

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND SIXTH LEGISLATURE

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Legislative Document

No. 1453

H. P. 1117

House of Representatives, March 12, 1973

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

E. LOUISE LINCOLN, Clerk

Presented by Mr. O'Brien of Portland.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-THREE

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AN ACT Relating to Savings Bank Life Insurance.

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

R. S., T. 9, c. 59, additional. Title 9 of the Revised Statutes is amended by adding a new chapter 59 to read as follows:

CHAPTER 59

SAVINGS BANK LIFE INSURANCE

§ 801. Short title

This chapter shall be known and may be cited as the "Savings Bank Life Insurance Law."

§ 802. Declaration of public policy

The purpose of this chapter is to encourage habits of thrift among citizens of modest means by providing for the issuance by the savings banks of this State at low cost commensurate with safety of policies of life insurance annuity contracts and other incidental insurance benefits, and to this end to authorize and empower such banks to establish and maintain life insurance departments and either by themselves or in cooperation with other savings banks to engage in the issuance and sale of such policies and contracts. In addition, it is the purpose of this chapter to set forth more clearly the intention that savings bank life insurance, so far as reasonably practicable and possible, be governed and administered in accordance with the same insurance laws and regulations that apply to domestic legal reserve life insurance companies, and that all officers or employees, other than duly licensed agents, who, as a part of their duties, negotiate for applications or orders for life

insurance or annuity contracts in any savings bank, shall be certified as to their competency and trustworthiness by the Insurance Commissioner.

### § 803. Definitions

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

1. Agency bank. "Agency bank" shall mean a savings bank which acts as agent for a savings and insurance bank or as agent for a savings bank life insurance company.

2. Life insurance department. "Life insurance department" shall mean the department of a savings and insurance bank in which the business of issuing life insurance policies and the granting of annuities is conducted.

3. Savings and insurance bank. "Savings and insurance bank" shall mean a savings bank in this State which has established a savings bank life insurance department.

4. Savings bank. "Savings bank" shall mean a mutual savings bank incorporated under the laws of this State.

5. Savings bank life insurance company. "Savings bank life insurance company" shall mean a life insurance company which conducts the business of life insurance in this State in the manner prescribed by this chapter.

6. Savings department. "Savings department" shall mean the department of a savings and insurance bank in which the business done by a savings bank other than that provided for by this chapter is conducted.

7. Trustees. "Trustees" shall mean the governing body of a savings bank.

### § 804. Establishment of a life insurance department

A savings bank may, upon complying with this chapter, establish a life insurance department if its trustees have voted to do so by a majority vote of all of its trustees. The Bank Commissioner and Insurance Commissioner of this State shall issue a joint certificate declaring such life insurance department established, upon their finding that:

1. Vote filed. Certified copies of the vote of the trustees authorizing the establishment of such life insurance department have been filed with the Bank Commissioner and the Insurance Commissioner within 30 days after adoption thereof;

2. Advance to surplus. The savings bank has made an advance to surplus of such life insurance department as provided in section 805;

3. Reinsurance. The savings bank has entered into an agreement for reinsurance with a savings bank life insurance company as provided in section 815; and

4. Financial condition. The financial condition of the savings bank has been found by the Bank Commissioner to present no objection to the establishment of a life insurance department.

**§ 805. Advances to surplus of a life insurance department**

1. Initial surplus. A life insurance department shall have an initial surplus of not less than \$20,000 in cash advanced to such department by the savings bank, to be applied in payment of the operating expenses thereof if and so far as other amounts applicable to such operating expenses are insufficient.

2. —approval. The amount of the initial surplus shall be fixed by the trustees with the approval of the Bank Commissioner and additional advances may be made at any time thereafter with like approval.

3. —legal investments. Certificates evidencing advances to surplus shall be legal investments for a savings bank and shall bear interest at a rate to be fixed from time to time by the trustees.

4. —repaid. Advances to surplus may be repaid when the repayment will not reduce the surplus below reasonable requirements for safety and in no event below \$20,000.

5. —not liability. Advances to surplus shall not be deemed a liability of the life insurance department in determining the solvency thereof.

**§ 806. Powers of life insurance department**

Upon the issuance of the certificate by the commissioners establishing the life insurance department of a savings and insurance bank as provided by section 804, the life insurance department of said bank may issue policies upon the lives of persons and grant or sell annuities with all the rights, powers and privileges and subject to all the duties, liability and restrictions in respect to the conduct of life insurance, conferred or imposed by law relating to domestic legal reserve life insurance companies so far as the same are applicable, and except as otherwise provided in this chapter. The life insurance department shall in all respects, except as otherwise provided in this chapter, be managed by the trustees of such savings bank, and the savings department and the life insurance department shall continue to be a single corporation, and all investments shall be made and all other business carried on in the name of the savings bank. The life insurance department may decline particular classes of risks or reject any particular application.

**§ 807. Qualifications and certification of officers and employees who accept application for life insurance**

Any officer or employee of a savings bank, other than a duly licensed agent, who, as a part of his duties, negotiates for applications or orders for life insurance or annuity contracts, or solicits or procures from the public such applications or orders, shall be required to be certified as to his competency and trustworthiness by the Insurance Commissioner before engaging in such activities.

1. Documents on file. Before any such certification shall be made by the Insurance Commissioner, there shall be on file in his office the following documents:

A. A written application by the person to be certified in such form or forms and supplements thereto and containing such information as the Insurance Commissioner may prescribe; and

B. A statement by the insurer or the savings bank, to be named in such certificate, that the insurer or savings bank is satisfied that the person named is trustworthy and competent to negotiate for applications or orders for life insurance or annuity contracts and to solicit and procure from the public such applications or orders. Such statement shall be executed by an officer of such insurer or savings bank.

2. Examination. The Insurance Commissioner shall, in order to determine the trustworthiness and competency of the applicant, require such individual to pass a personal written examination to the satisfaction of the Insurance Commissioner. Such examination shall be held at such times and places as the Insurance Commissioner shall from time to time determine. Every individual taking any such written examination shall pay to the Insurance Commissioner an examination fee of \$5. The Insurance Commissioner may accept, in lieu of any such examination, the result of any previous written examination given by the Insurance Commissioner which in his judgment is equivalent to the examination for which it is substituted.

3. Refusal. The Insurance Commissioner may refuse to certify any person, if, in his judgment, such person is not trustworthy and competent or has failed to comply with any prerequisite for the issuance of such certificate.

4. Certificate. The Insurance Commissioner shall issue to the savings bank a certificate with respect to each such applicant who has complied with the requirements of this section.

#### § 808. Savings department distinct from life insurance department

1. Assets. The assets of the savings department shall be liable for and applicable to the payment and satisfaction of the liabilities, obligations and expenses of the savings department only.

2. —liabilities and expenses. The assets of the life insurance department shall be liable for and applicable to the payment and satisfaction of the liabilities, obligations and expenses of the life insurance department only.

3. Accounting and investment. The savings department and the life insurance department shall be kept distinct also in matters of accounting and investment. All expenses pertaining to the conduct of both the savings department and the life insurance department shall be apportioned by the trustees equitably between the 2 departments.

4. Policy and contract. Each insurance policy and annuity contract issued by a savings and insurance bank shall contain on its face the following statement:

“The only assets of this savings bank which are liable for and applicable to the payment and satisfaction of this contract are the assets of the life insurance department of this bank. The mortality risk of this contract is reinsured.”

**§ 809. Investment of funds**

The assets of the life insurance department shall be invested in the same kinds of securities and in the same manner as the assets of the savings bank may be invested under the laws of this State, as now or hereafter amended. In addition, a life insurance department may lend upon any insurance policy or annuity contract issued by it. Uninvested funds may be deposited with any bank or trust company approved by the Bank Commissioner.

**§ 810. Limit of insurance**

No savings and insurance bank shall:

1. **Death.** Become obligated to pay more than \$5,000 in the event of the death of one person. The amount which may be paid under this limitation shall be exclusive of:

A. Dividends, profits or paid-up insurance purchased with such dividends or profits; and

B. Such amounts as may be payable under:

(1) A group policy;

(2) A policy issued pursuant to conversion privileges of such a group policy;

(3) An agreement in an annuity contract to pay, upon death of the holder, to his estate or to a specified payee, a sum not exceeding the premiums paid thereon with compound interest;

(4) An agreement to pay benefits of not more than twice the face amount of the policy in the event of death by accident or accidental means;

(5) An agreement to pay an amount equal to a cash surrender value in excess of the face amount of the policy; or

(6) An agreement for decreasing term insurance under which the term insurance shall not exceed twice the amount of insurance otherwise permitted by this section and shall decrease in amount at regular intervals so that no part thereof shall be in force beyond 20 years from the date of issue of the policy.

2. **Annuity contract.** Become obligated on any annuity contract to make payments during the lifetime of the annuitant at the rate of more than \$100 per month exclusive of dividends or profits or paid-up annuity purchased with dividends or profits;

3. **Limitation.** Become obligated to make any payments in the event of the death of any person, or during the lifetime of any annuitant, for an amount which, together with the obligations of other savings and insurance banks with respect to the same person, would in the aggregate exceed the maximum obligation allowed any one savings and insurance bank.

**§ 811. Qualifications for life insurance**

No policy of life insurance or annuity contract shall be issued by a life insurance department, except upon the life of a resident of this State, or a person residing within 10 miles of the boundary line thereof, or of a person

regularly employed within said state; but any policy so issued may be continued in force by the payment of premiums notwithstanding the termination of such residence or employment.

§ 812. Off the premises solicitors not to be employed by banks

A savings and insurance bank may establish agencies and means for receiving applications for, and premium payments on, insurance policies and annuity contracts, but shall not employ any person to solicit, negotiate or effect insurance policies or annuity contracts or to collect premiums thereon by house-to-house solicitation, nor shall it pay any compensation to any person therefor. A savings and insurance bank may appoint another savings bank or banks as its agent or agents to receive for it applications for and premium payments on insurance policies and annuity contracts, and may pay reasonable fees to such agency banks for receiving and remitting premiums at such rates as the Insurance Commissioner may from time to time approve. Any savings bank, which has not established a life insurance department, may act as an agency bank when so appointed either by a savings bank which has established such a department or by a savings bank life insurance company.

§ 813. Use of surplus

1. Set apart. The life insurance department of each savings and insurance bank shall, on or before March 1st of each year, set apart as surplus from its net profits during the preceding calendar year such amounts as the trustees may determine; provided said surplus with the amounts then authorized to be transferred to it shall not exceed 12% of the policy reserves of such department, except with the approval of the Insurance Commissioner.

2. Use. The surplus created as provided in section 805, whether consisting of advances or net profits or both, shall be used to meet operating expenses for which other amounts applicable thereto are insufficient, losses occasioned by depreciation in securities or other causes, to maintain a stable dividend rate and to pay settlement or maturity dividends or both as the trustees may from time to time determine.

§ 814. Policies, how signed

Life insurance policies and annuity contracts shall be signed on behalf of any savings and insurance bank by such officer or employee of such bank as the trustees may, from time to time, determine.

§ 815. Qualifications of a savings bank life insurance company

In order that a savings bank may purchase stock in a savings bank life insurance company as provided in section 816, said company must meet the following requirements.

1. Incorporation. It shall be incorporated under the laws of this State or any other state of the United States and be qualified to engage in the business of life insurance in this State.

2. Shares. The shares of its capital stock shall be owned only by mutual savings banks located in the United States.

3. **Directors.** No person who is a director of any other life insurance company authorized to do business in this State shall be eligible to be a director of such company.

4. **Authorized.** It shall be authorized to do a participating life insurance business in this State, with all general powers incident to the conduct of such business.

5. **Reinsurance.** It shall be authorized to reinsure life insurance and annuity contracts only when originally issued by savings and insurance banks of this or any other state and shall agree in writing with each savings bank proposing to establish a life insurance department to reinsure all of said contracts of such department in a manner which will remove from the bank the mortality and morbidity risk of all said contracts. The reinsurance agreement shall contain, but shall not be limited to the following provisions:

A. That such company shall prepare such forms of life insurance policies and annuity contracts as may from time to time be desirable;

B. That it shall prepare and furnish to the savings and insurance banks the forms of blanks for application for life insurance policies and annuity contracts and for proof of loss, and all other forms necessary for the efficient prosecution of the business, and all forms of books of record and of account, and of all schedules and all reports, not otherwise provided for, required in the conduct of the business, which shall be used as the uniform and exclusive forms of blanks, books, schedules and reports in the life insurance department of all savings and insurance banks;

C. That it shall, consistently with the law governing life insurance companies authorized to do business in this State, determine, prepare or procure and furnish to savings and insurance banks tables of:

- (1) Premium rates for all life insurance policies to be issued by the savings and insurance banks;
- (2) The purchase rates for annuities;
- (3) The amounts of the surrender values;
- (4) The amounts which may be loaned on insurance policies;
- (5) The reinsurance premiums it will charge; and
- (6) The legal reserves to be held under insurance and annuity contracts;

D. That the rates, fees, charges and reserves so fixed shall apply with respect to the policies of all savings and insurance banks;

E. That it shall prescribe the standards of health or acceptability of the applicant for insurance and annuity contracts;

F. That it shall, except as otherwise provided, furnish to all savings and insurance banks the services of an actuary and a medical director;

G. That it shall have the right to pass on any or all claims and that any claim disallowed by it, in whole or in part, shall not, to the extent disallowed, be the basis for any claim under the reinsurance contract unless



such claim is paid pursuant to the judgment or decree of a court of competent jurisdiction;

H. That it may defend any legal action or proceeding involving or arising out of any insurance policy or annuity contract and pay the expense of such defense.

#### § 816. Investment in a savings bank life insurance company

A savings bank may invest not in excess of 2% of its surplus and undivided profits in stock, obligations or other securities of a savings banks life insurance company. Such investments may include certificates evidencing advances to the surplus of a savings bank life insurance company.

#### § 817. Discontinuance of life insurance department

A savings and insurance bank may discontinue its life insurance department and the issuance of insurance policies and annuity contracts at any time by a resolution adopted by a vote of a majority of the entire board, at a meeting called for such purpose, in accordance with the bylaws of said bank. A copy of said resolution, certified by the clerk, shall be filed with each Commissioner. When a savings and insurance bank has voted to discontinue its life insurance department, it shall make provisions satisfactory to the Insurance Commissioner for carrying out, with reasonable convenience to policyholders and annuitants, its existing insurance and annuity contracts.

#### § 818. Examination of life insurance department

The life insurance departments of savings and insurance banks shall be subject to the provisions of the insurance law in regard to examination and the Bank Commissioner may also make such examinations as he deems necessary.

#### § 819. Reports of savings and insurance banks

The life insurance department of every savings and insurance bank shall annually, on or before the first day of March, file with the Insurance Commissioner a statement showing the financial condition of the life insurance department on the last business day of December, and whatever data the Insurance Commissioner may require to verify the reserves for life insurance and annuity contracts. Such annual statement shall be in the form required by the Insurance Commissioner. The assets and liabilities shall be computed and allowed in such statement in accordance with the rules governing life insurance companies, except as otherwise provided in this chapter. The president or vice-president and another principal officer of the savings and insurance bank shall make oath that the annual report is correct according to the best of their knowledge and belief.

#### § 820. Powers of Insurance Commissioner; insolvency

The Insurance Commissioner shall have the same powers to take action with respect to the conduct of the business of the life insurance department of a savings and insurance bank that he has with respect to domestic legal

reserve life insurance companies, including, without limitation, the right to take action in case of insolvency.

§ 821. Taxation

The insurance departments of the savings and insurance banks authorized to do business under this chapter shall be taxed by this State in the same manner and at the same rates as domestic legal reserve life insurance companies.

STATEMENT OF FACT

The purpose of this bill will authorize savings banks to sell life insurance at a reduced rate to encourage thrift among citizens of modest means.