

MAINE STATE LEGISLATURE

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ONE HUNDRED AND THIRD LEGISLATURE

Legislative Document

No. 1407

H. P. 965

House of Representatives, March 8, 1967

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

BERTHA W. JOHNSON, Clerk

Presented by Mr. Scribner of Portland.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SIXTY-SEVEN

**AN ACT Eliminating Abuses and Excessive Profit in Sale of Credit Life and
Credit Accident and Health Insurance by Small Loan Agencies.**

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

Sec. 1. R. S., T. 9, § 3082, repealed and replaced. Section 3082 of Title 9 of the Revised Statutes is repealed and the following enacted in place thereof:

§ 3082. Interest; no additional charges except lawful fees

Interest, consideration or charges for the use of money payable under chapters 281 to 289 shall not be deducted or received in advance and shall be computed on unpaid principal balances. Such interest, consideration or charges shall not be compounded in any manner, specifically, no interest, consideration or charges, accrued or past due, shall in any manner be included as part of the unpaid principal balance, and for the purposes of chapters 281 to 289 any renewal, rewrite or refinancing transaction shall not be deemed a separate and distinct loan transaction. In addition to the interest provided for, no further or other charge or amount whatsoever for any examination, service, brokerage, commission, insurance or other thing, or otherwise, shall be directly or indirectly charged, contracted for or received, except premiums for credit life insurance issued in compliance with the provisions of Title 24, sections 1201 to 1214, at a rate not to exceed 50c per hundred per year, which premiums are actually paid to, received and retained by the insurer, which premiums may be collected when the loan is made, or at any time thereafter; provided, however, that under no circumstances, shall the lender, its officers, directors, employees, stockholders or others connected or associated in business with the lender, directly or indirectly receive any commissions, retrospective credits, holdbacks, bonuses, dividends, any compensation benefits, or returns, from such insurance transaction. If interest or

charges in excess of those permitted by this section and section 3081 shall be charged, contracted for or received, or for any other violation of chapter 285, the contract of loan shall be void and the licensee shall have no right to collect or receive any principal interest or charges whatsoever.

Sec. 2. R. S., T. 24, § 1207, sub-§ 2, amended. The 2nd sentence of subsection 2 of section 1207 of Title 24 of the Revised Statutes is amended to read as follows:

In determining whether to disapprove any such form or premium rates, the commissioner shall give due consideration to past and prospective loss experience and mortality or morbidity rates, based on an appropriate mortality or morbidity table, and claim adjustment expenses, general administrative expenses, including handling cost for return premiums, commissions to agents, ~~cost and compensation to the creditor~~ branch and field expenses and other acquisition costs, federal, state and local taxes, profit to the insurer, reasonable underwriting judgment, and any and all other factors and trends demonstrated to be relevant.

Sec. 3. R. S., T. 24, § 1208, sub-§ 5, additional. Section 1208 of Title 24 of the Revised Statutes is amended by adding a new subsection 5, to read as follows:

5. Payments for insurance prohibited under other laws, etc. not authorized. Nothing in this chapter shall be construed to authorize any payments for insurance now prohibited under any other law, or rule thereunder, governing credit transactions.

Sec. 4. R. S., T. 24, § 1209, amended. The 2nd and 3rd sentences of section 1209 of Title 24 of the Revised Statutes are repealed as follows:

~~The premium or cost of such insurance when issued through any creditor shall not be deemed interest, or charges, or consideration, or an amount in excess of permitted charges in connection with the loan or other credit transaction, and any benefit or return or other gain or advantage to the creditor arising out of the sale or provision of such insurance shall not be deemed a violation of any other law, general or special, of the State of Maine. The insurance premium or other identifiable charge for such insurance may be collected from the insured or included in the finance charge or principal of any loan or other credit transaction at the time such transaction is completed.~~

Sec. 5. R. S., T. 24, § 1211, repealed and replaced. Section 1211 of Title 24 of the Revised Statutes is repealed and the following enacted in place thereof:

§ 1211. Existing insurance; choice of insurer

Credit life or credit accident insurance may be issued in connection with any loan or financing transaction only upon request of the debtor, who shall have the option of furnishing such insurance through existing policies of insurance owned or controlled by him or of procuring and furnishing such insurance coverage through any insurer authorized to transact an insurance business within this State.