

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES (Filing No. H-151)  
110TH LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 517, L.D. 583, Bill, "AN ACT Relating to the Availability of Joint Life Insurance in Connection with Real Estate Mortgage Loans."

Amend the Bill by striking out everything after the enacting clause and inserting in its place the following:

'Sec. 1. 9-B MRSA §443, sub-§7, 2nd sentence, as enacted  
by PL 1979, c. 667, §1, is amended to read:

In so doing , a financial institution which makes life insurance available pursuant to Title 24-A, section ~~2604~~ 2604-A, where the indebtedness is secured to the creditor by a mortgage on real estate ~~with-an-initial -term-exceeding-15-years~~, and where a separate charge is made to the debtor for that insurance, shall make the insurance available jointly to the debtor and not more than one comaker of the indebtedness, provided that both are individually and jointly liable to repay the indebtedness.

Sec. 2. 24-A MRSA §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 insurability is not satisfactory to the insurer.

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.

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.

7. Notwithstanding subsection 1, in the case of a group policy issued pursuant to this section which provides life insurance on the term plan upon the lives of persons indebted to a creditor, where the indebtedness is secured to the creditor by

a mortgage on real estate, where the insurance is afforded on an optional basis and where a separate charge is made to the debtor by the creditor for the insurance, both the debtor and not more than one comaker of the indebtedness are eligible to apply for insurance jointly under the group policy, provided that both of them are individually and jointly liable to repay the indebtedness. This subsection may not be held to restrict the right of an insurer to require satisfactory evidence of insurability of any person requesting the insurance, nor to preclude those exclusions from eligibility for insurance under such a group policy as may be contained therein. Nothing in this subsection may prohibit insurance on the life of one debtor only, if desired by the debtor.

Sec. 3. 24-A MRSA §2851, as enacted by PL 1969, c. 132, §1, is repealed and the following enacted in its place:

§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 15 years' duration of insurance 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 or in connection with real estate loans where the charge, if any, to the debtor is periodic and not financed.

Sec. 4. Effective date. Section 2 of this Act ←→ takes effect 91 days after the Legislature adjourns.'

Statement of Fact

The purpose of this amendment is to delete the minimum loan duration requirements contained in the bill, and to make a technical change necessitated by passage of another bill this session.

Reported by the Committee on Business Legislation.  
Reproduced and distributed under the direction of the Clerk  
of the House.

3/30/81

(Filing No. H-151)