

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 88

H. P. 63

House of Representatives, January 13, 1977

On motion of Mr. Palmer, reconsidered reference. On motion of Mr. Tierney, referred to Committee on Business Legislation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. Devoe of Orono.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-SEVEN

AN ACT to Authorize the University of Maine to Execute a Charitable Gift Annuity with a Donor.

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

Sec. 1. 24-A MRSA § 2501, as last amended by PL 1973, c. 560, § 2, is further amended by adding at the end the following new sentence:

No provision of this chapter shall apply to annuity agreements executed under chapter 30.

Sec. 2. 24-A MRSA c. 30 is enacted to read:

CHAPTER 30

ANNUITY AGREEMENTS WITH THE UNIVERSITY OF MAINE

§ 2571. Eligibility

The University of Maine may receive transfers of property, conditioned upon its agreement to pay an annuity to the transferer or his nominee, after obtaining from the superintendent a certificate of authority to do so.

§ 2572. Certificate of authority

The University of Maine, hereafter in this chapter called the "university," shall not transact in this State the business described in this chapter without first procuring a certificate of authority from the superintendent for that purpose. Application for this certificate shall be made on a form prescribed by the commissioner accompanied by a filing fee of \$25. This certificate shall not be granted until the university conforms to the requirements of this chapter

and the laws of this State prerequisite to its issue. After its issue the university shall continue to comply with the requirements of this chapter and the laws of this State. Where a hearing is held under this section the proceedings shall be conducted in accordance with chapter 3 and the superintendent shall have all of the powers granted in that chapter.

Subject to the annual fee provisions of this section, every certificate of authority issued or held under this chapter shall be for an indefinite term and, unless sooner revoked by the superintendent, shall terminate upon occurrence of any of the following:

1. Cessation of existence. Upon the university's ceasing to exist as a separate entity;
2. Dissolution. Upon the winding up, dissolution, expiration or forfeiture of the corporate existence of the university;
3. Surrender of certificate. In any event upon surrender by the university of its certificate of authority and cancellation of that certificate by the superintendent.

The superintendent shall not cancel a surrendered certificate of authority until he is satisfied by examination, or otherwise, that the university has discharged its annuity liabilities to residents of this State or satisfactorily reinsured those liabilities.

Notwithstanding the preceding provisions for a certificate of authority of indefinite term, if the university holds a certificate of authority under this chapter, it shall owe and pay in advance to the superintendent an annual fee of \$25 on account of that certificate of authority until its final termination or revocation. This fee shall be for annual periods commencing on July 1st of each year and ending on June 30th of each year, shall be due on each March 1st and, if not paid, shall be delinquent on and after each April 1st.

§ 2573. Reserve requirements

Upon granting to the university a certificate of authority to receive transfers of property, the superintendent shall require it to establish and maintain a reserve fund adequate to meet the future payments under its outstanding annuity contracts and in any event not less than an amount computed in accordance with the standard of valuation based upon the 1937 Standard Annuity Table, or, at the option of the university, the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the superintendent, with interest assumption at $2\frac{1}{2}\%$ per year, or other table of mortality derived from recent annuity experience, with interest assumption not higher than is currently yielded on safe securities, as may be prescribed by the superintendent.

For any failure on the part of the university to establish and maintain this reserve fund, the superintendent shall revoke its certificate of authority.

§ 2574. Filing of annuity agreements

The university, if it holds a certificate of authority to receive transfers under this chapter, shall file with the superintendent a copy of each agreement entered into between the university and the transferer.

§ 2575. Required contents of annuity agreement

An annuity agreement shall show:

1. **Property transferred.** The value of the property transferred;
2. **Amount of annuity.** The amount of annuity agreed to be paid to the transferer or his nominee;
3. **Manner of payments.** The manner in which, and the intervals at which, the annuity is to be paid;
4. **Age of recipient.** The age, in years, at or nearest the date of the agreement, of the person during whose life the annuity is to be paid;
5. **Value of benefits.** The reasonably commensurate value, as of the date of the agreement, of the benefits created by it. This value shall not exceed by more than 15% the net single premium for these benefits, determined in accordance with the standard of valuation set forth in section 2573 which is applicable to the agreement as the minimum standard of valuation.

§ 2576. Reinsurance

The university, if it holds a certificate of authority under this chapter, may reinsure its total liability under an annuity agreement, as defined in section 2575, with an admitted insurer for a single premium. In this event, the university may take credit for the reinsurance in reduction of the amount of the reserve fund it is required to maintain under the provisions of section 2573 subject to the following conditions:

1. **Copy of reinsurance contract.** The university shall file with the superintendent a copy of the reinsurance contract specifying which annuity agreement previously filed pursuant to section 2574 is reinsured by the reinsurance contract.
2. **Written agreement.** The university shall enter into a written agreement with the annuitant and the reinsurer agreeing that if it should for any reason be unable to continue the making of the annuity payments required by its annuity agreement, the annuitant shall receive payments directly from the reinsurer and that the reinsurer shall be credited with all of these direct payments in the accounts between it and the reinsurer.
3. **Commission payment.** Any commission granted by the reinsurer on the reinsurance shall be payable only to the certificate holder which shall pay no commission directly or on account of the reinsurance.

§ 2577. Exemptions

Except as prescribed in this chapter, if the university holds a certificate under section 2572, it shall be otherwise exempt from the provisions of this Title and other insurance laws of this State, except the provisions of chapters 1 and 3 and chapter 57, subchapters I and II.

STATEMENT OF FACT

This bill will allow the University of Maine to enter into annuity contracts with donors provided the university complies with certain statutory requirements. This bill will enable the superintendent of the Bureau of Insurance to supervise these annuity agreements in order to protect the donor. At the same time, the bill exempts the university from many provisions of the Insurance Code which are inapplicable to the university.