

# MAINE STATE LEGISLATURE

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FIRST SPECIAL SESSION

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ONE HUNDRED AND SECOND LEGISLATURE

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Legislative Document

No. 1737

H. P. 1242

House of Representatives, January 17, 1966

The Committee on Business Legislation suggested.

JEROME G. PLANTE, Clerk

Presented by Mr. Roy of Winslow.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SIXTY-SIX

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**AN ACT Clarifying Merger and Guaranty Capital Voting Rights in  
Domestic Mutual Companies.**

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

**Sec. 1. R. S., T. 24, § 504-A, additional.** Title 24 of the Revised Statutes is amended by adding a new section 504-A, to read as follows :

**§ 504-A. Merger of domestic mutual companies with foreign mutual companies**

Any mutual insurance company which has been or may be organized under this Title, or existing under the laws of this State, may absorb by merger or consolidation, or be merged into or consolidate with, any mutual insurance company existing under the laws of any State of the United States and duly authorized to transact business in this State. Nothing in this section shall authorize the merger or consolidation of stock companies with mutual companies.

Such merger or consolidation shall be effectuated in compliance with the following provisions: The plan and agreement for merger or consolidation shall be in writing, signed by the duly authorized officers and under the respective seals of said companies, and assented to by a vote of the majority of the directors of each of the companies and approved by the votes of at least  $\frac{2}{3}$  of such policyholders as are present and voting at a special meeting called for that purpose. Said plan and agreement shall be acknowledged by one of the executing officers of each of the consolidating companies, before an officer authorized by the laws of this State to take acknowledgments of deeds, to be the respective act, deed and agreement of each of said companies. Notice of such special meeting of members shall be given by publishing once weekly in 3 successive weeks in a newspaper printed in each county of this State in which the domestic com-

pany is chartered to operate, the last publication to be at least 7 days prior to such meeting.

Said plan and agreement, together with such other information as the commissioner may require, shall be filed with him and approved in writing by the commissioner.

The commissioner shall give such approval unless he finds such plan or agreement is contrary to law, or is inequitable to the policyholders of any domestic company involved, or would substantially reduce the security of and service to be rendered to policyholders of the domestic company. If the commissioner does not approve the plan and agreement, he shall so notify the companies in writing, specifying his reasons therefor.

Upon approval by the commissioner, the plan and agreement shall be examined by the Attorney General and by him certified to be properly drawn and signed and conformable to the Constitution and laws of this State, and within 60 days from the date of approval by the commissioner, a copy thereof shall be filed in the office of the Secretary of State, who shall enter the date of filing thereon, and on the original agreement, certified as provided, to be kept by the consolidated company, and shall record said copy. From the time of filing the copy of such agreement in the office of the Secretary of State, said agreement shall be taken and deemed to be the agreement and act of consolidation of the said companies and said original consolidation agreement or a certified copy thereof shall be evidence of the existence of such consolidated company and of the observance and performance of all acts and conditions necessary to have been observed and performed precedent to such consolidation.

If the domestic company is merged into or consolidated with a foreign company, such foreign company shall not transact business in this State until it shall have complied with the provisions of this Title relative to the license requirements of a foreign insurance company.

When said agreement is so signed, acknowledged, adopted, approved, filed and recorded, and if the consolidated company shall be a foreign company, when it shall have complied with this Title relative to the license requirements of a foreign insurance company, then the separate existence of all of the constituent companies or all of such constituent companies, except the one into which such constituent companies shall have been consolidated, shall cease. The constituent companies, whether consolidated into a new company or merged into one of such constituent companies, as the case may be, shall become the consolidated company by the name provided in said agreement, possessing all the rights, privileges, powers, franchises and immunities as well of a public as of a private nature, and being subject to all the liabilities, restrictions and duties of each of such companies so consolidated and all and singular the rights, privileges, powers, franchises and immunities of each of said companies and all property, real, personal and mixed, wheresoever located, and all debts due to any of said constituent companies on whatever account, and all other things in action of or belonging to each of said companies shall be vested in the consolidated company. All property, rights, privileges, powers, franchises and immunities and all and every other interest shall be thereafter as effectually

the property of the consolidated company as they were of the several and respective constituent companies and the title to any real estate, whether by deed or otherwise, under the laws of this State, vested in any of such constituent companies, shall not revert or be in any way impaired by reason thereof. All rights of creditors and all liens upon the property of any of said constituent companies shall be preserved unimpaired, limited to the property affected by such liens at the time of the consolidation, and all debts, liabilities and duties of the respective constituent companies shall thenceforth attach to said consolidated company and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it.'

Sec. 2. R. S., T. 24, § 505, amended. Section 505 of Title 24 of the Revised Statutes is amended by inserting before the 4th sentence from the end, the following paragraphs:

'Whenever any such mutual company shall be required by this Title to have a guaranty capital, the holders of certificates of such guaranty capital shall have no voting rights.

Any such mutual insurance company which shall have been doing business for a period of not less than 20 years, and shall maintain a surplus of at least 60% of its unearned premium reserve as appears in its last annual statement filed with the commissioner and shall maintain admitted assets of not less than \$125,000 after deducting therefrom the amount by which the net investment of such company in real estate owned exceeds, if it operates on the prepaid basis, 10% of its premiums in force or, if it operates on the assessment plan, 2% of the balance of its premium notes, both as appear in such statement, may establish a guaranty capital, divided into shares of \$100 each, and the holders of these certificates of guaranty capital shall have voting rights so long as such mutual insurance company shall continue to maintain a surplus of at least 60% of its unearned premium reserve as above provided and continues to have admitted assets of at least \$125,000 as provided in this section.'

Sec. 3. R. S., T. 24, § 505, amended. The 3rd and 4th sentences from the end of section 505 of Title 24 of the Revised Statutes are amended to read as follows:

'The holders of certificates of ~~such~~ guaranty capital shall not receive dividends in excess of 7% in any one year and in no case unless such dividends are properly earned after providing for all expenses, losses, reserves and liabilities then incurred. ~~The holders of such certificates of guaranty capital shall have no voting rights.'~~