

MAINE STATE LEGISLATURE

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ONE HUNDRED AND SECOND LEGISLATURE

Legislative Document

No. 857

H. P. 620

House of Representatives, February 2, 1965

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

JEROME G. PLANTE, Clerk

Presented by Mr. Harriman of Hollis.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SIXTY-FIVE

AN ACT Revising the Savings Banks Laws.

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

Sec. 1. R. S., T. 9, § 443, sub-§ 2, ¶ S, additional. Subsection 2 of section 443 of Title 9 of the Revised Statutes is amended by adding a new paragraph S, to read as follows :

‘S. Upon approval by the commissioner, to issue and sell its capital notes or debentures, which may be subordinate to the claims of its depositors and its other creditors. The proceeds of sale thereof may, with the approval of the commissioner, be used in lieu of deposits by incorporators to establish part of the initial surplus fund required on incorporation under the provisions of section 441, subsection 6.’

Sec. 2. R. S., T. 9, § 551, sub-§ 1, ¶ B, amended. Paragraph B of subsection 1 of section 551 of Title 9 of the Revised Statutes is amended to read as follows :

‘B. In an amount not exceeding ~~75%~~ 80% of its appraisal of the market value, providing the note or other obligation evidencing the loan shall require monthly payment of the interest and principal thereon at a rate of regular amortization sufficient to repay the entire loan within a period not exceeding ~~25~~ 30 years, or shall require full payment of such loan within a period of 3 years. No such loan of 3 years or less shall be renewed for any sum in excess of 66 2/3% of the then existing market value.’

Sec. 3. R. S., T. 9, § 553, sub-§ 3, ¶ A, amended. Paragraph A of subsection 3 of section 553 of Title 9 of the Revised Statutes is amended to read as follows :

‘A. To an amount not exceeding ~~\$2,500~~ \$3,500 for any one individual provided that the note or other obligation will be paid in full in one year or that

the note or other obligation requires monthly or quarterly amortization of the principal within a period not exceeding 5 years from date. The aggregate of all loans made under this ~~division~~ paragraph shall not exceed 7% of the deposits of the bank;'

Sec. 4. R. S., T. 9, § 555, repealed and replaced. Section 555 of Title 9 of the Revised Statutes is repealed and the following enacted in place thereof:

§ 555. Loans on leases

A savings bank may make a loan secured by a mortgage, pledge or collateral assignment of a lease of the fee of real property upon the following conditions:

1. **Lien.** The security shall be a first lien upon the lease and the fee shall not be subject to any prior lien.

2. **Amount.** To an amount not exceeding 66 2/3% of its appraisal of the leasehold interest including the leasehold interest in improvements erected or to be erected upon the leased real property.

3. **Payments.** The note or other obligation evidencing the loan shall require monthly payment of the interest and principal thereon at a rate of regular amortization sufficient to repay the entire loan within a period not to exceed 4/5ths of the unexpired term of the lease, defined so as to exclude extensions of the term which may be provided by an option of renewal or extension, and within a period not to exceed in any event 25 years.

4. **Treated as real estate mortgages.** Notwithstanding the personal property status of the security, such loans shall be treated as if they were real estate mortgages for the purpose of applying the limitations provided in section 551, subsection 1, paragraph E.'

Sec. 5. R. S., T. 9, § 556, additional. Title 9 of the Revised Statutes is amended by adding a new section 556, to read as follows:

§ 556. Other loans

A savings bank may hereafter make such other loans as the trustees of the bank consider to be sound, prudent loans. Not more than 5% of the deposits of a bank shall be loaned within the coverage of this section. Not more than 1% of the deposits of a bank shall be loaned under this section to any one borrower.'

Sec. 6. R. S., T. 9, § 597, sub-§ 6, repealed. Subsection 6 of section 597 of Title 9 of the Revised Statutes is repealed.

Sec. 7. R. S., T. 9, § 603, sub-§ 2, amended. Subsection 2 of section 603 of Title 9 of the Revised Statutes is amended to read as follows:

'2. **Federal Home Loan Bank.** In the stock, bonds ~~or~~, debentures or certificates of deposit issued by any Federal Home Loan Bank.'

Sec. 8. R. S., T. 9, § 603, sub-§ 5, ¶ B, repealed. Paragraph B of subsection 5 of section 603 of Title 9 of the Revised Statutes is repealed.

Sec. 9. R. S., T. 9, § 603, sub-§ 6, additional. Section 603 of Title 9 of the Revised Statutes is amended by adding a new subsection 6 to read as follows:

‘6. In the capital notes or debentures issued by any other mutual savings bank chartered under the laws of any state or of the United States or of the Commonwealth of Puerto Rico, notwithstanding the fact such notes or debentures may be subordinate to the claims of depositors or other creditors of the issuing mutual savings bank. Not more than 1% of the deposits of a savings bank shall be so invested.’

Sec. 10. R. S., T. 9, § 607, repealed and replaced. Section 607 of Title 9 of the Revised Statutes is repealed and the following enacted in place thereof:

‘§ 607. Insurance company stocks

Savings banks may hereafter invest:

1. Fire and casualty. In the capital stock of any insurance company authorized to conduct business in this State, provided:

A. In the calendar year immediately preceding the date of investment not less than $\frac{1}{4}$ of the net premiums written by such company and its subsidiaries shall have been in respect to risks involving loss of or damage to property belonging to or in the custody of the insured, which risks shall be deemed to be fire and allied risks. As used herein, the term “fire and allied risks” shall be deemed to include homeowners, commercial and industrial multiple peril risks, boiler and machinery, glass, burglary and theft and fidelity risks. Net premiums written in the same period in respect to casualty risks shall have been not less than $\frac{1}{4}$ of the net premiums written by the company and its subsidiaries. The term “casualty risks” shall be deemed to include risks involving liability of the insured for injury or damage to the person or property of others, workmen’s compensation, accident and health, hospital and medical, surety and credit risks. Not more than $\frac{1}{2}$ of the net premiums written in the same period shall have been in respect to liability of owners or operators of motor vehicles for personal injury or property damage. Not more than $\frac{1}{5}$ of the net premiums written by the company and its subsidiaries, in the same period, shall have been life insurance premiums; and

B. At the end of the calendar year immediately preceding the date of investment, the total annual premium volume written by the company and its subsidiaries shall exceed \$100,000,000; and

C. The company shall have an underwriting record with an average combined loss-expense ratio of not more than 104% for the 5 calendar years immediately preceding the date of investment. Such average combined loss-expense ratio shall be calculated by adding the ratio of loss and loss adjustment expense to net premiums earned to the ratio of other operating expenses, excluding all income taxes, to net premiums written. The ratios of the 5 years immediately preceding the date of investment shall be averaged to obtain the measurement. The losses, expenses, premiums written and profits earned referred to above shall be the totals of such items for such company and all its fire and casualty insurance subsidiaries, except that, if less than 90% of the capital stock of a subsidiary is owned by such company,

the totals of said items for such subsidiary shall be included in the calculation only in proportion to the percentage of stock so owned; and

D. At the end of the calendar year immediately preceding the date of investment, the total admitted assets of the company shall be equal to or in excess of 125% of all liabilities of the company excluding capital, surplus and voluntary reserves.

E. For the purpose of this section, "subsidiary" shall be construed to mean any insurance company 50% or more of the capital stock of which is owned by the insurance company or by any other subsidiary thereof.

2. Limitation. Not more than 10% of the deposits of a mutual savings bank may be invested in stocks of insurance companies and not over 1% of the deposits of a mutual savings bank may be invested in the stock of any one insurance company or subsidiary thereof.'

Sec. 11. R. S., T. 9, § 609, amended. Section 609 of Title 9 of the Revised Statutes is amended to read as follows:

'§ 609. Securities approved by Bank Commissioner

Savings banks may hereafter invest: In such **high grade** securities as may be approved as suitable investments for savings banks by the commissioner, provided he has received a written recommendation of such securities from a special committee of the Savings Banks Association of Maine appointed or elected for such purpose.

Not more than 5% of the deposits of a bank shall be invested in securities coming within the coverage of this section.'

Sec. 12. R. S., T. 9, § 610, amended. Section 610 of Title 9 of the Revised Statutes is amended to read as follows:

'§ 610. Securities deemed sound by bank trustees

Savings banks may hereafter invest: In such other securities as the trustees of a bank may consider to be sound prudent investments.

Not more than ~~5%~~ 10% of the deposits of a bank shall be invested in securities within the coverage of this section.'

Sec. 13. R. S., T. 9, § 519, amended. Section 519 of Title 9 of the Revised Statutes is amended by adding at the end a new paragraph to read as follows:

'An account shall not be deemed to be inactive under the provisions of this section during such period that Bureau of Internal Revenue Form 1099, or its equivalent, is sent to the depositor and is not returned by the post office department.'

Sec. 14. R. S., T. 9, § 613, amended. The 2nd paragraph of section 613 of Title 9 of the Revised Statutes is amended to read as follows:

'Not more than ~~4%~~ 10% of the deposits of a bank shall be invested in securities coming within the coverage of this section, and not more than 1% of the deposits of a bank shall be invested in securities of any one such association.'