

MAINE STATE LEGISLATURE

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ONE HUNDRED AND FIFTH LEGISLATURE

Legislative Document

No. 1269

S. P. 443

In Senate, March 12, 1971

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

HARRY N. STARBRANCH, Secretary

Presented by Senator Johnson of Somerset.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-ONE

**AN ACT Relating to Group Marketing of Property and
Liability Insurance for Automobiles.**

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

R. S., T. 24-A, c. 40, additional. Title 24-A of the Revised Statutes, as enacted by section 1 of chapter 132 of the public laws of 1969 is amended by adding a new chapter 40 to read as follows:

CHAPTER 40

GROUP MOTOR VEHICLE INSURANCE

§ 2911. Definitions

The following words, as used in this chapter, unless the context otherwise requires or a different meaning is specifically prescribed, shall have the following meanings:

1. Group property and liability insurance. All fire, casualty and package insurance for motor vehicle insurance which is offered by a licensing insurer in the State of Maine to an eligible group as defined shall be deemed group property or liability insurance.

2. Group merchandising. The marketing of group property and casualty insurance for automobiles 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 proof of insurability, shall be deemed group merchandising. This method of marketing insurance is generally referred to as "mass merchandising," "franchise merchandising" or "collective merchandising," but for purposes of this

section shall be only referred to as "group merchandising" or the "group plan" as defined.

3. **Group eligibility.** The group intending to qualify for group merchandising shall have been in existence for more than 3 years prior to the purchase of the insurance or conclusively prove that such group was not organized for the sole purpose of purchasing insurance on such a plan. Such group shall have a high degree of homogeneity and may include members of unincorporated and incorporated associations, labor unions, employees of a common employer and similar principal-agent relationships. No group will be eligible unless it consists of 50 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.

4. **Eligible members.** Eligible members will include all members in good standing in the group, and employees of the group who are engaged in 24 hours or more employment per week. Officers and directors of an eligible group shall be considered members of the group.

§ 2912. General conditions

1. **Conditions.** 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 of 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 nongroup upon termination of his connection with the group as referred to by statute.

D. 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.

E. 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.

F. 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.

§ 2913. Special conditions

The group plan pertaining to motor vehicle insurance shall provide that

only those automobiles owned by members of the group or their spouses or children jointly or severally shall be eligible for coverage.

All individuals considered "eligible members" as previously defined shall be provided with this motor vehicle group insurance plan, provided one family member holds a valid license to operate a motor vehicle.

§ 2914. 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 expenses so that the experience of each group may be fairly ascertained.

§ 2915. 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.

§ 2916. 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. In case of merger of 2 or more companies, the 3-year minimum will apply to the oldest company in the newly formed entity, not the new entity formed by the merger itself.

§ 2917. Other group plans

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

§ 2918. Other fictitious group statutes

This chapter shall not be construed to permit any activity which is prohibited by Title 24-A, section 2172.

STATEMENT OF FACT

The purpose of this bill is to permit the writing of property or liability insurance for automobiles in the State on a group merchandising basis subject to the conditions stated.