

MAINE STATE LEGISLATURE

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ONE HUNDRED AND SECOND LEGISLATURE

Legislative Document

No. 1480

S. P. 510

In Senate, April 20, 1965

Reported by Senator Bernard, from Committee on Business Legislation.
Printed under Joint Rules No. 10.

EDWIN H. PERT, Secretary

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SIXTY-FIVE

**AN ACT Relating to Coercion in Placing Insurance on Real and Personal
Property.**

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

Sec. 1. R. S., T. 24, § 2906, repealed and replaced. Section 2906 of Title 24 of the Revised Statutes is repealed and the following enacted in place thereof :

‘§ 2906. Coercion in requiring insurance

No person, firm or corporation engaged in the business of financing the purchase of real or personal property or of lending money on the security of real or personal property shall require, as a condition to such financing or lending, or as a condition to the renewal or extension of any such loan or to the performance of any other act in connection with such financing or lending, that the purchaser or borrower, or his successors, shall negotiate through a particular insurance company or companies, insurance agent or agents, broker or brokers, type of company or types of companies, any policy of insurance or renewal thereof insuring such property. This provision shall not prevent the exercise by any mortgagee of his right to approve the insurer selected by the borrower on a reasonable nondiscriminatory basis related to the solvency and assessment policies of the company and its ability to service the policy. Any person violating this section shall be punished by a fine of not more than \$100 or by imprisonment of not more than 60 days, or by both; and if he holds a license from the commissioner, he shall forfeit the same. The Superior Court, on complaint by any person that this section is being violated, may issue an injunction against such violation and may hold in contempt and punish therefor in case of disregard of said injunction.’

Sec. 2. R. S., T. 24, §§ 2906-A and 2906-B, additional. Title 24 of the Revised

Statutes is amended by adding 2 new sections to be numbered 2906-A and 2906-B, to read as follows:

§ 2906-A. Notice of free choice of agent or insurer

Every debtor, borrower or purchaser of property with respect to which insurance of any kind on the property is required in connection with a debt or loan secured by such property or in connection with the sale of such property shall be informed by the creditor or lender of his right of free choice in the selection of the agent and insurer through or by which such insurance is to be placed. There shall be no interference either directly or indirectly with such borrower's, debtor's or purchaser's free choice of an agent and of an insurer which complies with the foregoing requirements, and the creditor or lender shall not refuse an adequate policy so tendered by the borrower, debtor or purchaser. Upon notice of any refusal of such tendered policy, the Insurance Commissioner shall order the creditor or lender to accept the tendered policy, if he determines that such refusal is not in accordance with the foregoing requirements. Failure to comply with such an order of the Insurance Commissioner shall be deemed a violation of this section.

§ 2906-B. Using insurance information to detriment of another

Whenever the instrument requires that the purchaser, mortgagor or borrower furnish insurance of any kind on real or personal property being conveyed or is collateral security to a loan, the mortgagee or lender shall refrain from disclosing or using any and all such insurance information to his or its own advantage and to the detriment of either the borrower, purchaser, mortgagor, insurance company or company or agency complying with the requirements relating to insurance.'