

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND SEVENTH LEGISLATURE

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**Legislative Document**

**No. 962**

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H. P. 789

House of Representatives, March 6, 1975

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

EDWIN H. PERT, Clerk

Presented by Mrs. Clark of Freeport.

Cosponsor: Mr. Pierce of Waterville.

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**STATE OF MAINE**

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-FIVE

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**AN ACT Concerning the Maine Consumer Credit Code and the  
Insurance Statutes.**

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**Emergency preamble.** Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted by emergencies; and

Whereas, section 4.104, subsection 3 of the Code is ambiguous and in conflict with certain portions of the Insurance Laws, creating a situation where enforcement of this subsection by this bureau could result in the initiation of several lawsuits by various credit grantors and insurance companies; and

Whereas, the Insurance Law does not cover transactions of more than 5 years, while the Code does not cover transactions involving credit insurance of more than 10 years, creating an inequitable situation from an enforcement viewpoint; and

Whereas, section 5.103, subsection 5, paragraph B of the Code is meaningless and unenforceable due to a drafting error in the original bill in reference to the word "execution"; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

**Sec. 1.** 9-A MRSA § 4-103, sub-§ 1, ¶ A, as enacted by PL 1973, c. 762, § 1, is amended to read:

A. Insurance provided in relation to a credit transaction in which a payment is scheduled more than ~~10~~ 15 years after the extension of credit;

Sec. 2. 9-A MRSA § 4-104, sub-§ 3, as enacted by PL 1973, c. 762, § 1, is repealed and the following enacted in place thereof:

3. In any consumer credit sale or any supervised loan, a creditor may not contract for or receive a separate charge for consumer credit insurance providing for accident and health coverage unless there is a minimum payment of \$40 per month or a loan duration of at least 18 months. Such insurance coverage shall provide for a waiting period of 30 days or more. For the purposes of this subsection, a waiting period is defined as a stated period after the inception of a disability for which no benefits are paid.

Sec. 3. 9-A MRSA § 5-103, sub-§ 5, ¶ B, as enacted by PL 1973, c. 762, § 1, is amended to read:

B. The collateral is not subject to levy or sale on ~~executive~~ execution or similar proceedings pursuant to the judgment.

Sec. 4. 24-A MRSA § 2851, as enacted by PL 1969, c. 132, § 1, is amended to read:

#### § 2851. Scope

All life insurance and all health insurance in connection with loans or other credit transactions shall be subject to this chapter, except such insurance in connection with a loan or other credit transaction of more than ~~5~~ 15 years duration or issued in an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of the creditor.

**Emergency clause.** In view of the emergency cited in the preamble, this Act shall take effect when approved.

### STATEMENT OF FACT

Sec. 2 of the bill is to make clear that Accident and Health Insurance coverage can only be included on a credit sale or supervised loan and only for transactions in which there is a minimum payment of \$40 or a duration of 18 months. It also defines the term "waiting period" so that retroactive type plans will not be permitted. The present wording of this section renders this provision inoperative.

Secs. 1 & 4: These sections will broaden the coverage of the credit insurance provisions in both the Code and Insurance Law to cover all loan and sale transactions that include credit life and accident and health insurance in which the debts are scheduled to be payable up to 15 years. An increasing number of transactions, including mobile home financing, are presently being made for maturities beyond that specified in the Insurance Law, with some transactions made beyond the 10-year period specified in the Code.

Sec. 3. This section will correct an apparent drafting error when the original bill was prepared.