

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document

No. 1243

H. P. 968

House of Representatives, March 14, 1979

On Motion of Mr. Howe of South Portland, referred to the Committee on Business Legislation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Ms. Benoit of South Portland.

Cosponsor: Mr. Gwadosky of Fairfield.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-NINE

**AN ACT to Provide for Sales of Straight Life Insurance by Savings Banks.**

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

Sec. 1. **9-B MRSA Pt. 11** is enacted to read:

**PART 11**

**BANK INSURANCE**

**CHAPTER 111**

**BANK LIFE INSURANCE**

§ 1111. **Short title**

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

§ 1112. **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 banks of this State at low cost commensurate with safety of policies of life insurance annuity contracts and other incidental insurance benefits, and for this purpose to authorize and empower these

banks to establish and maintain life insurance departments and either by themselves or in cooperation with other banks to engage in the insurance and sale of these policies and contracts. In addition, it is the purpose of this chapter to set forth more clearly the intention that 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 bank, shall be certified as to their competency and trustworthiness by the Superintendent of Insurance.

#### § 1113. Definitions

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

1. Agency bank. "Agency bank" means a bank which acts as agent for an insurance bank or as agent for a bank life insurance company.

2. Bank. "Bank" means a bank or credit union organized pursuant to or subject to this Title.

3. Bank life insurance company. "Bank life insurance company" means a life insurance company which conducts the business of life insurance in this State in the manner prescribed by this chapter.

4. Directors. "Directors" means the governing body of a bank.

5. Insurance bank. "Insurance bank" means a bank in this State which has established a bank life insurance department.

6. Life insurance department. "Life insurance department" means the department of an insurance bank in which the business of issuing life insurance policies and the granting of annuities is conducted.

7. Savings department. "Savings department" means the department of an insurance bank in which the business done by a bank other than that provided for by this chapter is conducted.

#### § 1114. Establishment of a life insurance department

A bank may, upon complying with this chapter, establish a life insurance department if its trustees have voted to do so by 2/3 vote of its trustees present at a meeting especially called for the purpose. The Superintendent of the Bureau of Banking and the Superintendent of the Bureau of Insurance of this State shall issue a joint certificate declaring the life insurance department established upon their finding that:

1. Vote file. Certified copies of the vote of the directors authorizing the establishment of the life insurance department have been filed with the Superintendent of the Bureau of Banking and the Superintendent of the Bureau of Insurance within 30 days after adoption thereof;

2. **Advance to surplus.** The bank has made an advance to surplus of the life insurance department as provided in section 1115;

3. **Reinsurance.** The bank has entered into an agreement for reinsurance with a bank life insurance company as provided in section 1125; and

4. **Financial condition.** The financial condition of the bank has been found by the Superintendent of the Bureau of Banking to present no objection to the establishment of a life insurance department.

§ 1115. **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 the department by the bank, to be applied in payment of the operating expenses thereof if and so far as other amounts applicable to the operating expenses are insufficient.

2. **Approval.** The amount of the initial surplus shall be fixed by the directors with the approval of the Superintendent of the Bureau of Banking 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 bank and shall bear interest at a rate to be fixed from time to time by the directors and the Superintendent of the Bureau of Banking but shall not exceed 7% per year.

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.

§ 1116. **Powers of life insurance department**

Upon the issuance of the certificate by the superintendents establishing the life insurance department of an insurance bank as provided by section 1114, the life insurance department of the 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 directors of the 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 bank. The life insurance department may decline particular classes of risks or reject any particular application.

§ 1117. **Qualifications and certification of officers and employees who accept application for life insurance**

Any officer or employee of a bank, 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 these applications or orders, shall be licensed as a life insurance agent pursuant to Title 24-A, Chapter 17, before engaging in those activities.

**§ 1118. 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 also be kept distinct 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 directors equitably between the 2 departments.

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

“The only assets of this savings bank which are liable 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.”

**§ 1119. 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 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 Superintendent of the Bureau of Banking.

**§ 1120. Limit of insurance**

No insurance bank shall:

1. **Death.** Become obligated to pay more than \$50,000 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 those 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 \$75,000 in initial face amount and shall decrease in amount at regular intervals so that no part thereof shall be in force beyond 40 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 \$150 per month exclusive of dividends or profits or paid-up annuity purchased with dividends or profits; and

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 insurance banks with respect to the same person, would in the aggregate exceed the maximum obligation allowed any one insurance bank.

#### § 1121. 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 25 miles of the boundary line thereof, or of a person regularly employed within this State or of the spouse or children residing in the household of a person regularly employed within this State, but any policy so issued may be continued in force by the payment of premiums notwithstanding the termination of that residence or employment.

#### § 1122. Off the premises solicitors not to be employed by banks

An 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. An insurance bank may appoint another 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 Superintendent of the Bureau of Insurance may from time to time approve. Any bank, which has not established a life insurance department, may act as an agency bank when so appointed either by a bank which has established such a department or by a bank life insurance company.

§ 1123. Use of surplus

1. Set apart. The life insurance department of each 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 directors may determine; provided the surplus with the amounts then authorized to be transferred to it shall not exceed 12% of the policy reserves of the department, except with the approval of the Superintendent of the Bureau of Insurance.

2. Use. The surplus created as provided in section 1115, 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 directors may from time to time determine.

§ 1124. Policies, how signed

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

§ 1125. Qualifications of a bank life insurance company

In order that a bank may purchase stock in a bank life insurance company as provided in section 1126, the company shall 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 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 that 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 that business.

5. Reinsurance. It shall be authorized to reinsure life insurance and annuity contracts only when originally issued by insurance banks of this or any other state and shall agree in writing with each bank proposing to establish a life insurance department to reinsure all of the contracts of the department in a manner which

will remove from the bank the mortality and morbidity risk of all the contracts. The reinsurance agreement shall contain, but shall not be limited to the following provisions:

- A. That the 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 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 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 insurance banks tables of:
  - (1) Premium rates for all life insurance policies to be issued by the 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 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 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 the claim is paid pursuant to the judgment or decree of a court of competent jurisdiction; and
- 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 the defense.

§ 1126. Investment in a bank life insurance company

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

**§ 1127. Discontinuance of life insurance department**

An 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 that purpose, in accordance with the bylaws of the bank. A copy of the resolution, certified by the clerk, shall be filed with each superintendent. When an insurance bank has voted to discontinue its life insurance department, it shall make provisions satisfactory to the Superintendent of the Bureau of Insurance for carrying out, with reasonable convenience to policyholders and annuitants, its existing insurance and annuity contracts.

**§ 1128. Examination of life insurance department**

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

**§ 1129. Reports of savings and insurance banks**

The life insurance department of every insurance bank shall annually, on or before the first day of March, file with the Superintendent of the Bureau of Insurance a statement showing the financial condition of the life insurance department on the last business day of December, and whatever data the Superintendent of the Bureau of Insurance may require to verify the reserves for life insurance and annuity contracts. The annual statement shall be in the form required by the Superintendent of the Bureau of Insurance. The assets and liabilities shall be computed and allowed in the 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 insurance bank shall make oath that the annual report is correct according to the best of their knowledge and belief.

**§ 1130. Powers of insurance superintendent; insolvency**

The Superintendent of the Bureau of Insurance shall have the same power to take action with respect to the conduct of the business of the life insurance department of an 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.

**§ 1131. Taxation**

**The insurance department of an insurance bank, 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.**

**Sec. 2. 24-A MRSA § 1514-A**, as enacted by PL 1971, c. 407, is amended to read:

**§ 1514-A. Prohibition as to banks, savings and loan associations and credit unions**

No license as an agent, broker or consultant shall be issued to a bank, a savings and loan association or a credit union, a holding company or subsidiary of any of the foregoing ~~or any officer, agent, representative or employee thereof other than a director, trustee or other part time officer~~. Nothing in this section shall limit the activity of such organizations with respect to credit life and credit health insurance pursuant to chapter 37, group health insurance authorized pursuant to chapter 35 and ~~group~~ life insurance authorized pursuant to chapter 31.

**STATEMENT OF FACT**

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