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CHAPTER 13

GROUP INSURANCE AND PENSION PLANS

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SUBCHAPTER I

CIVIL EMPLOYEES

Sec.

1701. Authorization; payment of premiums.

§ 1701. Authorization; payment of premiums

The State, any county, city or town may make contracts of insurance with any insurance company authorized to transact business within the State insuring its employees or any class or classes thereof under a policy or policies of group insurance covering life, health or accident insurance and may contract with any such company granting annuities or pensions for the pensioning of such employees and, for such purposes, may agree to pay part or all of the premiums or charges for carrying such contract, raise money by taxation therefor and appropriate out of its treasury money necessary to pay such premiums or charges or portions thereof. Like authority to make contracts of insurance and appropriate out of its treasury, money necessary to pay such premiums or charges or portions thereof is granted to any water district or other quasi-municipal corporation chartered and organized as such under the laws of this State. Any such water district or other quasi-municipal corporation may provide for the retirement and pensioning of its employees and for such purpose may create and set aside out of its treasury funds for a reserve or reserves, or it may contract with any insurance company authorized to transact such business within the State and grant annuities for the retirement and pensioning of its employees, and for such purposes may agree to pay a part or all of the premiums or annual charges for carrying out such contracts or for creating such annuity reserves.

R.S.1954, c. 60, § 163.

SUBCHAPTER II
GROUP LIFE INSURANCE

Sec.

- 1751. Definitions.
- 1752. Standard provisions.
- 1753. Rate of premiums
- 1754. Notice of conversion privilege.
- 1755. Exceptions.

§ 1751. Definitions

No policy of group life insurance shall be delivered in this State unless it conforms to one of the following descriptions:

1. Policy issued to employer or trustees. A policy issued to an employer, or to the trustees of a fund established by an employer, which employer or trustees shall be deemed the policyholder, to insure employees of the employer for the benefit of persons other than the employer, subject to the following requirements:

A. The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof determined by conditions pertaining to their employment. The policy may provide that the term "employees" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors and partners of one or more affiliated corporations, proprietors or partnerships if the business of the employer and of such affiliated corporations, proprietors or partnerships is under common control through stock ownership or contract. The policy may provide that the term "employees" shall include the individual proprietor or partners if the employer is an individual proprietor or a partnership. The policy may provide that the term "employees" shall include retired employees. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership.

B. The premium for the policy shall be paid by the policyholder, either wholly from the employer's funds or funds contributed by him, or partly from such funds and partly from funds contributed by the insured employees. No policy may be issued on which the entire premium is to be derived from funds contributed by the insured employees. A policy on which part of the premium is to be derived from funds contributed by the insured employees may be placed in force only if at least 75% of the then eligible employees, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

C. The policy must cover at least 10 employees at date of issue.

D. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or by the employer or trustees.

1955, c. 97; c. 228; 1957, c. 154.

2. Policy issued to creditor. A policy issued to a single creditor or to a trustee or trustees or agent designated by 2 or more creditors, which creditor, trustee, trustees or agent shall be deemed the policyholder, to insure debtors of the single creditor or debtors of the 2 or more creditors, as the case may be, subject to the following requirements:

A. The debtors eligible for insurance under the policy shall be all of the debtors of the single creditor or all the debtors of the 2 or more creditors whose indebtedness is repayable either in installments, or in one sum at the end of a period not in excess of 18 months from the initial date of debt, or all of any class or classes thereof determined by conditions pertaining to the indebtedness or to the purchase giving rise to the indebtedness. The policy may provide that the term "debtors" shall include the debtors of one or more subsidiary corporations, and the debtors of one or more affiliated corporations, proprietors or partnerships if the business of the policyholder and of such affiliated corporations, proprietors or partnerships is under common control through stock ownership, contract or otherwise. No debtor shall be eligible

unless the indebtedness constitutes an obligation to repay which is binding upon him during his lifetime, at and from the date the insurance becomes effective upon his life.

B. The premium for the policy shall be paid by the policyholder, either from the creditor's funds, or from charges collected from the insured debtors, or from both. A policy on which part or all of the premium is to be derived from the collection from the insured debtors of identifiable charges not required of uninsured debtors shall not include, in the class or classes of debtors eligible for insurance, debtors under obligations outstanding at its date of issue without evidence of individual insurability unless at least 75% of the then eligible debtors elect to pay the required charges. A policy on which no part of the premium is to be derived from the collection of such identifiable charges must insure all eligible debtors, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

C. The policy may be issued only if the group of eligible debtors is then receiving new entrants at the rate of at least 100 persons yearly, or may reasonably be expected to receive at least 100 new entrants during the first policy year, and only if the policy reserves to the insurer the right to require evidence of individual insurability if less than 75% of the new entrants become insured. The policy may exclude from the classes eligible for insurance classes of debtors determined by age.

D. The amount of insurance on the life of any debtor shall at no time exceed the amount owed by him which is repayable in installments to the creditor, or \$15,000, whichever is less. Where the indebtedness is repayable in one sum to the creditor, the insurance on the life of any debtor shall in no instance be in effect for a period in excess of 18 months except that such insurance may be continued for an additional period not exceeding 6 months in the case of default, extension or recasting of the loan. The amount of the insurance on the life of any debtor shall at no time exceed the amount of the unpaid indebtedness, or \$15,000, whichever is less.

E. The insurance shall be payable to the policyholder. Such payment shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of such payment.

1957, c. 154; 1963, c. 235, § 2.

3. Policy issued to a labor union. A policy issued to a labor union, which shall be deemed the policyholder, to insure members of such union for the benefit of persons other than the union or any of its officials, representatives or agents, subject to the following requirements:

A. The members eligible for insurance under the policy shall be all of the members of the union, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the union, or both.

B. The premium for the policy shall be paid by the policyholder, either wholly from the union's funds, or partly from such funds and partly from funds contributed by the insured members specifically for their insurance. No policy may be issued on which the entire premium is to be derived from funds contributed by the insured members specifically for their insurance. A policy on which part of the premium is to be derived from funds contributed by the insured members specifically for their insurance may be placed in force only if at least 75% of the then eligible members, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

C. The policy must cover at least 25 members at date of issue.

D. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the union.

1957, c. 154.

4. Policy issued to trustees of a fund established by employers or labor unions. A policy issued to the trustees of a fund established by 2 or more employers in the same industry or by one or more labor unions, or by one or more employers and one or more labor unions, which trustees shall be deemed the policyholder, to insure employees of the employers or members of the unions for the benefit of persons other than the employers or the unions, subject to the following requirements:

A. The persons eligible for insurance shall be all of the employees of the employers or all of the members of the

unions, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the unions, or to both. The policy may provide that the term "employees" shall include retired employees, and the individual proprietor or partners if an employer is an individual proprietor or a partnership. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship.

B. The premium for the policy shall be paid by the trustees wholly from funds contributed by the employer or employers of the insured persons, or by the union or unions, or by both. No policy may be issued on which any part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance. The policy must insure all eligible persons, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

C. The policy must cover at date of issue at least 100 persons and not less than an average of 5 persons per employer unit; and if the fund is established by the members of an association of employers the policy may be issued only if either the participating employers constitute at date of issue at least 60% of those employer members whose employees are not already covered for group life insurance or the total number of persons covered at date of issue exceeds 600; and the policy shall not require that, if a participating employer discontinues membership in the association, the insurance of his employees shall cease solely by reason of such discontinuance.

D. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the insured persons or by the policyholder, employers or unions.

1957, c. 154.

5. Policy issued to trustees of a fund established by a trade association. A policy issued to trustees of a fund established by the employer members of a trade association, which trustees shall be deemed the policyholder, to insure employees of such employers for the benefit of persons other than the association or the employers, subject to the following requirements:

A. The policy may be issued only if

(1) the association has been in existence for at least 5 years and was formed for purposes other than obtaining insurance, and

(2) the participating employers, meaning such employer members whose employees are to be insured, constitute at date of issue at least 50% of the total employers eligible to participate, unless the total number of persons covered at date of issue exceeds 600, in which event such participating employers must constitute at least 25% of such total employers, in either case omitting from consideration any employer whose employees are already covered for group life insurance.

B. The persons eligible for insurance under the policy shall be all of the employees of the participating employers, or all of any class or classes thereof determined by conditions pertaining to their employment. The policy may provide that the term "employees" shall include the individual proprietor or partners whenever a participating employer is an individual proprietor or a partnership. The policy may provide that the term "employees" shall include retired employees. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship.

C. The premium for the policy shall be paid by the trustees either wholly from funds contributed by the employers or funds contributed jointly by the employers and the employees. A policy on which part of the premium so payable is to be derived from funds contributed by the insured employees may be placed in force only if at least 75% of the then eligible employees of each participating employer, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions, a policy on which no part of the premium so payable is to be derived from funds contributed by

the insured employees must insure all eligible employees, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

D. The policy must cover at least 100 employees at date of issue.

E. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or by the policyholder or the employer.

1957, c. 154.

6. Policy issued to association of municipal employees.

A policy issued to an incorporated or unincorporated association of municipal employees, which association is organized and maintained in good faith for the purposes other than that of obtaining insurance and has been so organized and maintained for a period of 2 years prior to the issuance of such policy or contract, which shall be deemed the policyholder to insure members of such association for the benefit of persons other than the association or any of its officials, representatives or agents, subject to the following requirements:

A. The members eligible for insurance shall be all of the members of the association, or all of any class or classes thereof determined by conditions pertaining to membership in the association, or both.

B. The premium for the policy shall be paid by the policyholder wholly from the association's funds. No policy may be issued which does not insure all of the eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

C. The policy must cover at least 10 members at date of issue.

D. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or the association.

E. The policy must provide for a reduction of coverage of a member after his retirement from active service with a municipality.

1957, c. 154.

7. Policy issued to a credit union. A policy issued to a single credit union, or to a trustee or trustees or agent designated by 2 or more credit unions, which credit union, trustee, trustees or agent shall be deemed the policyholder, to insure members of

the credit union or credit unions to the extent of each insured member's share in any such union, for the benefit of persons other than the credit union or credit unions or its officials, representatives or agents, subject to the following requirements:

A. The members eligible for insurance under the policy shall be all of the members of the single credit union or all of the members of the 2 or more credit unions, or all of any class or classes thereof determined by conditions pertaining to their membership in the credit union or credit unions, or both.

B. The premium for the policy shall be paid by the policyholder, either wholly from the credit union's funds, or the credit unions' funds, or partly from such funds and partly from funds contributed by the insured members specifically for their insurance. No policy may be issued on which the entire premium is to be derived from funds contributed by the insured members specifically for their insurance. A policy on which part of the premium is to be derived from funds contributed by the insured members specifically for their insurance may be placed in force only if at least 75% of the then eligible members, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

C. The policy must cover at least 25 members at date of issue.

D. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the insured members or by the policyholder.

1957, c. 154; 1963, c. 195, § 1.

8. Limitations. No such policy of group life insurance may be issued to an employer, or labor union or to the trustees of a fund established in whole or in part by an employer or a labor union, which provides term insurance on any person which, together with any other term insurance under any group life insurance policy or policies issued to the employer or employers of such person or to a labor union or labor unions of which such person is a member or to the trustees of a fund or funds established

in whole or in part by such employer or employers or such labor union or labor unions, exceeds \$20,000, unless 150% of the annual compensation of such person from his employer or employers exceeds \$20,000, in which event all such term insurance shall not exceed \$40,000 or 150% of such annual compensation, whichever is the lesser. (1963, c. 195, § 2.)

R.S.1954, c. 60, § 164; 1955, c. 97; c. 228, §§ 1, 2; 1957, c. 154; 1963, c. 195; c. 235, § 2.

§ 1752. Standard provisions

No policy of group life insurance shall be delivered in this State unless it contains in substance the following provisions, or provisions which in the opinion of the commissioner are more favorable to the persons insured, or at least as favorable to the persons insured and more favorable to the policyholder, provided

1. Policy issued to creditor to insure debtors. That subsection 3, paragraphs F to J, shall not apply to policies issued to a creditor to insure debtors of such creditor;

2. Standard provisions of individual life insurance policies. That the standard provisions required for individual life insurance policies shall not apply to group life insurance policies; and

3. Nonforfeiture provisions. That if the group life insurance policy is on a plan of insurance other than the term plan, it shall contain a nonforfeiture provision or provisions which in the opinion of the commissioner is or are equitable to the insured persons and to the policyholder, but nothing herein shall be construed to require that group life insurance policies contain the same nonforfeiture provisions as are required for individual life insurance policies:

A. A provision that the policyholder is entitled to a grace period of 31 days for the payment of any premium due except the first, during which grace period the death benefit coverage shall continue in force, unless the policyholder shall have given the insurer written notice of discontinuance in advance of the date of discontinuance and in accordance with the terms of the policy. The policy may provide that the policyholder shall be liable to the insurer for the payment of a pro rata premium for the time the policy was in force during such grace period.

B. A provision that the validity of the policy shall not be contested, except for nonpayment of premiums, after it has

been in force for 2 years from its date of issue; and that no statement made by any person insured under the policy relating to his insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force prior to the contest for a period of 2 years during such person's lifetime nor unless it is contained in a written instrument signed by him.

C. A provision that a copy of the application, if any, of the policyholder shall be attached to the policy when issued, that all statements made by the policyholder or by the persons insured shall be deemed representations and not warranties, and that no statement made by any person insured shall be used in any contest unless a copy of the instrument containing the statement is or has been furnished to such person or to his beneficiary.

D. A provision setting forth the conditions, if any, under which the insurer reserves the right to require a person eligible for insurance to furnish evidence of individual insurability satisfactory to the insurer as a condition to part or all of his coverage.

E. A provision specifying an equitable adjustment of premiums or of benefits or of both to be made in the event the age of a person insured has been misstated, such provision to contain a clear statement of the method of adjustment to be used.

F. A provision that any sum becoming due by reason of the death of the person insured shall be payable to the beneficiary designated by the person insured, subject to the provisions of the policy in the event there is no designated beneficiary as to all or any part of such sum living at the death of the person insured, and subject to any right reserved by the insurer in the policy and set forth in the certificate to pay at its option a part of such sum not exceeding \$500 to any person appearing to the insurer to be equitably entitled thereto by reason of having incurred funeral or other expenses incident to the last illness or death of the person insured.

G. A provision that the insurer will issue to the policyholder for delivery to each person insured an individual certificate setting forth a statement as to the insurance pro-

tection to which he is entitled, to whom the insurance benefits are payable, and the rights and conditions set forth in paragraphs H, I and J.

H. A provision that if the insurance, or any portion of it, on a person covered under the policy ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such person shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, provided application for the individual policy shall be made, and the first premium paid to the insurer, within 31 days after such termination, and provided

(1) The individual policy shall, at the option of such person, be on any one of the forms, except term insurance, then customarily issued by the insurer at the age and for the amount applied for;

(2) The individual policy shall be in amount not in excess of the amount of life insurance which ceases because of such termination, provided any amount of insurance which shall have matured on or before the date of such termination as an endowment payable to the person insured, whether in one sum or in installments or in the form of an annuity, shall not, for the purposes of this provision, be included in the amount which is considered to cease because of such termination; and

(3) The premium on the individual policy shall be at the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which such person then belongs and to his age attained on the effective date of the individual policy.

I. A provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured thereunder at the date of such termination whose insurance terminates and who has been so insured for at least 5 years prior to such termination date shall be entitled to have issued to him by the insurer an individual policy of life insurance, subject to the same conditions and limitations as are provided by paragraph H, except that the group policy may provide that

the amount of such individual policy shall not exceed the smaller of

(1) The amount of the person's life insurance protection ceasing because of the termination or amendment of the group policy, less the amount of any life insurance for which he is or becomes eligible under any group policy issued or reinstated by the same or another insurer within 31 days after such termination, and

(2) \$2,000.

J. A provision that if a person insured under the group policy dies during the period within which he would have been entitled to have an individual policy issued to him in accordance with paragraphs H or I and before such an individual policy shall have become effective, the amount of life insurance which he would have been entitled to have issued to him under such individual policy shall be payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium therefor has been made.

R.S.1954, c. 60, § 165; 1955, c. 98.

§ 1753. Rate of premiums

No domestic or foreign life insurance company shall be permitted to do business in this State if it delivers or issues for delivery, within this State, any policy of group life insurance on which the premium shall be less than the net premium based on the Commissioners 1960 Group Mortality Table with interest at 3% per annum, plus a loading computed in accordance with a formula which shall be determined by the commissioner. Anything in this Title to the contrary notwithstanding, any group life insurance policy issued or delivered in this State may provide for readjustment of the rate of premium based on the experience thereunder, at the end of the first year or of any subsequent year of insurance thereunder, and such readjustment may be made retroactive only for such policy year.

1957, c. 65; 1961, c. 80.

§ 1754. Notice of conversion privilege

If any individual insured under a group life insurance policy delivered in this State becomes entitled under the terms of such policy to have an individual policy of life insurance is-

sued to him without evidence of insurability, subject to making of application and payment of the first premium within the period specified in such policy, and if such individual is not given notice of the existence of such right at least 15 days prior to the expiration date of such period, then, in such event the individual shall have an additional period within which to exercise such right, but nothing herein contained shall be construed to continue any insurance beyond the period provided in such policy. This additional period shall expire 15 days next after the individual is given such notice but in no event shall such additional period extend beyond 60 days next after the expiration date of the period provided in such policy. Written notice presented to the individual or mailed by the policyholder to the last known address of the individual or mailed by the insurer to the last known address of the individual as furnished by the policyholder shall constitute notice for the purpose of this section.

R.S.1954, c. 60, § 166.

§ 1755. Exceptions

Sections 1751 to 1754 shall not apply to any contracts or policies entered into or issued prior to August 6, 1949 nor to any extensions, renewals or modifications thereof or amendments thereto whenever made.

R.S.1954, c. 60, § 167.

SUBCHAPTER III

PENSION PLANS AND BENEFITS

Sec.

1801. Pension plans of domestic companies.

1802. Insured benefit plans of domestic companies.

§ 1801. Pension plans of domestic companies

Any insurance company organized under the laws of this State may pay, pursuant to the terms of a pension plan or plans or any modifications thereof, heretofore or hereafter adopted by the board of directors of such company and approved by the commissioner, the whole or any part of the cost of retirement or disability pensions for such of its officers, employees or full-time insurance agents as are specified in said plan or plans or any modifications thereof. In lieu of such pensions, and if so specified in the plan or plans, actuarially equivalent benefits may be paid to

such officers, employees or full-time insurance agents or to their designated beneficiaries.

R.S.1954, c. 60, § 168; 1963, c. 53, § 1.

§ 1802. Insured benefit plans of domestic companies

Any insurance company organized under the laws of this State may, pursuant to vote of its board of directors heretofore or hereafter made, provide for its officers, employees or full-time insurance agents, a plan or plans of life insurance, sickness, accident, hospitalization, medical, surgical and related insurance benefits, to be issued under group or individual policies, and such company may pay the cost, in whole or in part, for such insurance, or, if duly authorized by its charter and bylaws to issue such insurance, may provide such benefits directly as insurer thereof without requirement of placement through a licensed insurance agent and may provide such benefits at a rate appropriately reduced to reflect such expense savings as the company may determine to be applicable thereto.

R.S.1954, c. 60, § 169; 1963, c. 53, § 2.