

# MAINE STATE LEGISLATURE

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New Draft of: H. P. 1234, L. D. 1609

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ONE HUNDRED AND SIXTH LEGISLATURE

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Legislative Document

No. 1913

H. P. 1489

House of Representatives, May 8, 1973

Reported by Mr. Trask from the Committee on Business Legislation and printed under Joint Rules No. 18.

E. LOUISE LINCOLN, Clerk

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STATE OF MAINE

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IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-THREE

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AN ACT Regulating Mass Marketing of Casualty and Property Insurance.

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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

MASS MARKETING OF CASUALTY AND PROPERTY  
INSURANCE

§ 2911. Purpose

The purpose of this chapter is to prevent abuses in connection with sale of casualty and property insurance in this State pursuant to mass marketing plans, while preserving for consumers the potential benefits of this form of marketing.

§ 2912. Definitions

As used in this chapter, unless the context otherwise indicates, the following words shall have the following meanings.

1. Casualty insurance. "Casualty insurance" means all contracts of insurance covered by section 707.

2. Mass marketing plan. "Mass marketing plan" means a method of selling property and casualty insurance wherein such insurance is offered to employees of particular employers or to members of particular associations

or organizations or to persons grouped in other ways and the employer, association or organization has agreed to or otherwise affiliated itself with, or facilitated, the sale of such insurance to its employees or members and employees and includes without limitation such plans whether described as "mass merchandising," "group merchandising," "franchise merchandising" or "collective merchandising."

3. Property insurance. "Property insurance" means all contracts of insurance covered by section 705.

#### § 2913. Premium rates

Premium rates under a mass marketing plan shall comply with all standards set forth in the Maine Insurance Code, including without limitation the requirement that rates shall not be excessive, inadequate or unfairly discriminatory. Rates shall not be deemed to be unfairly discriminatory because different premiums result for policyholders with like loss exposures but different expense factors, or like expense factors but different loss exposures, so long as the rates reflect the difference with reasonable accuracy. Rates shall not be deemed to be unfairly discriminatory if they are averaged broadly among persons insured under a mass marketing plan.

#### § 2914. Statistics

An insurer selling insurance pursuant to mass marketing plans shall maintain separate statistics as to loss and expense experience pertinent thereto.

#### § 2915. Compulsory participation prohibited

No insurer shall sell insurance pursuant to a mass marketing plan, if it is a condition of employment or of membership in an association, organization or other group that any employee or member purchase insurance pursuant to such plan, or if any employee or member shall be subject to any penalty by reason of his nonparticipation.

#### § 2916. Tie-in sales prohibited

1. No insurer shall sell insurance pursuant to a mass marketing plan if:
  - A. Purchase of insurance available under such plan is contingent upon the purchase of any other insurance, product or service, or
  - B. The purchase of any other insurance, product or service is contingent upon the purchase of insurance available under such plan.
2. This section shall not be deemed to prohibit the reasonable requirement of safety devices, such as heat detectors, lightning rods, theft prevention equipment and the like.

#### § 2917. Disclosure required

Every insurer, agent or broker selling insurance pursuant to a mass marketing plan shall, prior to sale, make full and fair disclosure to prospective insureds of all features of such plan, whether favorable or unfavorable, including, but not limited to, the stability of the premium rates, benefits, duration

of coverage, policyholder services, conversion privileges available, and the financial and interlocking interests in the plan, if any, of the sponsoring employer, association, organization or group.

#### § 2918. Availability

The insurer must accept all members who wish to participate in the plan except, in the case of motor vehicle insurance, any person who usually drives the motor vehicle and does not hold or is not eligible to obtain a driver's license. With respect to motor vehicle insurance, every member of the plan must be issued the same form of policy, varying only as to the amounts of insurance and limits of liability, except that all policies shall provide at least the financial responsibility limits of coverage stated in Title 29, section 781, subsection I, paragraph D. With respect to other insurance covered hereunder, every member of the plan must be offered the same policy form alternatives, varying only as to the amounts of insurance and limits of liability.

#### § 2919. Cancellation and nonrenewal

1. Cancellation and nonrenewal shall be subject to the applicable provisions set forth elsewhere in this Title.

2. The failure of an employer, association, organization or other group to remit premiums when due for any reason, including, but not limited to, interruption or termination of employment or membership, shall not be regarded as nonpayment of premium by any insured under any such plan providing for remittance of premium by such employer, association, organization or other group, unless such insured shall have been given written notice of such failure to remit and shall not himself have paid such premium by the later of 20 days after such notice, or the due date of such premium remittance under the mass marketing plan or pursuant to regulations set forth by the commissioner.

3. Upon the termination of employment or membership or upon the discontinuance of the mass marketing plan, such insured member or employee may maintain his policy in force, in the same amount, upon payment of the premium applicable to the class of risk to which he belongs, on an individual basis.

4. Any notice of cancellation or nonrenewal of any policy of any employee or member insured under a mass marketing plan shall be accompanied by a notice to the employee or member that, at his request, the insurer will afford the employer, association, organization or other group a reasonable opportunity to consult with the insured and to present facts in opposition to cancellation or nonrenewal.

#### § 2920. Applicability

This chapter shall be applicable only to insurance policies issued or renewed in this State after November 1, 1973 and is in addition to, and not in substitution for, other applicable requirements of the Maine Insurance Code and department regulations.

## STATEMENT OF FACT

The purpose of this bill is to prevent abuses in connection with sale of casualty and property insurance in this State pursuant to mass marketing plans, while preserving for consumers the potential benefits of this form of marketing.