certain insurers under certain circumstances to provide an insured with a
8 process to dispute an insurer's disability benefit decision; and generally relating
9 to claims procedures for disability benefits.

10 BY adding to

11 Article - Insurance

12 Section 15-1010

13 Annotated Code of Maryland

14 (2002 Replacement Volume and 2002 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article - Insurance**

18 15-1010.

19 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
20 INDICATED.

21 (2) (I) "DISABILITY BENEFIT" MEANS A BENEFIT THAT IS PAYABLE
22 BASED ON THE DISABILITY OF A COVERED INDIVIDUAL.

23 (II) "DISABILITY BENEFIT" DOES NOT INCLUDE:

24 1. LONG-TERM CARE INSURANCE;

25 2. A BENEFIT THAT IS PAYABLE BASED SOLELY ON A
26 DISMEMBERMENT OF A COVERED INDIVIDUAL;

1 3. BENEFITS IN A LIFE INSURANCE POLICY THAT OPERATE
2 TO SAFEGUARD THE CONTRACT FROM LAPSE OR TO PROVIDE A SPECIAL SURRENDER
3 VALUE, SPECIAL BENEFIT, OR ANNUITY IN THE EVENT OF TOTAL AND PERMANENT
4 DISABILITY; OR

5 4. BENEFITS IN A HEALTH INSURANCE POLICY THAT
6 OPERATE TO SAFEGUARD THE CONTRACT FROM LAPSE DUE TO DISABILITY.

7 (3) "ADVERSE BENEFIT DETERMINATION" MEANS:

8 (I) A DENIAL, REDUCTION, OR TERMINATION OF A DISABILITY
9 BENEFIT;

10 (II) A FAILURE TO PROVIDE OR MAKE PAYMENT, IN WHOLE OR IN
11 PART, FOR A DISABILITY BENEFIT; OR

12 (III) ANY DENIAL, REDUCTION, TERMINATION, OR FAILURE TO
13 PROVIDE OR MAKE PAYMENT THAT IS BASED ON A DETERMINATION OF AN
14 INDIVIDUAL'S ELIGIBILITY FOR COVERAGE OF A DISABILITY BENEFIT.

15 (B) (1) THE COMMISSIONER SHALL ADOPT REGULATIONS THAT ESTABLISH
16 STANDARDS GOVERNING THE PROCESSING OF CLAIMS BY AN INSURER THAT:

17 (I) ISSUES OR DELIVERS INDIVIDUAL POLICIES IN THE STATE
18 THAT INCLUDE A DISABILITY BENEFIT; OR

19 (II) ISSUES OR DELIVERS GROUP POLICIES IN THE STATE THAT
20 INCLUDE A DISABILITY BENEFIT.

21 (2) THE REGULATIONS ADOPTED UNDER THIS SUBSECTION SHALL
22 ESTABLISH AND MAINTAIN REASONABLE CLAIMS PROCEDURES GOVERNING THE
23 FILING OF DISABILITY BENEFIT CLAIMS, INCLUDING:

24 (I) NOTIFICATION OF AN ADVERSE BENEFIT DETERMINATION;
25 AND

26 (II) AN APPEAL BY AN INSURED OR THE INSURED'S AUTHORIZED
27 REPRESENTATIVE OF AN INSURER'S ADVERSE BENEFIT DETERMINATION.

28 (3) THE CLAIMS PROCEDURES ESTABLISHED FOR BOTH INDIVIDUAL
29 AND GROUP POLICIES UNDER THIS SUBSECTION SHALL BE CONSISTENT WITH THE
30 PROVISIONS OF THE DEPARTMENT OF LABOR'S REGULATION ENTITLED "EMPLOYEE
31 RETIREMENT INCOME SECURITY ACT OF 1974, RULES AND REGULATIONS FOR
32 ADMINISTRATION AND ENFORCEMENT; CLAIMS PROCEDURE; FINAL RULE" (29 CFR
33 2560).

34 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
35 October 1, 2003.