

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND FIRST LEGISLATURE

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Legislative Document

No. 1276

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S. P. 447

In Senate, February 12, 1963

Referred to Committee on Business Legislation. Sent down for concurrence and ordered printed.

CHESTER T. WINSLOW, Secretary

Presented by Senator Campbell of Kennebec.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SIXTY-THREE

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AN ACT Relating to Group Credit Insurance.

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Be it enacted by the People of the State of Maine, as follows:

**Sec. 1. R. S., c. 60, § 120, sub-§ II, ¶ D, additional.** Subsection II of section 120 of chapter 60 of the Revised Statutes, as amended, is further amended by adding a new paragraph D, to read as follows:

**‘D. A policy issued to a 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, insuring a group of debtors of the creditor or a group of debtors of the 2 or more creditors, as the case may be, all as defined and set forth under section 164, subsection II, and under the same conditions and limitations as specified in said subsection, provided that the amount of indemnity payable with respect to any person insured thereunder shall not at any time exceed the aggregate of the periodic scheduled unpaid installments, nor the sum of \$15,000, whichever is less, and provided that nothing in this paragraph shall be construed or deemed to apply to or affect disability benefit provisions in group credit life insurance policies as authorized under section 170-C, subsection IV.’**

**Sec. 2. R. S., c. 60, § 164, sub-§ II, amended.** Subsection II of section 164 of chapter 60 of the Revised Statutes, as last repealed and replaced by chapter 154 of the public laws of 1957, is amended to read as follows:

**‘II. Policy issued to creditor.** A policy issued to a single creditor, ~~who shall be deemed the policyholder~~ or to a trustee or trustees or agent designated by two 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 two 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 ~~\$10,000~~ **\$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 ~~\$10,000~~ **\$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.