

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

**Legislative Document**

**No. 583**

H. P. 517

House of Representatives, February 3, 1981

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

EDWIN H. PERT, Clerk

Presented by Representative Pouliot of Lewiston.

STATE OF MAINE

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

**AN ACT Relating to the Availability of Joint Life Insurance in Connection with Real Estate Mortgage Loans.**

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

**Sec. 1. 24-A MRSA § 2604, sub-§ 7, first sentence, as repealed and replaced by PL 1979, c. 667, § 2, is amended to read:**

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, with an initial term exceeding ~~15~~ 5 years, 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 shall be eligible to apply for insurance jointly under the group policy, provided that both of them are individually and jointly liable to repay the indebtedness.

**Sec. 2. 24-A MRSA § 2851, as enacted by PL 1969, c. 132, § 1, is repealed and the following enacted in its place:**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 5 years' duration for real estate mortgage loans or 15 years' duration for all other types of indebtedness or 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.**

#### STATEMENT OF FACT

When the Maine Revised Statutes, Title 24-A, section 2604, subsection 7 was enacted it was clearly the intent of the Legislature that joint life insurance should be available to all persons indebted in connection with real estate mortgage loans. The restrictions then and now contained in the law preclude this. Mortgages of greater than 15 years' duration only can be subject to joint life coverage.

The restriction of 15 years' minimum duration precludes the writing of the less costly variety of disability insurance now available on any mortgage which happens to be of a shorter term.

Enactment of this bill will make joint life insurance available on all mortgage loans of greater than 5 years' duration and will make available the less costly plans of disability insurance.