

MAINE STATE LEGISLATURE

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New Draft of H. P. 1954, L. D. 2033
SECOND REGULAR SESSION

ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 2191

H. P. 2233

House of Representatives, March 14, 1978

Reported by Miss Aloupis from the Committee on Business Legislation and
Printed under Joint Rules No. 2.

EDWIN H. PERT, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-EIGHT

AN ACT to Amend the Credit Life and Credit Health Insurance Laws.

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

Sec. 1. 24-A MRSA § 2604, sub-§ 4, as amended by PL 1969, c. 177, § 41, is repealed and the following enacted in its place:

4. The amount of credit life insurance shall at no time exceed the unpaid amount financed plus earned interest and an allowance for delinquencies as determined by the superintendent or, in the case of open-end credit, the balance upon which a finance charge may be imposed plus earned interest and an allowance for delinquencies as determined by the superintendent. Where the indebtedness is repayable in one sum to the creditor, the insurance on the life of any debtor shall in no instance be in effect for a period in excess of 18 months, except that such insurance may be continued for an additional period not exceeding 6 months in the case of default, extension or recasting of the loan.

Sec. 2. 24-A MRSA § 2855, sub-§ 1, ¶ A, as amended by PL 1969, c. 177, § 55, is repealed and the following enacted in its place:

A. The amount of credit life insurance shall at no time exceed the unpaid amount financed plus earned interest and an allowance for delinquencies as

determined by the superintendent or, in the case of open-end credit, the balance upon which a finance charge may be imposed, plus earned interest and an allowance for delinquencies as determined by the superintendent.

Sec. 3. 24-A MRSA § 2859, sub-§ 1, 1st sentence, as amended by PL 1973, c. 585, § 12, is further amended to read:

Any insurer may revise its schedules of premium rates from time to time, and shall file such revised schedules with the superintendent; however, no upward revision in premium rates may be made to insure closed-end credit which would apply to debtors whose credit insurance is already in force. In the case of open-end credit, the debtor must be given a 31-day notice prior to an upward revision unless a waiver of that notice is obtained from the superintendent, in which case the notice of the upward revision must be given at the next regular billing cycle.

Sec. 4. 24-A MRSA § 2859, sub-§ 4 is enacted to read:

4. Termination. Any policy for credit insurance issued subsequent to the enactment of this section shall contain a provision that the insurance provided for may only be terminated under the following conditions:

A. The date the indebtedness is discharged, renewed or refinanced;

B. Upon written request of a debtor;

C. In the event where debtors are insured under individual policies, nonpayment by such debtor of any required premium over 31 days past due, provided that at least 10 days prior to termination the debtor has been given a notice of the right to cure in substantially the same form required by Title 9-A, section 5-110, subsection 3;

D. In the case where debtors are insured under group policies the group policy may be terminated after 31 days prior notice to the debtor:

(1) In a noncontributory policy, at the option of the creditor; or

(2) At the time the insurance risk is transferred to a succeeding insurance carrier; or

E. In the case where credit is extended on open-ended basis:

(1) At attainment by the debtor of an age determined in advance by the contract of insurance; or

(2) If the creditor elects to terminate all insurance on credit extended on an open-ended basis.

Sec. 5. Effective date. This Act shall take effect on January 1, 1979.

STATEMENT OF FACT

Sections 1 and 2 of the new draft reduce the amount of excess insurance available by restricting insurance coverage to the unpaid amount financed plus earned interest and a delinquency allowance. It also deletes the \$40,000 maximum limit for group credit life insurance.

Section 3 of the new draft prohibits increasing insurance rates in closed-end transactions. It also prohibits increasing insurance rates in revolving accounts without a 31-day notice, unless waived by the superintendent.

Section 4 of the new draft sets out the conditions under which insurance can be cancelled.