

# MAINE STATE LEGISLATURE

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**COMMUNITY LIFE INSURANCE COMPANY**

2501 CONGRESS STREET

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PORTLAND, MAINE 04102

December 10, 1968

Kenneth P. MacLeod, Chairman  
Commission on Revision of Insurance Laws  
Room 409, State Office Building  
Augusta, Maine 04330

Dear Senator MacLeod:

On behalf of Community Life Insurance Company, a domestic stock life insurance company, I would like to present for the consideration of your committee, the following recommended changes in the proposed Insurance Code.

CHAPTER - 13 - PARAGRAPH 1105

We would like to suggest that this paragraph be amended to give realistic consideration to the economic circumstances of the recent past, present and the probable future.

The proposed law would require 60% of the insurer's assets to consist of cash funds or fixed return investments. We believe that this is not in the best interests of either the stockholders or policyholders. We submit that this investment law is an archaic and unrealistic burden to the life insurance industry. We do not believe that a qualified investment advisor whether to an individual, a fund or corporation, would not be able to operate in the best interests of his client under such restrictions.

The law, as proposed by the committee, is based on the economics of 1930. It certainly does not fit the economics of the past twenty years or that of the foreseeable future. An insurance company that invests the majority of its assets, and fixed obligations of government or commercial entities is only saved from economic chaos by the rule that it may take the amortized value or market price whichever is higher, in the preparation of its statements. Yet, realistically, if a company were to liquidate such securities to meet an obligation, their value would be substantially less if they held them for any length of time.

It has been stated in authoritative journals, that if all insurance companies had to show their bond holdings at the market value, more than 57% would be insolvent.

Kenneth P. MacLeod, Chairman  
Commission on Revision of Insurance Laws  
Room 409, State Office Building  
Augusta, Maine

The attached article from a recent issue of the Portland Evening Express indicates that the leading universities and colleges, either have or are in the process of changing their investment philosophy regarding endowment funds in the light of current needs and economic conditions. Certainly, the investment goals for endowment funds are very much like the goals for insurance companies and the change of attitude from fixed income and securities to common stock is a confirmation of the fact that now is the time to revise investment thinking.

On December 2, 1968, at the National Association of Insurance Commissioners Convention in Los Angeles, California, the report of the Industry Advisory Committee suggests: "Three major trends have impelled insurers to diversify their activity. The first is a long-term secular trend of inflation which has accelerated in the past two decades and has become acute since 1963. Continuing deterioration in the purchasing power of the dollar has quickened public interest in and the market for equity-based investments as a hoped-for hedge against inflation. The relative decline in the proportion of the savings dollar invested in life insurance has impelled life insurers to seek a more competitive posture vis-a-vis other investment and savings media by offering variable annuities and a complete financial service incorporating life insurance and equity participation. In the process, these insurers expect to enhance the rate of growth of their assets, to reduce the net cost of insurance because of increased investment return attributable to a larger investment in equities, to share in the growth of the American economy, and to strengthen their sales forces by providing diversified selling opportunities."

One interesting recommendation of the Sub-Committee was their recommendation to help alleviate the need for holding companies, and I quote: "Liberalization of investment laws to permit diversification by insurers outside the insurance field, the basic objective being to permit insurers, both stock and mutual, to acquire through the use of subsidiaries the freedom of diversification that a stock insurer can now realize through the formation of a holding company."

As an alternative to the suggested legislation for investments, we would like to suggest that the law be revised to require the stock life insurance company to have \$500,000.00, or 25% of its assets, whichever is greater, invested in securities such as those described under paragraph 1105, and that the balance of its assets should be left free to be invested in securities given a value by the N. A. I. C. committee on valuation of securities.

December 10, 1968

Kenneth P. MacLeod, Chairman  
Commission on Revision of Insurance Laws  
Room 409, State Office Building  
Augusta, Maine 04330

We believe, that this change, while giving a degree of safety, will give a company enough flexibility to protect itself from rising costs and market changes.

Very truly yours,



Neil J. O'Leary  
President

NJO/af  
enclosure

## Colleges Investing More Endowments In Stocks

By Henry J. Taylor

PALO ALTO, CALIF. — Great Stanford University here has an endowment of nearly \$200 million. But it is experiencing — and exemplifies — the hidden half Nelson that is twisting the arm of unsubsidized education throughout our country. Moreover, only such exceptional institutions have any sizable endowments at all.

A mere nine percent of 397 liberal arts institutions hold 83 percent of the endowment money. Out of a total \$12 billion only 19 universities have available the income from \$100 million or more — a sum less than the government spends each year on the Peace Corps. And even the best endowed, like Harvard with its world record investment fund of about \$1 billion, are caught in a money squeeze as is Stanford.

THE COSTS OF everything keep going up, but nothing like college costs. Indiana University President Elvis J. Stahr has pointed out that while the cost of living has risen 20 percent in the last decade, student charges nationwide, primarily for tuition, have risen 80 percent.

The average University of Indiana student must spend \$2,000 for a nine-month year there. This includes tuition, room and board, books, special fees and incidentals — all a necessary cost of college.

Moreover, if you have a baby in your family, that child will be ready to go to college in 1986. By then, at the rate the cost of education is increasing, it will cost parents an estimated \$25,000 to send that child through a four-year college course.

I find here that during the past 10

years enrollment in California state colleges is up 397 percent and operating costs and capital expenditures are both up 260 percent.

Publicly subsidized institutions can offset most of the increased operating and expansion costs by tapping the taxpayers. But private institutions can only boost tuitions, already felt to be at almost-untenable levels.

During the past 10 years college and university budgets have increased at the average rate of 10 percent a year.

During the next 10 years, in line with costs, college tuitions are expected to double to \$4,000. Meanwhile, the average tuition covers only about one-third of what it costs a college to educate a student.



ENDOWMENT INCOME and contributions alike are falling further and further behind. In fact, although Yale is the world's third most richly endowed university, Yale has been forced to start committing the highly undesirable deed of spending some of her endowment principal. And Harvard made the grade last year only by deriving a full 37 percent of its 1967 income from government sources.

The indicated hope for survival is the endowments' purchase of common stocks. Stanford is a heavy stockholder, and Harvard, for example, now owns 275,000 shares of General Motors. The Univer-

sity of Rochester has increased its endowment fund's market value from \$81 million to \$346 million and made itself the fifth wealthiest university in the country chiefly through shares in Rochester-based Eastman Kodak and Xerox.

A U.S. Office of Education survey of 135 institutions found their portfolios now average 54 percent in common stocks compared to 38 percent in 1950. Some show as high as 80 percent, which seems the ceiling, and IBM is the largest holding, followed by General Motors and Standard Oil of New Jersey.

THE ISSUE ITSELF rather than the duration it is held constitutes the essence of risk. Holding something for years on end doesn't necessarily constitute a conservative investor, nor do purchases and sales within reasonable times mean a speculator. Buying a stock for \$20 and selling it for \$40 yields the same gain after six months as if it were held for years, except that this releases the capital for reinvestment in another issue in which the buyer can hope to repeat the success. And, of course, educational institutions pay no income or capital-gains tax and thus need not be influenced even by the six-months period. The average turnover rate of their portfolios runs about 5.5 percent a year.

A Boston Fund survey finds that the average market yield is only 3.8 percent. But, faced by inflation, fund trustees are clearly subordinating yield to a goal of capital gains.

Here at Stanford and elsewhere this dominates today's educational endowment thinking while institutions try to extricate themselves from the pit into which costs and expansion have hurled them.

SHIRLEY BOYD WILLIAMS  
ROBERT D. WILLIAMS  
PHILIP L. WILLIAMS

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February 21, 1969

Hon. Frank M. Hogerty, Jr.  
Insurance Commissioner  
State of Maine  
State Office Building  
Augusta, Maine 04330



Re: Amendments to H.P. 201

Dear Commissioner Hogerty:

Enclosed is original and one copy of proposed Committee amendments to H. P. 201, the Insurance Code Revision Bill.

The amendments include those requested by the Committee as a result of the hearings held on February 11th and several additional amendments required for correlation, for removal of redundant and ambiguous material in some instances and for correction of section references, of typographical errors and omissions.

In general, the Bill is in remarkably good shape considering its volume and the schedule under which it was produced. At the end of the recent pre-legislative hearings a number of sections were added or stricken from the proposed code, requiring renumbering of numerous sections. Inevitably in this process, some internally referred section numbers are not caught for change. Since the legislative hearings in February, I have reviewed the entire code for such section references and have included the corrections in the enclosed proposed amendments.

You will also note that the requested amendment relative to the Standard Fire Policy is included under the amendment of section 3002 on page 2-181. I have included parenthetical captions for the various portions for better identification since in certain subsequent sections reference is made to "general conditions and stipulations" and we want to make sure that there is clear understanding as to what is meant.

After you have looked over the proposed amendments, if there are any questions, please give me a call. My office will usually know where I can be located if I am not in the office. If out of town, I will carry a copy of the amendments with me for the purpose.

Also enclosed is an original and one copy of an edited Bill based upon a model forwarded by Harry Starbranch and in turn from David Whorf for prevention of lapse of industrial debit policies during a strike of agents.

Hon. Frank M. Hogerty, Jr.  
February 21, 1969  
Page 2

As indicated in Mr. Whorf's letter of January 28, a similar Bill enacted in Massachusetts in 1965 was declared unconstitutional by a Massachusetts court. I can well understand how such a finding could be arrived at. Theoretically a strike by agents could last indefinitely, with the insurer using other agents for the collection of premiums.

It will, of course, be up to the Committee to determine whether such a provision is to be added to the revised insurance code. I have not attempted to change the substance of the proposed new section but have merely attempted to improve its style and clarity to accord with that of the Insurance Code Revision in general.

It is my understanding that your office will Xerox such copies of the proposed amendments as may be necessary, and distribute the same to the Hon. Richard W. Logan, Chairman, members of committees of the Senate and House, members of the Commission on Revision of the Insurance Laws, the Attorney General's office, your own staff, subscribers to the Insurance Law Revision Services and others concerned.

I will be interested in news of further developments in connection with our cherished project.

With warmest regards.

Sincerely yours,



ROBERT D. WILLIAMS

RDW/df  
Encls.

MAINE INSURANCE CODE  
PROPOSED COMMITTEE AMENDMENTS

Prepared by Robert D. Williams, Special Counsel

The following proposed amendments are presented in form of substance rather than in legislative form. They include amendments requested by the Committee following the Committee hearing in Augusta on February 11, together with other amendments necessary for correction of correlation references, typographical errors, and for other correlations. The reason for each proposed amendment is briefly stated.

(New material added by the amendment is shown by underscoring; deleted material is sometimes shown by strike-through hyphens.)

- (1) s 10, page 2-2: In subsection 1 change "mutual insurers" to "mutual assessment insurers".

Reason: To correct a typographical omission.

- (2) s 204, page 2-3: Change "the State Capitol" to "Augusta".

Reason: As requested by the Committee.

- (3) s 228, page 2-10: Amend subsection 3, fourth line, by deleting the "%" symbol which follows ".00033"; and in paragraph B delete the "%" symbol following the figures ".001" and ".0001", respectively.

Reason: Mathematical corrections.

- (4) s 236, page 2-15: Amend subsection 7 to read as follows:

"If the appeal is from the commissioner's order on hearing the review of the court shall be ~~limited to matters shown by the commissioner's official record~~ de novo, except as otherwise stipulated by the parties." The court shall have power, by preliminary order, to settle questions concerning the completeness and accuracy of the commissioner's official record.

Reason: As requested by the Committee.

- (5) s 401, page 2-15: Change entire section to read as follows:

s 401. "Reciprocal"; "Lloyd's" insurer defined

1. A "reciprocal" insurer is an unincorporated aggregation of subscribers operating individually and collectively through an attorney-in-fact common to all such persons to provide reciprocal insurance among themselves.

2. A "Lloyd's" insurer is an unincorporated but formally organized association of individual underwriters, any one or more of whom "underwrite" and thereby assume as insurer such portion of the risk insured by them as shall be set forth in the contract of insurance issued by such an insurer.

Reason: As requested by the Committee.

- (6) s 403, page 2-16: Amend to read as follows:

"Except where context requires otherwise, "charter" means certificate of organization, certificate of incorporation, articles of incorporation, articles of agreement, articles of association, corporate charter granted by legislative act, or other basic constituent document of a corporation, or of a Lloyd's insurer, or the power of attorney of the attorney-in-fact of a reciprocal insurer."

Reason: To provide for Lloyd's in correlation with s 402, as amended.

- (7) s 410, page 2-18: Amend the schedule in subsection 1: In the column

captioned "Minimum Required Capital Stock", opposite "Life" change the \$1,000,000 to \$500,000; and opposite "Life and Health" change the \$1,000,000 to \$500,000. Make no other changes in the schedule.

Reason: As requested by the Committee. This results in a new stock life insurer having to possess at least \$500,000 in paid-in capital stock plus \$1,000,000 of initial free surplus, or a total of \$1,500,000 for authority to transact life insurance alone, or life and health insurances.

- (8) s 410, page 2-19: Amend paragraph A, second sentence only, to read as follows:

"The commissioner shall not authorize such an insurer to transact any other kinds of insurance unless it then complies with the requirements as to capital stock, if a stock insurer, or basic surplus, if a mutual or reciprocal insurer, as applied to all kinds of insurance it then proposes to transact, as provided by this Title as to foreign insurers applying for original certificates of authority under this Title."

Reason: A necessary correction in order to relate "basic surplus" of a mutual or reciprocal insurer to the paid-in capital stock of a stock insurer. No other change in this paragraph A.

- (9) s 413, page 2-20: Amend subsection 1 to read as follows:

"1. If a corporation, or a Lloyd's, a copy of its charter, together with all amendments thereto, or as restated and amended under the laws of its state or country of domicile, currently certified by the public official with whom the originals are on file in such state or country."

Reason: To correlate with other added material as to Lloyd's insurers.

- (10) s 418, page 2-23: Amend subsection 1 to read as follows:

"1. All suspensions or revocations of, or refusal to continue, an insurer's certificate of authority shall be by the commissioner's order given to the insurer by personal delivery or by certified or registered mail addressed to the insurer at its address last of record with the commissioner. Notice by mail shall be deemed effective when so mailed."

Reason: It was originally requested that s 213 subsection 3 be amended to require that copies of orders suspending or revoking certificate of authority or license be sent by certified mail. As to licenses of agents such a requirement already appears in s 1540. The above amendment takes care of the matter as to certificates of authority, and amendment of s 213 is not necessary to accomplish the desired purpose.

- (11) s 427, page 2-26: Amend subsection 5 by inserting "or" at the end thereof and following the semicolon.

Reason: To complete the sentence structure.

- (12) s 604, page 2-30: Amend subsection C and add new subsection D as follows:

"C. Amounts collected for investigation reports under section 1519; and

D. Such other amounts as may be expressly required by law to be so credited.

Reason: There may be other fees elsewhere in the code expressly to be credited to the insurance regulatory fund, and by adding D it will not be necessary to list them all. The new subsection D will make it unnecessary to amend this section in the future as new laws may be enacted providing for further deposits to the credit of this fund.

(13) s 605, page 2-30: Amend subsection 1 to read:

"1. Payment by the insurer of the taxes as required by Title 25 section 2399 and Title 36 section 2511 et seq. shall be in lieu of all taxes imposed by the State upon premiums or upon income, and of any franchise, privilege or other taxes measured by income of the insurer."

Reason: This corrects an oversight and relates to the special tax for the support of State fire marshal's activities.

(14) s 731, page 2-36: Amend subsections 2 through 6, to read as follows:

"2. An insurer may reinsure all or part of any particular risk with any solvent insurer authorized to transact insurance in one or more states and having surplus to policyholders in amount not less than the paid-in capital stock required of an authorized foreign stock insurer transacting like kinds of insurance; or, in the case of a group of individual, unincorporated alien insurers, has assets held in trust for the benefit of its United States policyholders in a sum not less than \$50,000,000, and is authorized to transact insurance in at least one state. Cession of bulk reinsurance by a domestic insurer is subject to section 3483 (bulk reinsurance).

~~3. No credit shall be allowed to an insurer, as an asset or as a deduction from liability, for reinsurance ceded to an alien insurer unless such alien insurer has surplus to policyholders in amount not less than the paid-in capital stock required of an authorized foreign stock insurer transacting like kinds of insurance and is authorized to transact insurance in at least one state of the United States; or, in the case of a group of individual, unincorporated alien insurers, has assets held in trust for the benefit of its United States policyholders in a sum not less than \$50,000,000, and is authorized to transact insurance in at least one state.~~

~~4.~~ 3. Credit shall be allowed as an asset or as a deduction from liability, to any ceding insurer only for reinsurance ceded to an assuming insurer qualified therefor under subsection 2 ~~3~~; except that no such credit shall be allowed unless the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding insurer under the contracts reinsured without diminution because of the insolvency of the ceding insurer.

~~5.~~ 4. Upon request of the commissioner an insurer shall promptly inform the commissioner in writing of the cancellation or any other material change of any of its reinsurance treaties or arrangements.

~~6.~~ 5. This section shall not apply to wet marine and transportation insurance."

Reason: To remove ambiguity and eliminate redundant material.

(15) s 927, page 2-40: Amend subsection 2 to read as follows:

"2. The insurer shall contribute to such contingency reserve 50% of the net premiums, i.e., gross premiums less premiums returned to policyholders, written on such insurance remaining after establishment of the unearned premium reserve."

Reason: The "i.e." clause was originally set apart within parenthesis. Removal of the parenthesis to accord with Maine statutory style could create ambiguities unless the "i.e." is added.

(16) s 1105, page 2-46: Amend subsection 1, paragraph H to read:

"H. 1119 (savings and loan institutions);"

Reason: By Committee request.

(17) s 1105, page 2-46: Amend subsection 3 to read as follows:

"3. The insurer shall not invest in aggregate amount over 15% of its assets in all investments in real estate eligible under section 1125 (real estate)." ~~1127 (leased property).~~

Reason: To remove redundant and conflicting material.

- (18) s 1105, at page 2-47: Amend subsection 5 by changing the "35%" to "50%."

Reason: To increase possible investments by domestic life insurers in subsidiaries, as requested by the Committee.

- (19) s 1106, page 2-47: Amend paragraph H of subsection 1 to read as follows:

"H. 1119 (savings and loan institutions);"

and amend subsection 2, first paragraph, by deleting "of this chapter" at the end thereof;

and amend subsection 4, page 2-48, by deleting "of this chapter" at the end of the first paragraph thereof.

Reason: As to H - as requested by the Committee; as to deletions - to accord with Maine drafting style since the words "of this chapter" are superfluous.

- (20) s 1119, page 2-54: Change the caption of the section to read:

"Savings and loan institutions"

Reason: By Committee request.

- (21) s 1252, at page 2-60: Amend subsection 3 by changing "law" in the two places in which it appears therein to "provision".

Reason: For uniformity of reference.

- (22) s 1253, at page 2-61: Amend subsection 3 by changing "law" in the two places in which it appears therein to "provision".

Reason: For uniformity of reference.

- (23) s 1259, page 2-62: At the end of subsection 2, change the "5" to "4".

Reason: Correction of reference.

- (24) s 1853, page 2-88: In subsection 5, change section reference from "1856" to "1854".

Reason: Correction of reference.

- (25) Amend s 2005, at page 2-90, to read as follows:

Change the caption to:

"s 2005. ~~Application-to-commissioner~~ Report of coverage

Replace present section with the following:

"Within thirty days after the effective date of any such surplus lines insurance, the broker shall file with, or as directed by, the commissioner a written memorandum or report of such coverage in such form and contents as may be prescribed by the commissioner."

Reason: As requested by the Committee per Assistant Attorney General Harry Starbranch.

- (26) s 2006, page 2-90: Amend subsection 1, first sentence, to read as follows:

"1. The commissioner may by order declare eligible for export generally and without compliance with the provisions of section 200~~4~~, subsections 2, ~~2-and-3~~ 3 and 4, and section 2005, any class or classes of insurance coverage or risk for which he finds, after a hearing of which notice was given to each insurer authorized to transact such class or classes in this State, that there is not a reasonable or adequate market among authorized insurers either as to acceptance of the risk, contract terms, or premium or premium rate."

Reason: Correction of references.

- (27) s 2103, page 2-95: In subsection 1 change "210~~4~~" to "2102".

Reason: Correction of reference.

- (28) s 2111, at page 2-98: Amend subsection 2 by deletion of words "of this chapter". in the first sentence.

Reason: To accord with Maine drafting style.

- (29) s 2113, at page 2-100: Amend subsection 8 to read as follows:

"8. This section does not apply as to life or ~~disability~~ health insurances."

Reason: To conform to style throughout the code of referring to "health" insurance instead of "disability" insurance.

- (30) Amend s 2113, at page 2-100: Amend subsection 7 by changing the period at the end of the subsection to a semi-colon, and inserting the following:

"and an insurer issuing such insurance pursuant to the unsolicited application of the insured shall not thereby be deemed to be in violation of this code."

Reason: For the consideration of the Committee. Refer to Assistant Attorney General Harry Starbranch.

- (31) s 2307, page 2-111: Amend by changing "2303" to "2304".

Reason: Correction of reference.

- (32) s 2309, page 2-111: Amend by changing "2303" to "2304".

Reason: Correction of reference.

- (33) s 2321, page 2-115: Amend D of subsection 2 by adding an "s" to the word "examination" to read "(examinations)".

Reason: Correction of reference.

- (34) s 2321, page 2-115: Amend subsection 4 by deletion of words "of this section" at end of the first sentence.

Reason: Surplusage.

- (35) s 2420, at page 2-126: Amend the first sentence/by adding the following of subsection 4 and by changing the period to a comma:

", and, subject to the terms of the policy relating to assignments thereunder, any such assignment, made either before or after the effective date of this section, shall be valid for the purpose of vesting in the assignee all such rights and benefits so assigned."

Reason: For further clarification of the intent of the provision.

- (36) s 2537, page 2-141: Amend subsection 1, first line, by changing "Any insurer" (first two words) to "Any domestic insurer".

Reason: To correct an omission.

- (37) s 2604, at page 2-146: Amend the first sentence of subsection 4 to read as follows:

"4. The initial amount of such life insurance on the life of any debtor shall at no time exceed the total amount repayable, and, where an indebtedness is repayable in substantially equal installments, the amount of such insurance shall at no time exceed the scheduled or actual amount of unpaid indebtedness, whichever is greater; except that in no event shall the amount of such insurance of the life of any debtor exceed \$40,000."

Reason: Is to correlate this provision in the group life chapter with a provision dealing with the same subject in section 2855, in the chapter on credit life and health insurance, and to remove inconsistency between two laws governing the same subject.

- (38) s 2609, at page 2-150: Amend subsection 4 by changing "\$100,000" to "\$50,000".

Reason: By request of Committee.

- (39) s 2613, page 2-151: Amend subsection 1 by deleting the phrase "and section 2627".

Reason: Correction of reference.

- (40) s 2626, page 2-154: Amend subsection 1 by adding thereto a new sentence reading as follows:

"This section shall not apply to group credit life insurance contracts which are subject to section 2858 (filing, approval and withdrawal of forms, rates; appeals)."

Reason: The credit life law has its own rate standards and controls as set forth in section 2858 and in order to avoid possible conflicts, should be exempt from the general rules otherwise contained in section 2626.

- (41) s 2627, page 2-154: At the end of the section after the word "debtors" and before the period, insert the following:

": except that as to a debtor the policyholder need not so apply any amount of less than \$1.00."

Reason: By request of Committee and to eliminate accounting procedures as to sums of less than \$1.00.

- (42) s 2718, page 2-160: Amend by changing the figure "2723" to "2728".

Reason: Correction of reference.

- (43) s 2730, page 2-163: Amend by changing the following figures in the first sentence: "2705" to "2704" and "2727" to "2728".

Reason: Correction of reference.

- (44) s 2802, page 2-166: Amend by changing the figure "2812" to "2813".

Reason: Correction of reference.

- (45) s 2806, page 2-168: Amend subsection 2 by deleting "or wholly" from the first sentence.

Amend subsection 3 by changing the "5" to "3" where the "5" first appears.

Reason: By request of Committee.

(46) s 2812, page 2-170: At the end of the section after the word "debtors" and before the period, insert the following:

"except that as to a debtor the policyholder need not so apply any amount of less than \$1.00"

Reason: By request of Committee and to eliminate accounting procedures as to sums of less than \$1.00.

(47) s 2816, page 2-171: Amend by changing the figure "2827" to "2828".

Reason: Correction of reference.

(48) s 2821, page 2-172: Amend by changing the figure at the end of the first sentence, "2827" to "2828".

Reason: Correction of reference.

(49) s 2855, page 2-175: Amend subsection 1, paragraph A, by changing the period at the end of paragraph to a semi-colon and adding the following:

"except that the amount of insurance under a group policy on the life of any debtor shall not exceed \$40,000."

Reason: To correlate this provision in the credit life chapter with a provision dealing with the same subject in section 2604 in the chapter on group life insurance.

(50) s 3002, page 2-181: Amend and supplement the first paragraph as follows:

"1. No insurer shall issue fire insurance policies on property in this State, other than those of the Maine standard fire insurance policy, which shall contain the following consideration and insuring clause, assignment clause, and the general conditions and stipulations set forth after such consideration, insuring and assignment clauses:"

(consideration and insuring clause)

"In Consideration of the Provisions and Stipulations herein or added hereto and of the premium above specified, this Company, for the term of ..... from ..... at noon (Standard Time) to ..... at noon (Standard Time) at location of property involved, to an amount not exceeding the amount(s) above specified, does insure ..... and legal representatives, to the extent of the actual cash value of the property at the time of loss, but not exceeding the amount which it would cost to repair or replace the property with material of like kind and quality within a reasonable time after such loss, without allowance for any increased cost of repair or reconstruction by reason of any ordinance or law regulating construction or repair, and without compensation for loss resulting from interruption of business or manufacture, nor in any event for more than the interest of the insured, against all DIRECT LOSS BY FIRE, LIGHTNING AND BY REMOVAL FROM PREMISES ENDANGERED BY THE PERILS INSURED AGAINST IN THIS POLICY, EXCEPT AS HEREINAFTER PROVIDED, to the property described herein while located or contained as described in this policy, or pro rata for five days at each proper place to which any of the property shall necessarily be removed for preservation from the perils insured against in this policy, but not elsewhere.

(assignment clause)

"Assignment of this policy shall not be valid except with the written consent of this Company.

"This policy is made and accepted subject to the foregoing provisions and stipulations and those hereinafter stated, which are hereby made a part of this policy, together with such other provisions, stipulations and agreements as may be added hereto, as provided in this policy."

"(general conditions and stipulations)"

Reason: As requested by Commissioner Hogerty and the Hon. George Scott in order to retain the foregoing aspects of the Maine standard fire policy

- (51) s 3352, at page 2-192: At top half of page change paragraph indicia from A., B., C., D., E., F., respectively, to (1), (2), (3), (4), (5), (6), respectively.

Reason: The paragraphs referred to are actually footnotes to the schedule appearing at the bottom of page 2-291, and must be given the same indicia as the items to which they are applicable as shown in the schedule. They are not "statutory" paragraphs and need not use letter indicia in accordance with the general style of Maine statutes.

- (52) s 3415, page 2-202: Amend the first sentence of subsection 4 to read as follows:

"4. Any such loan to a ~~mutual~~ an insurer or substantial portion thereof may be repaid by the insurer when no longer reasonably necessary for the purpose originally intended."

Reason: So that the provision will apply to stock as well as mutual insurers as intended.

- (53) s 3421, page 2-204: Amend subsection 2 by changing the figure "2732" to "2733".

Reason: Correction of reference.

- (54) s 3601, page 2-219: Amend subsection 1 by changing "fire and related" to "property".

Reason: To accord with definitions of "kinds of insurance" terminology generally used throughout the code.

- (55) s 3615, page 2-223: Change "final" to "initial".

Reason: To correct typographical error.

- (56) Sec. 13, page 2-280: Amend paragraph B of subsection 1 by changing the word "term" to "terms".

Reason: To correct typographical error.

- (57) Sec. 21, page 2-281: Effective date.

There was some discussion as to an effective date of the code if enacted. Unless an effective date is prescribed, the code can become effective relatively soon after enactment. However, there is much to be done by the Insurance Commissioner and his staff in order to prepare for the effectiveness of the new law. There will be forms to prepare, routines of administration to devise and review and other things to be done which will require time and effort. It also is useful both to the Insurance Department as well as to those governed by the code to be able to finish a calendar year under one law and not have a new law - with possible changes affecting accounting - be placed in effect other than at the end of a calendar year. For this reason, and unless material considerations otherwise warrant, it is suggested that the code be made effective January 1, 1970, and section 21 amended accordingly.

February 21, 1969

An Act Regulating The Cancellation of Certain Insurance  
During A Period of Strike of Insurance Agents

The People of the State of Maine, represented in \_\_\_\_\_  
and \_\_\_\_\_ do enact as follows:

The insurance law is hereby amended by adding thereto a new section to read  
as follows:

Life, non-cancellable health, hospital expense, and hospital and surgical  
expense insurance contracts; default in payment of premium during strike of insur-  
ance agents.

1. No contract of life, non-cancellable health, hospital expense, or hospital  
and surgical expense, insurance which goes into effect in this State on or after  
the 30th day after the effective date of this act shall lapse by reason of any  
default in the payment of any premium during a strike of insurance agents employed  
by an insurer authorized to transact business in this State, if

A. The collection of the contract premium was, at commencement of the strike,  
a duty, charge or obligation of any of such agents, according to the records,  
books, instructions, practice or organization of the insurer, and

B. Such agents are represented for purposes of collective bargaining by a  
labor organization which has been so recognized or certified or has been a party  
to any collective bargaining agreement with the insurer.

2. For the purpose of this section:

A. "Lapse" shall mean "lapse, be terminated or in any way modified or  
qualified as to the obligations of the insurer and the right of the insured;"

B. "Premium" shall mean "premium, interest, assessment or any other payment  
or charge for or in connection with the insurance which would be due to the  
insurer under the insurance contract during the strike of agents, except for  
the operation of this section."

C. "During a strike" shall mean "from the commencement of the strike to  
31 days after the termination of the strike, according to the statement of the  
labor organization;"

D. "Strike" shall mean "strike or other concerted stoppage of work by  
employees (including a stoppage by reason of the expiration of a collective  
bargaining agreement) so long as any of the foregoing is authorized by the labor  
organization according to the labor organization's own interpretation and applica-  
tion of its applicable internal rules and procedures."

3. If a claim under any insurance contract covered by this section arises  
during a strike, the insurer may deduct from any amounts payable on account of  
the claim any premiums which are thus in default.

Memorandum to Mr. Kenneth P. MacLeod, Chairman  
Commission on Revision of Insurance Laws

Subject: Proposed Insurance Code of the State of Maine

I respectfully request that the following sections of Chapter 13 of the proposed insurance code be modified as outlined below.

- no* Section 1105 1. After the word "assets" found in the sixth line on page 90, the following language should be inserted:
- "excluding those invested pursuant to subparagraph 5 of this Section 1105."
- ok* Section 1105 2. Preferred or guaranteed stocks should be included under Section 1105 1 rather than under Section 1105 2.
- Section 1105 5. I suggest that this section be reworded to read as follows:
- "Notwithstanding any other provision contained herein or elsewhere, an insurer may invest in the aggregate an amount up to but not in excess of 35% of its surplus as to policyholders if a mutual insurer, or 35% of its capital and surplus if a stock insurer, in all investments under the Section 1115 (stock of subsidiaries) of this chapter."
- ok* Section 1109 1. I suggest that the language contained in the parentheses following the word "obligations" found in line 19 on page 94 be deleted. I believe this language was intended to allow insurers to make 100% loans under certain circumstances, but the effect of this language is questionable. I suggest that the following language be used as a new Section 1109 2, and that the rest of the subparagraphs of Section 1109 be renumbered. The intent of the following language is to allow the making of 100% loans when a lease to a substantial company such as General Motors has been assigned to the insurer as security for its loan. The suggested new subparagraph should read substantially as follows:
- "Obligations secured by one or more leases, whether or not additionally secured by one or more mortgages,

provided the following conditions are met:

(a) The leases are assigned directly to the insurer and are noncancellable by either party except under provisions specified in the leases and designed to give adequate protection to the insurer's investment.

(b) The aggregate rentals due under all such leases are sufficient to provide (i) for all expenses (including taxes other than the borrower's income tax) of operation of the leased property during the initial term of such leases and (ii) for amortization during the initial term of such leases of not less than 90% of the investment (or 100% thereof if the investment is not also secured by a mortgage) with interest thereon.

(c) The leases make suitable provisions for continuation of adequate payments throughout the life of the investment.

(d) The lessees under such leases, or any corporation or instrumentality of government which has assumed or guaranteed the lessees' performance thereunder is such that its obligations would be eligible for investment by an insurer in accordance with the provisions of Section 1107 of this chapter or the aggregate net earnings of such lessees available for fixed charges, as defined in Section 1110 of this chapter, is at least equal to that required by Section 1109 1 of this chapter."

ok?

Section 1101 D.

I suggest that the following words be deleted from lines 16 and 17 on page 97:

"and rentals for leased property".

Section 1115 1A.

I suggest that this provision be reworded so that it reads as follows:

*Copy written suggest eliminate*

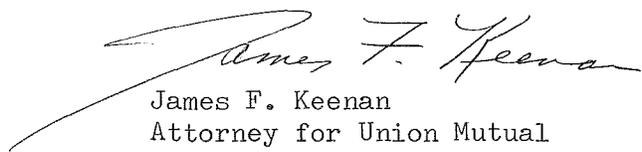
"In any business necessary or incidental to the convenient operation of the insurer's (insurance) business, or to the administration of any of its lawful affairs, or to the benefit of its policyholders;"

Section 1125 1G. I suggest that the following words be deleted from lines 23 through 26 on page 108:

"other than real estate to be used primarily for agricultural, ranch, mining, development of oil or mineral resources, recreational, amusement, hotel, motel, or club purposes."

Section 1132. I suggest that the following language found in lines 5 through 8 on page 113 be deleted:

"and shall be disposed of by the insurer under the applicable provisions of Sections 1133 (time limit for disposal of real estate) or 1134 (time limit for disposal of other ineligible property and securities) of this chapter."

  
James F. Keenan  
Attorney for Union Mutual  
Life Insurance Company