

MAINE STATE LEGISLATURE

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August 1, 1968

Board of Trustees

Maine State Retirement System

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Use of Group Insurance Premium Dividends

SYLLABUS:

Group insurance premium dividends returned prior to October 7, 1967 must be refunded to the individual contributors in proportion to the premiums paid in by such respective contributors.

Any group insurance premium dividends returned from any source on and after October 7, 1967 may be used to provide paid-up life insurance for state employees and teachers to be effective upon retirement.

FACTS:

The Maine State Retirement System has an accumulation of approximately \$675,000 which has been derived solely and entirely by a return of excess premiums for certain supplemental group life insurance. The entire amount was returned prior to October 7, 1967.

QUESTIONS:

No. 1: Does the Board have the right to use this accumulation to pay premiums for an increased percentage amount of insurance for all retired persons, regardless of whether the individual had held only the basic coverage, or had held both the basic and the additional coverage at point of retirement, or must it apply these funds only to those who have participated in and paid premiums on the additional life insurance?

No. 2: Does the statute limit the Board to the purchase of a single premium paid-up insurance policy, or, may the Board employ such other possible coverages as it deems proper?

ANSWERS:

No. 1: No.

No. 2: Not necessary in light of answer to question No. 1.

REASON:

This Department has previously ruled that group insurance premium dividends which are returned must be refunded to the individual contributors in proportion to the premiums paid by such respective contributors. (Attorney General Opinion dated June 23, 1968)

It should be observed, nevertheless, that chapter 411 of the Public Laws of 1967 would allow a different result for any group insurance premium dividends returned from any source on and after October 7, 1967, which is the effective date of such chapter. The aforementioned chapter 411 can only be prospective; for it would violate Article I, section 11 of the Constitution of the State of Maine to have a statute impair existing contract obligations.

Chapter 411 essentially allows the Board of Trustees, within certain limitations, to provide single premium paid-up life insurance for state employees and teachers to be effective upon retirement. Section 2 of the same chapter allows the Board of Trustees to determine that any returned premium developed for any reason may be used to increase benefits to state employees and teachers. (It should be noted that the term "state employees and teachers" does not include present retirees.)

Consequently, it is our opinion that the Board of Trustees, acting upon the recommendation of the Advisory Council on Group Insurance, may elect to use premium dividends returned on and after October 7, 1967 to provide single premium paid-up life insurance for state employees and teachers to be effective upon retirement. Such returned premium dividends may be applied to provide this insurance whether or not the employees held only the basic coverage or both the basic coverage plus the additional coverage at point of retirement.

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HNS/eh