

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

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ONE HUNDRED AND TENTH LEGISLATURE

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**Legislative Document**

**No. 514**

S. P. 190

In Senate, January 29, 1981

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

MAY M. ROSS, Secretary of the Senate

Presented by Senator Najarian of Cumberland.

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STATE OF MAINE

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IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

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**AN ACT to Amend the Group Life Insurance Law.**

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

Sec. 1. 24-A MRSA § 2602, as enacted by PL 1969, c. 132, § 1, is repealed.

Sec. 2. 24-A MRSA § 2602-A is enacted to read:

§ 2602-A. Eligible groups

Except as provided in section 2612-A, no policy of group life insurance may be delivered in this State unless it conforms to one of the descriptions in sections 2603 to 2610-A.

Sec. 3. 24-A MRSA § 2603, as enacted by PL 1969, c. 132, § 1, is repealed and the following enacted in its place:

§ 2603. Employee groups

The lives of a group of individuals may be insured under a policy issued to an employer or to the trustees of a fund established by an employer, which employer or trustees are considered the policyholder, to insure employees of the employer for the benefit of persons other than the employer, subject to the following requirements.

1. The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof. The policy may

provide that the term "employees" includes the employees of one or more subsidiary corporations, and the employees, individual proprietors and partners of one or more affiliated corporations, proprietorships or partnerships if the business of the employer and of the affiliated corporations, proprietorships or partnerships is under common control. The policy may provide that the term "employees" includes the individual proprietor or partners if the employer is an individual proprietorship or partnership. The policy may provide that the term "employees" includes retired employees and directors of a corporate employer. A policy issued to insure the employees of a public body may provide that the term "employees" includes elected or appointed officials.

2. The premium for the policy shall be paid either from the employer's funds or from funds contributed by the insured employees, or from both. Except as provided in subsection 3, a policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees, except those who reject that coverage in writing.

3. An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

Sec. 4. 24-A MRSA § 2604, as last amended by PL 1979, c. 667, § 2, is repealed.

Sec. 5. § 2604-A is enacted to read:

§ 2604-A. Debtor groups

The lives of a group of individuals may be insured under a policy issued to a creditor or its parent holding company or to a trustee or trustees or agent designated by 2 or more creditors, which creditor, holding company, affiliate, trustee, trustees or agent is considered the policyholder, to insure debtors of the creditor, or creditors, subject to the following requirements.

1. The debtors eligible for insurance under the policy are all of the debtors of the creditor or creditors, or all of any class or classes thereof. The policy may provide that the term "debtors" includes:

A. Borrowers of money or purchasers or lessees of goods, services or property for which payment is arranged through a credit transaction;

B. The debtors of one or more subsidiary corporations; and

C. The debtors of one or more affiliated corporations, proprietorships or partnerships if the business of the policyholder and of the affiliated corporations, proprietorships or partnerships is under common control.

2. The premium for the policy shall be paid either from the creditor's funds, or from charges collected from the insured debtors, or from both. Except as provided in subsection 3, a policy on which no part of the premium is to be derived from funds contributed by insured debtors specifically for their insurance must insure all eligible debtors.

3. An insurer may exclude any debtors as to whom evidence of individual insurability is not satisfactory to the insurer.

4. The amount of the insurance on the life of any debtor shall at no time exceed the greater of the scheduled or actual amount of unpaid indebtedness to the creditor.

5. The insurance may be payable to the creditor or any successor to the right, title and interest of the creditor. The payment shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of the payment.

6. Notwithstanding the provisions of this section, insurance on agricultural credit transaction commitments may be written up to the amount of the loan commitment on a nondecreasing or level term plan. Insurance on educational credit transaction commitments may be written up to the amount of the loan commitment less the amount of any repayments made on the loan.

Sec. 6. 24-A MRSA §§ 2605 and 2606, as enacted by PL 1969, c. 132, § 1, are repealed.

Sec. 7. 24-A MRSA §§ 2605-A and 2606-A are enacted to read:

**§ 2605-A. Labor union groups**

The lives of a group of individuals may be insured under a policy issued to a labor union, or similar employee organization, which is considered to be the policyholder, to insure members of that union or organization for the benefit of persons other than the union or organization or any of its officials, representatives or agents, subject to the following requirements.

1. The members eligible for insurance under the policy are all of the members of the union or organization, or all of any class or classes thereof.

2. The premium for the policy shall be paid either from funds of the union or organization, or from funds contributed by the insured members specifically for their insurance, or from both. Except as provided in subsection 3, a policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, except those who reject that coverage in writing.

3. An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

**§ 2606. Trustee groups**

The lives of a group of individuals may be insured under a policy issued to a trust or to the trustee or trustees of a fund established by 2 or more employers, or by one or more labor unions or similar employee organizations, or by one or more employers and one or more labor unions or similar employee organizations, which trust or trustees are considered the policyholder, to insure employees of the employers or members of the unions or organizations for the benefit of persons

other than the employers or the unions or organizations, subject to the following requirements.

1. The persons eligible for insurance are all of the employees of the employers or all of the members of the unions or organizations, or all of any class or classes thereof. The policy may provide that the term "employees" includes retired employees, the individual proprietor or partners if an employer is an individual proprietorship or a partnership, and directors of a corporate employer. The policy may provide that the term "employees" includes the trustees or their employees, or both, if their duties are principally connected with that trusteeship.

2. The premium for the policy shall be paid from funds contributed by the employer or employers of the insured persons or by the union or unions or similar employee organizations, or by both, or from funds contributed by the insured persons or from both the insured persons and the employer or union or similar employee organization. Except as provided in subsection 3, a policy on which no part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance must insure all eligible persons, except those who reject that coverage in writing.

3. An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

Sec. 8. 24-A MRSA § 2607, as last amended by PL 1977, c. 696, § 372, is repealed.

Sec. 9. 24-A MRSA § 2607-A is enacted to read:

**§ 2607-A. Association groups**

The lives of a group of individuals may be insured under a policy issued to an association or to a trust or to the trustee or trustees of a fund established, created or maintained for the benefit of members of one or more associations. The association or associations shall have at the outset a minimum of 100 persons; shall have been organized and maintained in good faith for purposes other than that of obtaining insurance; shall have been in active existence for at least 2 years; and shall have a constitution and bylaws which provides that: The association or associations hold regular meetings not less than annually to further purposes of the members; except for credit unions, the association or associations collect dues or solicit contributions from members; and the members have voting privileges and representation on the governing board and committees. The policy is subject to the following requirements.

1. The policy may insure members of the association or associations, employees thereof or employees of members, or one or more of the preceding or all of any class or classes thereof for the benefit of persons other than the employees' employer.

2. The premium for the policy shall be paid from funds contributed by the association or associations or by employer members, or by both, or from funds

contributed by the covered persons or from both the covered persons and the association, associations or employer members.

3. Except as provided in subsection 4, a policy on which no part of the premium is to be derived from funds contributed by the covered persons specifically for their insurance must insure all eligible persons, except those who reject that coverage in writing.

Sec. 10. 24-A MRSA § 2608, as enacted by PL 1969, c. 132, § 1, is repealed.

Sec. 11. 24-A MRSA § 2609, as amended by PL 1969, c. 177, § 42, is repealed.

Sec. 12. 24-A MRSA § 2610, as enacted by PL 1969, c. 132, § 1, is repealed.

Sec. 13. 24-A MRSA § 2610-A is enacted to read:

§ 2610-A. Credit union groups

The lives of a group of individuals may be insured under a policy issued to a credit union or to a trustee or trustees or agent designated by 2 or more credit unions, which credit union, trustee, trustees or agent is considered the policyholder, to insure members of the credit union or credit unions for the benefit of persons other than the credit union or credit unions, trustee or trustees or agent or any of their officials, subject to the following requirements.

1. The members eligible for insurance are all of the members of the credit union or credit unions or all of any class or classes thereof.

2. The premium for the policy shall be paid by the policyholder from the credit union's funds and, except as provided in subsection 3, must insure all eligible members.

3. An insurer may exclude or limit the coverage on any member as to whom evidence of individual insurability is not satisfactory to the insurer.

Sec. 14. 24-A MRSA § 2611, as last amended by PL 1979, c. 102, is repealed.

Sec. 15. 24-A MRSA § 2611-A is enacted to read:

§ 2611-A. Dependent's coverage

Except for a policy issued under section 2604-A, a group life insurance policy may be extended to insure the employees or members against loss due to the death of their spouses and dependent children, or any class or classes thereof, subject to the following.

1. The premium for the insurance shall be paid either from funds contributed by the employer, union, association or other person to whom the policy has been issued or from funds contributed by the covered persons, or from both. Except as provided in subsection 2, a policy on which no part of the premium for the spouse's and dependent child's coverage is to be derived from funds contributed by the covered persons must insure all eligible employees or members with respect to their spouses and dependent children, or any class or classes thereof.

2. An insurer may exclude or limit the coverage on any spouse or dependent child as to whom evidence of individual insurability is not satisfactory to the insurer.

3. The amounts of insurance for any covered spouse or dependent child under the policy may not exceed 50% of the amount of insurance for which the employee or member is insured.

Sec. 16. 24-A MRSA § 2612-A is enacted to read:

**§ 2612-A. Other groups**

Group life insurance offered to a resident of this State under a group life insurance policy issued to a group other than one described in sections 2602-A to 2610-A is subject to the following requirements.

1. No such group life insurance policy may be delivered in this State unless the superintendent finds that:

- A. The issuance of the group policy is not contrary to the best interest of the public;
- B. The issuance of the group policy would be actuarially sound;
- C. The issuance of the group policy would result in economics of acquisition or administration; and
- D. The benefits are reasonable in relation to the premiums charged.

2. No such group life insurance coverage may be offered in this State by an insurer under a policy issued in another state unless this State or another state having requirements substantially similar to those contained in subsection 1, paragraphs A, B, C and D has made a determination that the requirements have been met.

3. The premium for the policy shall be paid either from the policyholder's funds or from funds contributed by the covered persons, or from both.

4. An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

Sec. 17. 24-A MRSA § 2613, as last amended by PL 1973, c. 585, § 12, is repealed and the following enacted in its place:

**§ 2613. Provisions required in group contracts**

No policy of group life insurance may be delivered in this State unless it contains in substance the provisions set forth in this section and in sections 2614 to 2628, or provisions which in the opinion of the superintendent are more favorable to the persons insured, or at least as favorable to the persons insured and more favorable to the policyholder, provided:

1. That sections 2619 to 2623 and section 2628 do not apply to policies insuring the lives of debtors;

2. That the standard provisions required for individual life insurance policies do not apply to group life insurance policies; and

3. That if the group life insurance policy is on a plan of insurance other than the term plan, it contains a nonforfeiture provision or provisions which in the opinion of the superintendent is or are equitable to the insured persons and to the policyholder, but nothing herein may be construed to require that group life insurance policies contain the same nonforfeiture provisions as are required for individual life insurance policies.

Sec. 18. 24-A MRSA § 2615, sub-§ 1, as enacted by PL 1969, c. 132, § 1, is amended to read:

1. The group life insurance policy shall contain a provision that the validity of the policy shall not be contested, except for nonpayment of premium, after it has been in force for 2 years from its date of issue; and that no statement made by any person insured under the policy relating to his insurability shall may be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force prior to the contest for a period of 2 years during such person's lifetime nor unless it is contained in a written instrument signed by him; provided, that no such provision may preclude the assertion at any time of defenses based upon provisions in the policy which relate to eligibility for coverage.

Sec. 19. 24-A MRSA § 2615, sub-§ 2, as enacted by PL 1969, c. 132, § 1, is repealed.

Sec. 20. 24-A MRSA § 2616, as enacted by PL 1969, c. 132, § 1, is amended to read:

**§ 2616. Application; statements deemed representations**

The group life insurance policy shall contain a provision that a copy of the application, if any, of the policyholder shall be attached to the policy when issued ~~and become a part of the contract;~~ that all statements made by the policyholder or by the persons insured shall be deemed representations and not warranties, and that no statement made by any person insured shall be used in any contest, unless a copy of the instrument containing the statement is or has been furnished to such person or, in the event of death or incapacity of the insured person, to his beneficiary ~~prior to the insured's death or personal representative.~~

Sec. 21. 24-A MRSA § 2619, as enacted by PL 1969, c. 132, § 1, is amended to read:

**§ 2619. Payment of benefits**

The group life insurance policy shall contain a provision that any sum becoming due by reason of the death of the person insured shall be payable to the beneficiary designated by the person insured, **except that where the policy contains conditions pertaining to family status the beneficiary may be the family member specified by the policy terms**, subject to the provisions of the policy, in the event there is no



designated beneficiary, as to all or any part of such sum, living at the death of the person insured, and subject to any right reserved by the insurer in the policy and set forth in the certificate to pay at its option a part of such sum not exceeding ~~\$500~~ **\$2,000** to any person appearing to the insurer to be equitably entitled thereto by reason of having incurred funeral or other expenses incident to the last illness or death of the person insured.

Sec. 22. 24-A MRSA § 2620, as amended by PL 1975, c. 183, § 1, is repealed and the following enacted in its place:

**§ 2620. Information as to insurance**

**The group life insurance policy shall contain a provision that the insurer will issue to the policyholder for delivery to each person insured a certificate setting forth a statement as to the insurance protection to which he is entitled, to whom the insurance benefits are payable, a statement as to any dependent's coverage included in the certificate, and the rights and conditions set forth in sections 2621, 2622, 2623 and 2628.**

Sec. 23. 24-A MRSA § 2621, first sentence, as enacted by PL 1969, c. 132, § 1, is amended to read:

There shall be a provision that if the insurance, or any portion of it, on a person covered under the policy **or on the dependent of a person covered**, ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such person shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, provided application for the individual policy shall be made, and the first premium paid to the insurer, within 31 days after such termination, and provided further that:

Sec. 24. 24-A MRSA § 2621, sub-§ 1, as enacted by PL 1969, c. 132, § 1, is amended to read:

1. The individual policy shall, at the option of such person, be on any one of the forms, ~~except term insurance~~, then customarily issued by the insurer at the age and for the amount applied for, **except that the group policy may exclude the option to elect term insurance;**

Sec. 25. 24-A MRSA § 2621, as enacted by PL 1969, c. 132, § 1, is amended by adding at the end a new paragraph to read:

**Subject to the same conditions set forth in this section, the conversion privilege shall be available: To a surviving dependent, if any, at the death of the employee or member, with respect to the coverage under the group policy which terminates by reason of the death; and to the dependent of the employee or member upon termination of coverage of the dependent, while the employee or member remains insured under the group policy, by reason of the dependent ceasing to be a qualified family member under the group policy.**

Sec. 26. 24-A MRSA § 2622, as enacted by PL 1969, c. 132, § 1, is amended to read:

**§ 2622. Conversion on termination of policy**

The group life insurance policy shall contain a provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured thereunder at the date of such termination whose insurance terminates, **including the insured dependent of a covered person**, and who has been so insured for at least 5 years prior to such termination date shall be entitled to have issued to him by the insurer an individual policy of life insurance, subject to the same conditions and limitations as are provided by section 2621, except that the group policy may provide that the amount of such individual policy shall not exceed the smaller of:

1. The amount of the person's life insurance protection ceasing because of the termination or amendment of the group policy, less the amount of any life insurance for which he is or becomes eligible under ~~any~~ a group policy issued or reinstated by the same or another insurer within 31 days after such termination, and

2. ~~\$2,000~~ \$10,000.

Sec. 27. 24-A MRSA § 2623, as enacted by PL 1969, c. 132, § 1, is amended to read:

**§ 2623. Death pending conversion**

The group life insurance policy shall contain a provision that if a person insured under the policy, **or the insured dependent of a covered person**, dies during the period within which he would have been entitled to have an individual policy issued to him in accordance with sections 2621 or 2622 and before such an individual policy shall have become effective, the amount of life insurance which he would have been entitled to have issued to him under such individual policy shall be payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium therefor has been made.

Sec. 28. 24-A MRSA § 2624, as enacted by PL 1969, c. 132, § 1, is repealed and the following enacted in its place:

**§ 2624. Information to debtor**

**In the case of a policy insuring the lives of debtors, a provision that the insurer will furnish to the policyholder for delivery to each debtor insured under the policy a certificate of insurance describing the coverage and specifying that the death benefit shall first be applied to reduce or extinguish the indebtedness.**

Sec. 29. 24-A MRSA § 2628 is enacted to read:

**§ 2628. Total disability**

**Where active employment is a condition of insurance, the group life insurance policy shall contain a provision that an insured may continue coverage during the insured's total disability by timely payment to the policyholder of that portion, if**

any, of the premium that would have been required from the insured had total disability not occurred. The continuation shall be on a premium paying basis for a period of 6 months from the date on which the total disability started, but not beyond the earlier of:

1. Approval by the insurer of continuation of the coverage under any disability provision which the group insurance policy may contain; or
2. The discontinuance of the group insurance policy.

#### STATEMENT OF FACT

The purpose of this bill is to conform the Maine Group Life Insurance Law to the model group life insurance law which was recently adopted by the National Association of Insurance Commissioners. Present Maine law is based upon prior National Association of Insurance Commissioners model group life insurance laws. The recently adopted model law represents the comprehensive revisions made by the National Association of Insurance Commissioners.