

MAINE STATE LEGISLATURE

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ONE HUNDRED AND FOURTH LEGISLATURE

Legislative Document

No. 1181

H. P. 920

House of Representatives, March 5, 1969

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

BERTHA W. JOHNSON, Clerk

Presented by Mr. Dennett of Kittery.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SIXTY-NINE

AN ACT Making Permissible the Group Marketing of Property and Liability Insurance.

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

R. S., T. 24, c. 11, sub-c. IV, additional. Chapter 11 of Title 24 of the Revised Statutes is amended by adding a new subchapter IV, to read as follows:

SUBCHAPTER IV

GROUP MARKETING OF PROPERTY AND LIABILITY

INSURANCE

§ 1571. Purpose

The purpose of this subchapter is to permit the writing of property insurance in this State on a group merchandising basis subject to the conditions stated, to avoid the application of any statute forbidding discrimination between insureds as to the type of business defined herein and to set forth the terms and conditions under which insurance on a group merchandising basis may be written.

§ 1572. Definitions

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

1. Eligible members. "Eligible members" include all members in good standing in the group provided employees shall be engaged in 30 hours or more employment per week, except as otherwise provided in section 1574. Officers and directors of an eligible group and individual proprietors and

partners shall be eligible for this group plan and as such are considered the same as employees.

2. **Group eligibility.** The group intending to qualify for group merchandising shall have been in existence for more than 5 years prior to the purchase of the insurance and not have been organized for the sole purpose of purchasing insurance on such a plan. Such group shall have a highly reasonable degree of homogeneity and may include members of unincorporated and corporated associations, labor unions, employees of a common employer and similar principal-agent relationships. No group will be eligible unless it consist of 200 or more members with at least 75% participation in the group plan. Where the group has national, state or local affiliates, its smallest entity shall be the basis for construing the number and percentage of individuals considered in establishing group eligibility. In the case of such affiliates, the smallest entity eligible shall have at least 50 members.

3. **Group merchandising.** The marketing of group property and casualty insurance by a licensed insurer engaged in insuring independent individual risks for an eligible group on a guaranteed basis under a single insurance program, without individual underwriting selection or individual proof of insurability, shall be deemed group merchandising. This method or marketing insurance is generally referred to as "mass merchandising," "franchise merchandising," or "collective merchandising," but for purposes of this subchapter shall hereinafter be only referred to as "group merchandising" or the "group plan".

4. **Group property and liability insurance.** All fire, casualty and package insurance, including motor vehicle and home owners insurance, which is offered by a licensed insurer in this State to an eligible group defined in this subchapter shall mean group property and liability insurance.

§ 1573. General conditions

This subchapter applies to group property and liability insurance made in accordance with the following general conditions:

1. **Group property and liability insurance.** Group property and liability insurance may be issued in this State provided the following conditions are complied with:

A. Mandatory participation in the group plan shall not be required as a condition of employment, nor shall any member not participating in the plan be coerced or discriminated against.

B. The insurer and the group insured must accept all members or employees who are eligible and wish to participate in the plan.

C. Such a group plan shall include a provision that any member of the group shall have the right to convert his group policy to a standard policy of insurance of the same type offered by the insurer to the general public upon termination of his connection with the group, extending to the member the same limits of coverage he had in the group plan.

D. To qualify to write the group insurance herein defined, an insurer must also be engaged in the business of writing the type of coverage of-

ferred for insureds other than such groups and may not be organized solely for the purpose of furnishing coverage to such groups.

E. Each member of the group must be issued the same form of policy varying only as to the amounts of insurance and limits of liability.

F. Insurance must be provided by individual policies to each member of the group under an arrangement whereby the premiums on such policies shall be paid to the insurer periodically by the group with or without payroll deductions.

G. An insurer may not cancel the insurance of an individual member of the group except for the nonpayment of premium or unless the insurance for the entire group is cancelled. In such cases notice of cancellation as provided in like nongroup policies shall be given to the members.

§ 1574. Special conditions relating to group merchandising

1. Motor vehicle insurance. If the group plan pertains to motor vehicle insurance, the plan shall provide that only those automobiles owned by members of the group or their spouses jointly or severally shall be eligible for coverage.

2. Eligible members. All individuals considered "eligible members" as previously defined shall be provided with this motor vehicle group insurance plan provided they hold a valid license to operate a motor vehicle.

§ 1575. Maintenance of records

Every insurer writing insurance under this group merchandising plan shall keep and maintain separate experience data on this type of business including complete records of premium income, losses and expense to that the experience of each group may be fairly ascertained.

§ 1576. Rate filings

Rates for this type of business shall be adequate but not excessive or unfairly discriminatory and shall be filed and approved by the Insurance Commissioner before they may be used under such rules and regulations as he may adopt.

§ 1577. Experience rating

No experience rating shall be applied to an individual group until after 3 years of operation and at that time shall be based on the experience of the preceding 3 calendar years. Thereafter any experience rating may be made annually using the last 3 calendar years.

§ 1578. Other group plans

This subchapter shall not apply to any plans of group life insurance or group accident and sickness insurance provided, however, that any existing plan of group property and liability insurance now in effect shall conform to the provisions of this subchapter.

§ 1579. Other fictitious group statutes

This subchapter shall not be considered in any way to conflict with fictitious group law now in effect.