

MAINE STATE LEGISLATURE

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ONE HUNDRED AND SECOND LEGISLATURE

Legislative Document

No. 1373

H. P. 992

House of Representatives, February 24, 1965

Speaker laid before the House. Referred to Committee on Business Legislation and ordered printed.

JEROME G. PLANTE, Clerk

Presented by Mr. Ross of Bath and Mr. Graham of Freeport.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SIXTY-FIVE

AN ACT to Establish Savings Bank Life Insurance.

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. To conduct a savings bank life insurance business as an agency bank or as an insurance bank in conformity with the Savings Bank Life Insurance Act.’

Sec. 2. R. S., T. 9, Part 2, c. 59, additional. Part 2 of Title 9 of the Revised Statutes is amended by adding a new chapter 59, to read as follows :

**‘CHAPTER 59
LIFE INSURANCE**

§ 801. Title

This chapter shall be called the “Savings Bank Life Insurance Act.”

§ 802. Purpose

The purpose of this chapter is to authorize savings banks to offer to residents of this State the benefits of savings bank life insurance. In effectuating this purpose, it is the Legislature’s intention that comparable provisions in the public welfare be established for both savings bank life insurance and the writing and selling of life insurance under the traditional agency method, to the end that there shall be no advantages or disadvantages provided by law for either

method of writing and selling life insurance. It is the Legislature's intention that general provisions of law as to life insurance and the life insurance business shall apply to savings bank life insurance unless the same be in conflict with the express provisions of this chapter or with the legislative purpose and intent as stated. It is the Legislature's intention that an exception as to savings bank life insurance shall be inferred in the construction of the general provisions of law as to life insurance and the life insurance business, when necessary to effectuate the purpose and express provisions of this chapter.

§ 803. Definitions

The following words, as used in this chapter, shall, unless the context otherwise indicates, have the following meanings:

1. Agency bank. "Agency bank" means a savings bank which acts as agent for an insurance bank or for The Savings Bank Life Insurance Company.
2. Insurance bank. "Insurance bank" means a savings bank which has established an insurance department.
3. Insurance department. "Insurance department" means the department of an insurance bank in which the business of issuing life insurance and the granting of annuities is conducted pursuant to this chapter.
4. Savings bank. "Savings bank" means a mutual savings bank incorporated under the laws of this State.
5. Savings department. "Savings department" means the department of an insurance bank in which the business done by savings banks other than that provided for by this section is conducted.
6. The Savings Bank Life Insurance Company; company. "The Savings Bank Life Insurance Company" or the "company" means the corporation chartered under the name of The Savings Bank Life Insurance Company by special Act of the General Assembly of the State of Connecticut; and
7. Trustees. "Trustees" means the trustees of a savings bank or insurance bank.

§ 804. Establishment of insurance departments

Any savings bank may, upon complying with this chapter, establish an insurance department if its trustees, at a meeting specially called for the purpose, have voted to do so by a 2/3 vote of the trustees present at such meeting and voting. Statements of such vote, certified and sworn to by the president or vice-president of the bank, shall be filed with the Bank Commissioner and with the Insurance Commissioner within 30 days after the adoption thereof; and, if said commissioners find that such vote is in conformity with law, that the surplus fund has been created pursuant to section 806, subsection 7, that the company has been issued a license to do a life insurance business in this State, and that such savings bank has entered into a reinsurance agreement as required by section 805, they shall issue a joint certificate declaring such insurance department established.

§ 805. Reinsurance agreements

Each savings bank proposing to establish an insurance department shall enter into a reinsurance agreement with the company providing substantially as follows:

1. Reinsurance. The company shall reinsure the mortality and morbidity risk of each life insurance policy and annuity contract issued or to be issued by such bank.

2. Forms of policies and annuity contracts. The company shall prepare and furnish to such bank forms of life insurance policies and annuity contracts as may from time to time be desirable, and such forms shall be the exclusive forms used for their intended purposes by such bank.

3. Other forms. The company shall prepare and furnish to such bank forms of blanks for applications for life insurance policies and annuity contracts and for proofs of loss, all forms of books of record and of account, all schedules and reports not otherwise provided for, and all other forms necessary for the efficient prosecution of the business of the insurance department of such bank, and such forms, blanks, books, schedules and reports shall be the exclusive ones used for their intended purposes by such bank.

4. Tables. The company shall determine, prepare or procure and furnish to such bank, tables of:

- A. Premium rates for all life insurance policies;
- B. Purchase rates for all annuities;
- C. Surrender charges;
- D. Collection fees;
- E. Amounts which may be loaned on life insurance policies;
- F. Reinsurance premiums to be charged by the company; and
- G. Reserves to be held under life insurance policies and annuity contracts.

Such rates, charges, fees, loan amounts and reserves shall be the exclusive ones used for their intended purposes by such bank.

5. Health standards. The company shall prescribe the standards of health or acceptability of applicants for insurance and annuity contracts to be issued by such bank and shall have the right to decline any class or classes of risk or reject any particular application or applications.

6. Approval. No life insurance policy or annuity contract shall be delivered or issued for delivery by such bank without the prior approval of the company.

7. Payment. Such bank shall not make any payment of any death or disability claim without the prior approval of the company, unless such payment shall be made pursuant to a judgment or decree of a court of competent jurisdiction.

8. Civil actions. The company shall defend any legal or equitable action

or proceeding involving or arising out of any life insurance policy or annuity contract issued by such bank, and the company in its discretion may institute and prosecute in the name of such bank any legal or equitable action or proceeding to rescind any life insurance policy or annuity contract. Such bank shall cooperate with the company in its defense, or institution and prosecution, as the case may be, of any such action or proceeding, the expense of which shall be borne by the company.

9. Actuarial and medical services. The company shall furnish to such bank the services of an actuary and of a medical director.

§ 806. Powers and limitations of insurance departments

1. Issuance of policies. An insurance department, after the issue of the certificate provided for in section 804, shall be entitled to exercise all the powers conferred, and shall be subject to all the limitations imposed, by this chapter, and may make and issue policies upon the lives of persons and grant or sell annuities, with all the rights, powers and privileges and subject to all duties, liabilities and restrictions in respect to the conduct of the business of life insurance conferred or imposed by the statutes relating to domestic legal reserve life insurance companies, so far as the same are applicable and except as is otherwise provided herein. An insurance department shall, in all respects, except as is otherwise provided, be managed as savings banks are managed under general laws relating to savings banks.

2. Insurance department to be distinct from savings department. The assets of a savings department shall be liable only for and applicable only to the payment and satisfaction of the liabilities, obligations and expenses of such department. The assets of an insurance department shall be liable only for and applicable only to the payment and satisfaction of the liabilities, obligations and expenses of such department. Every insurance policy and annuity contract issued by an insurance bank shall contain on its face the following statement: "The only assets of this bank which are liable for and applicable to the payment and satisfaction of the liabilities, obligations and expenses of the insurance department of this bank are the assets of the insurance department of this bank." A savings department and an insurance department shall be kept distinct in matters of accounting and of investment, and no assets of either department, except as otherwise provided, shall be transferred to the other. Expenses pertaining to the conduct of both departments shall be apportioned by the trustees equitably between the 2 departments. Except as provided, the savings department and the insurance department shall continue to be a single corporation and all investments shall be made and other business carried on in the name of the savings bank.

3. Solicitors and agents. Insurance banks and agency banks shall not employ solicitors of insurance and shall not employ persons to make house-to-house collections of premiums, but the trustees may establish such agencies and means for the receipt of applications for insurance, and of premium and annuity payments, at such convenient places and times, of such nature and upon such terms as the Insurance Commissioner may approve. The trustees may, with the approval of said commissioner, appoint any savings bank as an agent

of such insurance bank to make payments due on policies of insurance and on contracts for annuities, and to perform such other services for its insurance department.

4. Geographical limitation. No application for insurance shall be accepted except from a resident of this State or a person working regularly therein, or from a person residing or working regularly outside of the State but within 25 miles of the principal office of the savings bank which accepts the application.

5. Limit of insurance. An insurance bank may obligate itself to pay not more than \$5,000 in the event of the death of one person exclusive of:

A. Dividends, profits or paid-up and term insurance purchased with such dividends or profits; and

B. Such amounts as may be payable under

- (1) A group policy;
- (2) A policy issued pursuant to conversion privileges of such a group policy;
- (3) An annuity contract embodying an agreement to refund, upon the death of the holder, to his estate or to a specified payee, a sum not exceeding the premiums paid thereon with compound interest;
- (4) An agreement to pay benefits of not more than twice the face amount of the policy in the event of death by accident or accidental means;
- (5) Such agreement as it may make to pay an amount equal to a cash surrender value in excess of the face amount of the policy;
- (6) An agreement for decreasing term insurance of not more than \$15,000 in initial face amount and decreasing periodically over a period not to exceed 30 years; or
- (7) An agreement to waive certain future premiums under a policy issued on the life of a minor or on the life of the spouse of the payor upon the death of the payor of such premiums.

Except as provided in paragraphs A and B, no insurance bank shall issue, and no agency bank shall accept any application for, any policy or policies of life insurance if the insurance so issued, or applied for, together with other savings bank life insurance policies in force on the life of the proposed to be insured person would exceed the maximum amount permitted by this subsection to be issued by one insurance bank.

No insurance bank shall write any annuity contract otherwise binding it to pay in any one year more than \$1,200 exclusive of dividends and profits. No insurance bank shall write any annuity contract, and no agency bank shall accept any application for an annuity contract, providing for savings bank life insurance annuity payments in any one year to a person, which together with payments on other savings bank life insurance annuities in force, to that person, would exceed the maximum amount which one insurance bank is permitted to contract to pay.

No insurance bank shall issue any policy for, and no agency bank shall accept any application for a policy of decreasing term life insurance, as described in paragraph B, subparagraph (6), if the initial face amount of the decreasing term life insurance so issued or applied for, together with the initial face amount or amounts of other such decreasing term savings bank life insurance then in force on the life of the proposed to be insured person would exceed the maximum amount permitted to be issued by a single insurance bank under subparagraph (6); provided that this limitation shall be exclusive of any policies of group life insurance.

6. Investments. Except as otherwise provided in this chapter, the assets of an insurance department shall be invested or loaned, in the same manner and to the same extent as savings bank assets are required by law to be invested or loaned, but such assets shall not be invested in the surplus fund of any insurance department. The assets of an insurance department may be loaned upon policies of insurance or annuity contracts issued by it or by another insurance department or by any legal reserve life insurance company authorized to do business in this State. Uninvested assets may be deposited with any savings bank or with any state bank and trust company or national banking association having its principal office in this State, provided such bank shall have been designated as a depository by vote of a majority of all the trustees, excluding any trustee who is an officer or director of the depository so designated.

7. Advances to surplus fund. The surplus fund of an insurance department shall consist of not less than \$20,000 in cash, advanced to and placed at its risk by the savings bank establishing such department, to be applied in payment of the operating expenses thereof, so far as other amounts applicable to such expenses are insufficient, and also for such other purposes as are specified in subsection 8. The original amount of such surplus fund shall be fixed by the trustees with the approval of the Insurance Commissioner, and such fund may be increased at any time thereafter by vote of the trustees with like approval. Approval of the Bank Commissioner, based on a finding that the bank's surplus will not be unreasonably diminished, shall be required before a savings bank transfers any funds to its insurance department for a surplus fund for such department. Advances to the surplus fund shall be evidenced by certificates, which may bear interest at a rate not exceeding 6% per year. Advances may be repaid only when such repayment will not reduce surplus created from net profits and advances below the sum of all advances. The surplus fund shall not be deemed a liability of an insurance department in determining the solvency thereof.

8. Surplus requirements.

A. An insurance department may accumulate and maintain from its net profits a surplus, exclusive of any advances made under subsection 7, in an amount not exceeding 10% of its aggregate policy reserves and policy liabilities, provided, with the approval of the Insurance Commissioner, such department may accumulate and maintain a surplus greater than 10%.

B. The surplus of any such department, whether created from net profits or advances, shall be maintained and held or used so far as necessary, to meet

losses occasioned by unexpectedly great mortality, depreciation in securities or other causes. Such surplus shall be maintained and held or used for the maintenance of a stable dividend scale, and for the payment of settlement or maturity dividends or both, in such manner and in such amounts as may, from time to time, be directed by the trustees subject to the approval of the Insurance Commissioner.

C. Upon the 31st day of December in each year, or as soon thereafter as may be practicable, each insurance department shall ascertain the net profits earned by it during such year. After setting aside such sums as are deemed advisable for the accumulation of a surplus in accordance with paragraph A, each such department shall annually distribute the remainder, if any, of such net profits equitably among the holders of its policies and annuity contracts, such distribution to be made at the option of the policyholder in accordance with the terms of his policy or annuity contract.

9. Discontinuance. Any insurance bank may, at any time, discontinue the issuing of insurance policies and annuity contracts, if its trustees, at a meeting specially called for the purpose, have voted to do so by a 2/3rds vote of the trustees present at such meeting and voting. A copy of the vote to discontinue such business, certified to by the secretary of the bank and sworn to by its president or vice-president and its treasurer or assistant treasurer, shall be filed with the Insurance Commissioner and with The Savings Bank Life Insurance Company within 5 days after the meeting at which such vote was cast. A bank which has so voted shall completely reinsure all of its outstanding policies and annuity contracts either in another insurance bank or in the Savings Bank Life Insurance Company, in either case upon such terms and conditions which the Insurance Commissioner shall deem satisfactory to assure the carrying out of the provisions of such policies and annuity contracts, and the bank shall transfer to the company all the assets of the life insurance department remaining after paying all its liabilities, including the certificates issued under subsection 7.

§ 807. Investment in The Savings Bank Life Insurance Company

Any savings bank may invest not to exceed 2% of its surplus and undivided profits in stocks, obligations or other securities of The Savings Bank Life Insurance Company.

§ 808. Agency banks

Any savings bank may upon majority vote of its board of trustees conduct the business of an agency bank under this chapter, and pursuant to an agency appointment from The Savings Bank Life Insurance Company or from any insurance bank, subject to the approval of the Insurance Commissioner.

§ 809. Supervision by Insurance and Bank Commissioners

1. Examinations. The Insurance Commissioner shall, and the Bank Commissioner may, at least once every 5 years and whenever they deem it expedient, either alone or together, personally or by deputy or assistant, examine each insurance department. During such examination, he shall have free access to the vaults, books and papers and shall thoroughly inspect and examine the affairs of any such department in order to ascertain its condition, its transactions and

its ability to fulfill its obligations and whether it has complied with all the provisions of law applicable to it. Insurance departments shall be subject to the provisions of the insurance law in regard to examinations, and copies of all reports on examinations shall be forwarded by the Insurance Commissioner to the Bank Commissioner and The Savings Bank Life Insurance Company.

2. Investigations. The Insurance Commissioner or his deputy may summon the trustees, officers or agents of any insurance bank and such other witnesses as he thinks proper, and examine them relative to the affairs, transactions and conditions of the insurance department and, for such purpose, may administer oaths. Any person who, without justifiable cause, refuses to appear and testify when so required, or who obstructs the Insurance Commissioner in the performance of his duty, shall be punished by a fine of not more than \$500 or by imprisonment for not more than 6 months, or by both.

3. Injunction and receivership. If, upon examination, any savings bank insurance department appears to the Bank Commissioner and to the Insurance Commissioner to be insolvent, or if they find its condition to be such as to render the continuance of its business hazardous to the public or to the holders of its policies or contracts, or if such department appears to such commissioners to have exceeded its powers or to have failed to comply with any provision of law, such commissioners, jointly, but not separately, may apply to the Superior Court for an injunction to restrain such department, in whole or in part, from further proceeding with its business. The court may appoint one or more receivers to take possession of the property of the insurance department, subject to such direction as may, from time to time, be prescribed by the court without in any respect affecting the operations of the savings department of such insurance bank.

§ 810. Annual reports to Insurance Commissioner

Each insurance department shall annually, by the first day of March, render to the Insurance Commissioner an exact statement of its condition as it existed on the 31st day of the previous December. Such annual statement shall be in the form required by the Insurance Commissioner and shall contain such information as he prescribes. The assets and liabilities of such insurance department shall be computed and allowed in such statement in accordance with the rules governing domestic legal reserve life insurance companies, except as otherwise provided. Two officers of each insurance bank shall make oath that the annual report of the insurance department is correct to the best of their knowledge and belief. The Insurance Commissioner may, at any time, require each insurance bank to make such other statement of condition or furnish such other information as he deems necessary.

§ 811. Taxation and fees

An insurance bank shall pay to the Insurance Commissioner the same fee for issuing or renewing its license as is provided in Title 24, section 371, for certificate of qualification of a domestic mutual life insurance company, such fees to be used only as provided in Title 24, section 372. Insurance banks shall be subject to taxation on their insurance business in the same manner and at the same rates as domestic mutual life insurance companies, and shall be charged

the same examination fees and other fees as are imposed upon domestic mutual life insurance companies to be used for the same purposes.

§ 812. Certification of savings bank personnel by Insurance Commissioner

Any officer or employee of a savings bank, who, in any office of such savings bank, as a part of his duties, negotiates for applications or orders for life insurance or annuity contracts or procures from the public such applications or orders shall be required to be certified as to his competency and trustworthiness by the Insurance Commissioner before engaging in such activities.

1. Prerequisites.

A. Before any such certification shall be made by the commissioner, there shall be on file in his office the following documents:

(1) A written application by the person to be certified in such form or forms and supplements thereto, and containing such information as the commissioner may prescribe; and

(2) A statement by the savings bank, to be named in such certificate, that the savings bank is satisfied that the person named is trustworthy and competent to negotiate for applications or orders for life insurance or annuity contracts and to procure from the public such applications or orders. Such statement shall be executed by an officer of such savings bank on forms furnished by the commissioner.

B. The commissioner shall, in order to determine the trustworthiness and competency of the applicant, require such individual to pass a personal written examination to the satisfaction of the commissioner. Such examination shall be held at such times and places as the commissioner shall from time to time determine. The commissioner may accept in lieu of any such examination, the result of any previous written examination given by the commissioner which in his judgment is equivalent to the examination for which it is substituted. The examination and license fees provided in Title 24, section 371, subsections 5 and 7, applicable to life insurance agents, shall apply to an applicant for a certificate and shall be used for the purposes set forth in Title 24, section 372.

2. Issuance of certificate. The commissioner shall issue to the savings bank, a certificate with respect to each such applicant who has complied with the requirements of this chapter, which shall expire on July 1st following the date of issue, unless prior thereto it is revoked or suspended.

3. Renewals. In the absence of a contrary ruling by the commissioner, certificate renewals may be issued from year to year upon request of the savings bank, without further action on the part of a certified person. Upon the filing of a request for renewal of certificate and payment of the required fees prior to its date of expiration, the current certificate shall continue in force until the renewal certificate is issued by the commissioner or until the commissioner has refused for cause to issue such renewal certificate as provided in subsection 4, and has given notice of such refusal in writing to the savings bank and certified person.

4. Refusal, suspension or revocation of certificate.

A. A certificate may be refused or a certificate duly issued may be suspended or revoked or the renewal thereof may be refused by the commissioner if, after notice and hearing, he finds that the applicant for certification or person certified:

- (1) Has willfully violated any provision of the insurance laws of this State; or
- (2) Has intentionally made a material misstatement in the application for such certificate; or
- (3) Has obtained or attempted to obtain such certificate by fraud or misrepresentation; or
- (4) Has misappropriated or converted to his own use or illegally withheld money belonging to an insurer or an insured or beneficiary; or
- (5) Has otherwise demonstrated lack of trustworthiness or competence to act as a certified savings bank life insurance representative; or
- (6) Has been guilty of fraudulent or dishonest practices; or
- (7) Has materially misrepresented the terms and conditions of life insurance policies or contracts; or
- (8) Has made or issued, or caused to be made or issued, any statement misrepresenting or making incomplete comparisons regarding the terms or conditions of any life insurance or annuity contract legally issued by any insurer, for the purpose of inducing or attempting to induce the owner of such contract to forfeit or surrender such contract or allow it to lapse for the purpose of replacing such contract with another.

B. Before any certificate shall be refused, except for failure to pass a required written examination, or suspended or revoked, or the renewal thereof refused hereunder, the commissioner shall give to the savings bank employing the person applying for or named in such certificate, and to such person, himself, notice of hearing in the same manner and with the same effect and with the same right of appeal as is provided in the case of licenses of life insurance agents.

5. Acting without certificate. It shall be unlawful for any officer or employee of a savings bank, as a part of his duties, to negotiate for applications or orders for life insurance or annuity contracts or to procure from the public such applications or order in any office of any savings bank, without having qualified and having been certified as competent and trustworthy by the commissioner. It shall be unlawful for any savings bank to employ any uncertified person, as a part of his duties, to negotiate for applications or orders for life insurance or annuity contracts or to procure from the public such applications or orders in any such office.

6. Notice of termination of services. Every savings bank shall, upon the termination of the services of any officer or employee certified under this sec-

tion, forthwith file with the commissioner a statement, in such form as the commissioner may prescribe, of the facts relative to such termination and the cause thereof. The certificate issued with respect to such officer or employee or reasonable proof of loss acceptable to the commissioner shall accompany the notice of termination. Every statement made pursuant to this section shall be deemed a privileged communication.

7. Transfer of certification. The commissioner is authorized to transfer certification of qualification of any person certified under this section from one savings bank to another savings bank, without examination.

8. Penalty. Any person, partnership, association or corporation violating any of the provisions of this section shall in addition to any other penalty specifically provided be guilty of a misdemeanor and, upon conviction, shall be punished by a fine of not more than \$500 or by imprisonment for not more than 6 months, or by both, each such violation being a separate offense.'