

# MAINE STATE LEGISLATURE

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# ONE HUNDRED AND FOURTH LEGISLATURE

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**Legislative Document**

**No. 1360**

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H. P. 1021

House of Representatives, March 12, 1969

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

BERTHA W. JOHNSON, Clerk

Presented by Mr. Harriman of Hollis.

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## STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SIXTY-NINE

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### AN ACT Revising the Savings Banks Laws.

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

**Sec. 1. R. S., T. 9, § 443, sub-§ 2, ¶ G, amended.** Paragraph G of subsection 2 of section 443 of Title 9 of the Revised Statutes is amended to read as follows:

**G.** To borrow money within or without the State and to execute repurchase agreements, when in the judgment of the trustees such action is desirable, subject to such limitations on borrowing as may be prescribed by regulation of the commissioner in accordance with procedure provided in this Title for making regulations;

**Sec. 2. R. S., T. 9, § 443, sub-§ 2, ¶ I, amended.** Paragraph I of subsection 2 of section 443 of Title 9 of the Revised Statutes is amended to read as follows:

**I.** To deposit ~~on call~~ in banks or banking associations incorporated under the authority of this State, or the laws of the United States, or in any bank of the Federal Reserve System located anywhere in the United States; ~~and to deposit subject to the approval of the commissioner, with such banks or banking associations, any securities received as collateral for loans made to any person or corporation without the State;~~

**Sec. 3. R. S., T. 9, § 443, sub-§ 2, ¶ L, repealed and replaced.** Paragraph L of subsection 2 of section 443 of Title 9 of the Revised Statutes is repealed and the following enacted in place thereof:

**L.** Upon approval by the commissioner, to issue and sell its capital notes or debentures, which shall be subordinate the the claims of its

depositors and its other creditors. The proceeds of sale thereof may, with the approval of the commissioner, be used in lieu of deposits by incorporators to establish part of the initial surplus fund required on incorporation under section 441, subsection 6; also upon approval by the commissioner to issue and sell or to pledge to any officer, board, commission, corporation or body created by the Federal Government capital notes or debentures which such banks may make subordinate to the claims of its depositors or other creditors, or prior to the claims or interest of its depositors in and to its surplus; also to issue its capital notes or debentures pursuant to federal housing legislation;

**Sec. 4. R. S., T. 9, § 443, sub-§ 2, ¶ N, repealed and replaced.** Paragraph N of subsection 2 of section 443 of Title 9 of the Revised Statutes is repealed and the following enacted in place thereof:

**N.** To become a member of and to enter into contracts with a district Federal Reserve Bank, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank and other corporations or bodies created by the Federal Government, and to assume and discharge the rights, powers, privileges and obligations of such membership and contracts while remaining at all times subject to all liabilities and duties imposed upon savings banks by the laws of this State and the provisions of this Title relating to savings banks.

**Sec. 5. R. S., T. 9, § 443, sub-§ 2, ¶¶ O, P and S, repealed.** Paragraphs O, P and S of subsection 2 of section 443 of Title 9 of the Revised Statutes are repealed.

**Sec. 6. R. S., T. 9, § 443, sub-§ 2, ¶¶ T and U, additional.** Subsection 2 of section 443 of Title 9 of the Revised Statutes, as amended, is further amended by adding 2 new paragraphs, T and U, to read as follows:

**T.** To employ such officers and other personnel as required, to determine the terms and conditions, compensation and fringe benefits pertaining to such employment and to make all necessary provisions therefor.

**U.** To register and act as a dealer in securities, subject to the Maine Securities Act, with respect to the shares of diversified, open-end, managed investment companies, which restrict participation to persons who are employees or depositors of mutual savings banks or spouses of such persons.

**Sec. 7. R. S., T. 9, § 472, sub-§ 5, amended.** The 2nd sentence of subsection 5 of section 472 of Title 9 of the Revised Statutes is repealed and the following enacted in place thereof:

**Except for loans adequately secured by a pledge as collateral of a savings account, no loan shall be made directly or indirectly to any trustee.**

**Sec. 8. R. S., T. 9, § 472, sub-§ 7, amended.** Subsection 7 of section 472 of Title 9 of the Revised Statutes is amended by adding at the end, a new sentence, as follows:

In addition, a savings bank may include trustees in any provision for payment of medical, surgical and hospital expenses, due to accident or illness, which it makes for officers and employees.

Sec. 9. R. S., T. 9, § 472, sub-§ 9, amended. The 5th paragraph of subsection 9 of section 472 of Title 9 of the Revised Statutes is repealed.

Sec. 10. R. S., T. 9, § 473, sub-§ 3, repealed and replaced. Subsection 3 of section 473 of Title 9 of the Revised Statutes is repealed and the following enacted in place thereof:

3. Prohibitions. No president, treasurer, clerk or employee of any savings bank shall engage, for any compensation direct or indirect, in the business of selling or negotiating securities as the agent or salesman of any securities dealer as defined in Title 32, section 751, other than the savings bank. No treasurer or assistant treasurer shall directly or indirectly engage in any other business or occupation without the consent of a majority of the trustees, evidenced by duly recorded resolution. Except for loans adequately secured by a pledge as collateral of a savings account, no loan shall be made directly or indirectly to any officer of the savings bank. No gift, fee, commission or brokerage shall be received by any officer of a savings bank on account of any transaction to which the bank is a party. Nothing herein contained shall be held to prohibit the payment of attorneys' fees for examining title, drafting conveyances and other instruments and the performance of other purely legal services. No cashier of a national bank or treasurer of a trust company shall be treasurer of any savings bank.

Sec. 11. R. S., T. 9, § 474, repealed and replaced. Section 474 of Title 9 of the Revised Statutes is repealed and the following enacted in place thereof:

#### § 474. Safekeeping of assets and records

Every savings bank shall make provisions to secure the safekeeping of the bank assets and its books, accounts and records and to keep them separate and apart from the assets or property of others. It may use the services of a correspondent bank as a depository for securities owned or held as collateral, of a computer service organization for accounting, or the practice of nominee registration of title of securities, when reasonably appropriate to accomplish the aforesaid duties.

Sec. 12. R. S., T. 9, § 475, sub-§ 4, repealed. Subsection 4 of section 475 of Title 9 of the Revised Statutes is repealed.

Sec. 13. R. S., T. 9, § 476, sub-§ 1, amended. The first 2 sentences of the first paragraph of subsection 1 of section 476 of Title 9 of the Revised Statutes are amended to read as follows:

Every savings bank shall establish and maintain a surplus, reserve or guaranty fund, which may include a reserve for bad debts established under internal revenue laws, and which at all times shall exceed 5% of its existing deposits. The fund shall be kept constantly on hand as a security provide security against losses and contingencies, and all losses not otherwise absorbed shall be charged against it.

**Sec. 14. R. S., T. 9, § 477, sub-§§ 4 and 5, repealed and replaced.** Subsections 4 and 5 of section 477 of Title 9 of the Revised Statutes are repealed and the following enacted in place thereof:

4. **Computation.** Savings banks shall promptly credit dividends to deposit accounts. In computing dividends on deposits, interest shall be figured on the balance that has remained on deposit for the full dividend period, with additions for all deposits, less withdrawals, remaining in the bank from their respective monthly dates to the dividend date. Withdrawals shall be deducted from the last deposit made in each case. Deposits made on other than the first day of each month may draw interest on the first or last day of the month or from date of deposit, as the trustees or directors may determine. As an alternative, interest may be computed to the date of withdrawal. The trustees or directors may also fix grace periods at the end of a dividend period for which interest will be credited notwithstanding an earlier withdrawal during the period of grace. A different method of computation made necessary by the use of an electronic computer may be employed if it approximates any one of the foregoing methods.

5. **Different rates of dividend.** A savings bank may pay a different rate of dividend on different classes or types of deposits, but it shall regulate the dividend in such manner that each depositor shall receive the same ratable portion of dividends as every other depositor of his class.

Savings banks may also accept sums of money on deposit and issue certificates of deposit providing for payment of interest at a specified rate.

Savings banks may also accept sums of money for Christmas Clubs or special purpose accounts on terms to be agreed upon, with provision for repayment of the same with or without interest.

**Sec. 15. R. S., T. 9, § 478, repealed.** Section 478 of Title 9 of the Revised Statutes is repealed.

**Sec. 16. R. S., T. 9, § 511, repealed and replaced.** Section 511 of Title 9 of the Revised Statutes is repealed and the following enacted in place thereof:

**§ 511. Classification and amounts**

A savings bank may receive on deposit, for the use and benefit of its depositors all sum of money offered for that purpose, and may classify and differentiate among deposits on such bases as it may determine. The bank may by vote of its trustees or by bylaws establish minimum and maximum amounts which may be received. Its trustees may refuse any deposit at their pleasure. By appropriate resolution, the bank may provide for the acceptance of nonpassbook accounts on terms deemed appropriate.

**Sec. 17. R. S., T. 9, c. 49, repealed.** Chapter 49 of Title 9 of the Revised Statutes, as amended, is repealed.

**Sec. 18. R. S., T. 9, cc. 50, 50-A, additional.** Title 9 of the Revised Statutes is amended by adding 2 new chapters, 50 and 50-A to read as follows:

## CHAPTER 50

## LOANS

## § 561. Mortgage loans

1. Mortgage loans. A savings bank may make loans to individuals or corporations, to be secured by a first mortgage of real estate located in any of the New England states, or located anywhere if the loan is authorized under subsection 3 or 4, upon the following conditions and within the following limitations:

A. In an amount not exceeding 70% of its appraisal of the market value of such real estate;

B. In an amount not exceeding 80% of its appraisal of the market value, providing the note or other obligation evidencing the loan shall require monthly payment of the interest and principal thereon at a rate of amortization sufficient to repay the entire loan within a period not exceeding 30 years, or shall require full payment of the loan within a period of 3 years. No such loan of 3 years or less shall be renewed for any sum in excess of 70% of the then existing market value. For reasonable cause, the beginning of amortization may be delayed up to 18 months from the making of an amortized loan; also, for reasonable cause, principal payments in designated portions of the year may be omitted;

C. Without regard to any other law, savings banks are authorized to make or buy and sell any loan, secured or unsecured, or any real estate installment sale contract, which is insured or guaranteed in any manner in part or in full by the United States or any instrumentality thereof, or by this State or any instrumentality thereof, or for which there is a commitment to so insure or guarantee, or for which a conditional guarantee has been issued. The disability of minority of any person otherwise eligible for a loan, or guaranty or insurance of a loan, pursuant to the Act of the Congress of the United States entitled the Servicemen's Readjustment Act of 1944, as heretofore or hereafter amended, and of the minor spouse of any eligible veteran, in connection with any transaction entered into pursuant to said Act of the Congress of the United States, as heretofore or hereafter amended, shall not affect the binding effect of any obligation incurred by such eligible person or spouse as an incident to any such transaction, including incurring of indebtedness and acquiring, encumbering, selling, releasing or conveying property, or any interest therein, if all or part of any such obligation be guaranteed or insured by the Government or the Administrator of Veterans' Affairs pursuant to said Act and amendments thereto; or if the administrator be the creditor, by reason of a loan or a sale pursuant to said Act and amendments. This section shall not create, or render enforceable, any other or greater rights or liabilities than would exist if neither such person nor such spouse were a minor.

D. A savings bank may make loans to individuals secured by first mortgage of real estate located anywhere, to an amount not in excess of the market value thereof, or purchase such notes, bonds or other obligations

secured by such a mortgage, if such loans have been guaranteed or insured by the Federal Housing Administration or any successor corporation or organization to whom the government of the United States may assign the mortgage insurance functions which have heretofore been exercised by the Federal Housing Administration, or if the Federal Housing Administration or such successor corporation or organization has made a commitment to guarantee or insure them, all such loans to conform to the federal legislation pertaining thereto and to regulations established thereunder.

E. No savings bank shall have more than 75% of its deposits invested in real estate mortgages; except that it may invest more than 75% of its deposits in real estate mortgages so long as the amount in excess of 75% is invested in real estate mortgages that are insured or guaranteed, in any manner, in part or in full, by the United States or any instrumentality thereof or by this State or any instrumentality thereof, or for which there is a commitment to so insure or guarantee.

F. Any interest in real property which may now be mortgaged to a savings bank under subsections 1 to 5 may be mortgaged to secure existing debts or obligations, to secure debts or obligations created simultaneously with the execution of the mortgage, to secure future advances necessary to protect the security and to secure future advances to be made at the option of the parties up to a total amount stated in the mortgage, and all such debts, obligations and future advances shall, from and as of the time the mortgage is filed for record as provided by law, be secured by such mortgage and have priority over the rights of all persons who subsequent to the recording of such mortgage acquire any rights in or liens upon the mortgaged real estate to the extent the aggregate amount outstanding at any one time of such debts, obligations and future advances shall not exceed the total amount stated in the mortgage; except that:

(1) The mortgagor or his successor in title is authorized to file for record, and the same shall be recorded in the same recording office as the original mortgage, notice limiting the amount of optional future advances secured by such mortgage to not less than the amount actually advanced at the time of such filing, provided a copy of such filing is filed with the mortgagee; and

(2) The priority of such debts, obligations and future advances shall not include any future optional advances secured by such mortgage made by such bank after any such person, in addition to acquiring such subsequent right or lien, sends the bank by registered mail or delivers to an officer of the bank and secures a receipt therefor express written notice stating that any such optional advances thereafter made will be junior to such person's mortgage or lien upon or rights in such real estate.

"Future advances" referred to in this subsection shall include only those made to recipients designated in the mortgage.

This subsection shall apply to all financial institutions.

G. A savings bank may make loans to individuals or corporations, secured by first mortgage of real estate to any amount not in excess of the purchase

price thereof, if such loans are made to enable the mortgagor to purchase from the bank real estate by it acquired through foreclosure or by deed in lieu of foreclosure.

#### § 562. Loans on leases

A savings bank may make a loan secured by a mortgage, pledge or collateral assignment of a lease of real property upon the following conditions:

1. **Lien.** The security shall be a first lien upon the lease and the fee shall not be subject to any prior lien.

2. **Amount.** To an amount not exceeding 80% of its appraisal of the leasehold interest including the leasehold interest in improvements erected or to be erected upon the leased real property.

3. **Payments.** The note or other obligation evidencing the loan shall require monthly payment of the interest and principal thereon at a rate of amortization sufficient to repay the entire loan within a period not to exceed  $\frac{4}{5}$  of the unexpired term of the lease, defined so as to exclude extensions of the term which may be provided by an option of renewal or extension, and within a period not to exceed in any event 25 years.

4. **Treated as real estate mortgages.** Notwithstanding the personal property status of the security, such loans shall be treated as if they were real estate mortgages for the purpose of applying the limitations provided in section 561, subsection 5.

5. **Air right leases.** Leases of air rights constitute eligible leases under this section.

#### § 563. Collateral loans

A savings bank may make loans to be secured by such collateral as is prudent in the judgment of the trustees.

The aggregate of all loans made by a savings bank on the basis of collateral security, other than the security of obligations of the United States Government and of savings accounts deposited in the bank, shall at no time exceed 10% of its deposits. Not more than 1% of its deposits shall be loaned on the obligation and stock of any single corporation.

#### § 564. Participation loans

1. **Term loans serviced by commercial bank.** A savings bank may purchase participation in term loans other than real estate mortgage loans, secured or unsecured, from national banks or trust companies located in this State, the proceeds of which are to be used in the establishing or carrying on of a business venture of any kind located principally within this State, provided that:

A. No participation in any one loan shall exceed 75% of the amount of the loan;



**B.** The total participations in loans to any one borrower shall not exceed 1% of total deposits; and

**C.** The aggregate outstanding balance of loans made under this subsection shall not at any one time exceed 10% of total deposits;

**D.** Disbursement, collection, custody of documents and all other matters relating to the originating and servicing of a loan during its term may be administered in any manner agreed upon by the participants with or without fees, provided that each loan shall be:

- (1) Evidenced by a participation certificate signed by the selling bank;
- (2) Supported by a warranty of the selling bank to service the loan throughout its entire term, and to maintain at all times a minimum participation of 25% of the outstanding loan balance;
- (3) Supported by a comprehensive analysis, prepared by the selling bank and furnished to the purchasing bank, of balance sheets, earnings statements and surplus reconciliations covering the most recent 5 years of operations, or for the number of years in business if less than 5;
- (4) Further supported by a report, prepared at least annually, of the loan, its security, if any, and the financial status of the borrower; and
- (5) Be subject to a specific repayment schedule.

2. Participation loans with governmental agency.

A savings bank may purchase participations in loans, in which the United States or any instrumentality thereof participates, which qualify as a legal loan for savings banks under any provision or combination of provisions of this Title and in applying any limitations as to the maximum amount of a loan with reference to the appraised or market value of any security offered, a savings bank may deduct from the amount of the loan, as written, any portion thereof which is subordinated by the United States or any instrumentality thereof to the portions thereof loaned by said savings bank. Not more than 1% of the deposits of the bank shall be loaned within the coverage of this subsection.

§ 565. Personal loans

A savings bank may make loans to any individual borrower or borrowers, evidenced by note or other obligations, with or without security, upon the following conditions and within the following limitations:

1. Individual. To an amount not exceeding \$5,000 for any one individual. The aggregate of all loans made under this subsection shall not exceed 10% of the deposits of the bank;

2. National Housing Act. To an amount within the discretion of the trustees, providing the loan is eligible for insurance under the National Housing Act and reasonable application is made under Title 1 of that Act;

3. Higher education. To an amount within the discretion of the trustees, providing the loan is made to assist the borrower to further his higher education and is guaranteed in full or in part by the Higher Education Assistance Foundation, or by this State or an instrumentality thereof.

§ 566. Loans to municipal corporations and charities

A savings bank may make loans to any municipal or quasi-municipal corporations in this State and to any religious, charitable, educational or fraternal association or corporation evidenced by note or other obligations, with or without security.

§ 567. Commercial paper

A savings bank may make loans to the issuer of commercial paper maturing within 12 month, provided:

1. Business location. The issuer's business is principally in the United States;

2. Rediscount eligibility. The paper would qualify 90 days prior to maturity as eligible for rediscount with a federal reserve bank; and

3. Ratings. The paper carries one of the top 3 ratings of a recognized credit agency approved by the commissioner.

No savings bank shall invest more than 10% of its deposits in commercial paper, and not more than 1% in the paper of any one such issuer.

§ 568. Other prudent loans

A savings bank may hereafter make such loans as the trustees of the bank consider to be sound prudent loans, the making of which would not otherwise be legal but for this section. Not more than 10% of the deposits of a bank shall be loaned within the coverage of this section. Not more than 1% of the deposits of a bank shall be loaned under this section to any one borrower.

§ 569. Regulation of the limitations

The commissioner may by regulation, issued pursuant to section 6, subsection 4, raise or lower the several limitations as to percentage of loans prescribed under this chapter or prescribe such additional limitations as in his judgment banking conditions warrant.

§ 570. Aggregate limitation of loans

The aggregate of all loans held as an investment under this chapter by a savings bank shall not exceed 100% of the total of its deposits and surplus fund, unless the commissioner shall upon application and finding of good cause approve and authorize a greater amount so long as conditions prescribed by him are met.

CHAPTER 50-A  
REAL ESTATE

§ 581. Certain real estate

Savings banks may hereafter invest their funds, in addition to loans authorized under chapter 50 and to securities authorized under chapter 52, in real estate in accordance with this chapter.

#### § 582. Acquisition

Savings banks may acquire real estate or interests in real estate by mortgage foreclosure, purchase or any other means, and may hold the same for investment purposes and may improve, develop, lease, contract, convey and otherwise deal with the same.

#### § 583. Book value

The book value of such investment in real estate shall not exceed 5% of the bank's deposits. Such computation shall exclude the value of real estate owned in which such bank or any of its branches or its bank-related facilities are located and also the value of real estate acquired by foreclosure or by the acceptance of a deed in lieu of foreclosure.

Sec. 19. R. S., T. 9, c. 51, repealed. Chapter 51 of Title 9 of the Revised Statutes, as amended, is repealed.

Sec. 20. R. S., T. 9, c. 52, additional. Title 9 of the Revised Statutes is amended by adding a new chapter 52, to read as follows:

### CHAPTER 52 INVESTMENTS

#### § 621. Authorization

Savings banks may hereafter invest their funds in securities, in addition to loans authorized under chapter 50, and to real estate authorized under chapter 50-A, in accordance with this chapter, as follows.

#### § 622. United States and instrumentalities

1. United States. In the bonds and other obligations of the United States;

2. Instrumentalities. In the bonds and other obligations or participation certificates issued by any agency, association, authority or instrumentality created by the Congress or any executive order.

§ 623. States. In the bonds and other obligations issued or guaranteed by any state in the United States or by any instrumentality or agency of any state or by an political subdivision of any state, provided such securities are rated "A" or better by any rating service approved by the commissioner.

§ 624. Maine. In the bonds and other obligations issued or guaranteed by the State or issued by any instrumentality or agency of the State or any political subdivision, not in default on any of its outstanding funded obligations.

§ 625. Canada. In the bonds and other obligations issued or guaranteed by the Dominion of Canada, or issued or guaranteed by any province, or political subdivision thereof, of the Dominion of Canada, provided such securities

are rated "A" or better by any rating service approved by the commissioner, and are payable in United States funds.

§ 626. Corporate. In the bonds and other obligations of any United States or Canadian corporation provided such securities are rated "A" or better by any rating service approved by the commissioner and are payable in United States funds. Not more than 2% of the deposits of a bank shall be invested in the securities of any one such corporation.

§ 627. Maine corporate bonds. In the bonds and other obligations of any Maine corporation, actually conducting in this State the business for which such corporation was created, which for a period of 3 successive fiscal years, or 3 nearer periods of one year, next preceding the investment, has earned or received an average net income of not less than twice the interest on the obligations in question and all prior liens, or, in the case of water companies subject to the jurisdiction of the Maine Public Utilities Commission, an average net income of not less than  $1\frac{1}{2}$  times the interest on the obligations in question and all prior liens. Not more than 25% of the deposits of a bank shall be invested in such securities of Maine corporations and not more than 2% of such deposits in the securities of any single corporation.

§ 628. Maine corporate stocks

1. Maine. In the stock of any Maine corporation, other than a banking corporation, actually conducting in this State the business for which such corporation was created, provided such corporation has for a period of 3 years next preceding the investment earned and received an average net income after taxes equivalent to at least 6% upon the entire outstanding issue of the stock in question.

2. Limitation. Not more than 5% of the deposits of a bank shall be invested under this section in stocks of Maine corporations and not more than 1% of the deposits of such bank shall be so invested in the stock of any single corporation. No such bank shall hold by way of investment or as security for loans, or both, more than  $\frac{1}{5}$  of the capital stock of any corporation; but this limitation shall not apply to assets acquired in good faith upon judgments for debts or in settlements to secure debts, nor to any of such capital stock acquired subsequent to the making of the original loan in good faith for the sole purpose of improving the security of such loan.

§ 629. Bank stocks and obligations

1. Maine. In the capital stock, preferred stock, debentures and certificates of deposit of any bank doing business within this State, incorporated under the laws of this State or the United States and of any holding company of such bank or banks, providing 60% of the gross revenues of such holding company are derived from banking operations.

2. Elsewhere in United States. In the capital stock, preferred stock, debentures, acceptances and certificates of deposit of any bank which is a member of the Federal Reserve System and has total capital funds, including surplus undivided profits and reserves of not less than \$50,000,000, and of any

holding company of one or more banks, which are members of the Federal Reserve System and have consolidated total capital funds including profits and reserves of not less than \$50,000,000, provided further that 60% of the gross operating revenues of such holding company are derived from banking operations.

3. Others. In obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the Inter-American Development Bank.

4. Other mutual savings banks. In the capital notes or debentures issued by any other mutual savings bank chartered under the laws of any state or of the United States or of the Commonwealth of Puerto Rico, notwithstanding the fact such notes or debentures may be subordinate to the claims of depositors or other creditors of the issuing mutual savings bank. Not more than 1% of the deposits of a savings bank shall be so invested.

5. Limitations. A savings bank shall not hereafter acquire stock and obligations described in this section both by way of investment and as security for loans, which together with its holdings shall be in excess of 10% of its deposits; nor shall it hereafter acquire stock and obligations of any one bank or holding company, which, together with its present holdings, shall have a book value of more than 1% of its deposits; nor shall it hereafter acquire bank stock or holding company stock which, together with its present holdings, shall exceed 10% of the capital stock of any bank or holding company.

#### § 630. Insurance company stocks

1. Fire and casualty. In the capital stock of any insurance company authorized to conduct business in this State, provided:

A. In the calendar year immediately preceding the date of investment not less than  $\frac{1}{4}$  of the net premiums written by such company and its subsidiaries shall have been in respect to risks involving loss of or damage to property belonging to or in the custody of the insured, which risks shall be deemed to be fire and allied risks. As used herein, the term "fire and allied risks" shall be deemed to include homeowners, commercial and industrial multiple peril risks, boiler and machinery, glass, burglary and theft and fidelity risks. Net premiums written in the same period in respect to casualty risks shall have been not less than  $\frac{1}{4}$  of the net premiums written by the company and its subsidiaries. The term "casualty risks" shall be deemed to include risks involving liability of the insured for injury or damage to the person or property of others, workmen's compensation, accident and health, hospital and medical, surety and credit risks. Not more than  $\frac{1}{2}$  of the net premiums written in the same period shall have been in respect to liability of owners or operators of motor vehicles for personal injury or property damage. Not more than  $\frac{1}{2}$  of the net premiums written by the company and its subsidiaries, in the same period, shall have been life insurance premiums; and

B. In the calendar year immediately preceding the date of investment,

the total annual premium volume written by the company and its subsidiaries shall exceed \$100,000,000; and

C. The company shall have an underwriting record with an average combined loss-expense ratio of not more than 104% for the 5 calendar years immediately preceding the date of investment. Such average combined loss-expense ratio shall be calculated by adding the ratio of loss and loss adjustment expense to net premiums earned to the ratio of other operating expenses, excluding all income taxes, to net premiums written. The ratios of the 5 years immediately preceding the date of investment shall be averaged to obtain the measurement. The losses, expenses, premiums written and premiums earned referred to above shall be the totals of such items for such company and all its fire and casualty insurance subsidiaries, except that, if less than 90% of the capital stock of a subsidiary is owned by such company, the totals of said items for such subsidiary shall be included in the calculation only in proportion to the percentage of stock so owned; and

D. At the end of the calendar year immediately preceding the date of investment, the total admitted assets of the company shall be equal to or in excess of 125% of all liabilities of the company excluding capital, surplus and voluntary reserves;

E. For the purpose of this section, "subsidiary" shall be construed to mean any insurance company 50% or more of the capital stock of which is owned by the insurance company or by any other subsidiary thereof;

F. For purposes of this section stock of holding companies deriving not less than 60% of their gross revenues from insurance companies whose stock would qualify under the provisions of the above requirements shall be deemed to be stock of insurance companies.

2. Limitation. Not more than 10% of the deposits of a savings bank may be invested in stocks of insurance companies and not over 1% of the deposits of a savings bank may be invested in the stock of any one insurance company or subsidiary thereof.

#### § 631. Preferred stock of public utilities

In the preferred stock of any public utility corporation if all of the bonds of such corporation qualify as legal investments under section 626 or 627. Not more than 10% of the deposits of a bank shall be invested in preferred stocks of public utilities and not more than 1% of such deposits shall be invested in the preferred stocks of any one company.

#### § 632. Maine Development Credit Corporation

In the stock, notes and other obligations legally issued by Development Credit Corporation of Maine in an amount not to exceed 2½% of the reserve funds of the savings bank.

#### § 633. Bonds of nonprofit organizations

In the bonds or other interest-bearing obligations of any religious, charitable, educational or fraternal association.

Not more than 10% of the deposits of a bank shall be invested in securities coming within the coverage of this section, and not more than 1% of the deposits of a bank shall be invested in securities of any one such association.

§ 634. Other prudent securities

In such securities as the trustees consider to be sound, prudent investments, the making of which would not otherwise be legal but for this section. Not more than 10% of the deposits of a bank shall be invested in securities within the coverage of this section.

§ 635. Retention of unauthorized securities

Savings banks, loan and building associations and trust companies organized under this Title may acquire and hold securities not authorized by law but which have been acquired in settlements, reorganizations, recapitalizations, mergers, consolidations, by receipt of stock dividends or by the exercise of rights applicable to securities held by said banks, associations and trust companies and may continue to hold such securities at the discretion of the trustees or the directors of such savings banks, loan and building associations and trust companies.

Savings banks, loan and building associations and trust companies organized under this Title may continue to hold at the discretion of their trustees or directors securities acquired under authorization of law.

§ 636. Limitations

The commissioner may by regulation, issued pursuant to section 6, subsection 4, raise or lower the several limitations as to percentage of securities prescribed under this chapter or prescribe such additional limitations as in his judgment banking conditions warrant.