

# MAINE STATE LEGISLATURE

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SECOND REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 1754

S. P. 751 Office of the Secretary of the Senate  
Approved for introduction by the Legislative Council pursuant to  
Joint Rule 26.

Reference to the Committee on Business Legislation suggested and  
1,400 Ordered Printed.

MAY M. ROSS, Secretary of the Senate  
Presented by Senator Devoe of Penobscot.

STATE OF MAINE

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

AN ACT Concerning Annuity Agreements  
with the University of Maine.

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

Sec. 1. 24-A MRSA §2573, as enacted by PL 1977, c.  
261, §2, is repealed and the following enacted in its place:

§2573. Reserve requirements

The superintendent shall, upon granting to the univer-  
sity a certificate of authority, require the university to  
establish and maintain a reserve fund adequate to meet the  
future payments under its outstanding annuity agreements and  
in any event, not less than an amount computed as follows.

For all gift annuity agreements issued on or after the  
effective date of this section, the commissioner's reserve  
valuation method, as defined in the Maine Insurance Code,  
section 954, and those tables and interest rates adopted to  
produce minimum standards for individual annuity contracts  
in this State as set out in section 953, subsection 3, para-

1 graph A or its successor statute. Any amendments to that  
2 statute shall require application of modified standards to  
3 only those agreements issued on or after the effective date  
4 of these amendments. Credit shall be allowed in reduction  
5 of the amount of the reserve fund for reinsurance effected  
6 with any admitted life insurance company which possesses  
7 surplus funds as required under this Title subject to  
8 section 2577.

9 The fund shall be invested in the federally insured  
10 savings accounts of banks, Federal Government securities or  
11 bonds with a rating of AAA or better.

12 For any failure on the part of the university to estab-  
13 lish and maintain this reserve fund, the superintendent  
14 shall revoke its certificate of authority.

15 Sec. 2. 24-A M RSA §2574, as enacted by PL 1977, c.  
16 261, §2, is repealed and the following enacted in its place:

17 §2574. Filing Copies of Annuity Agreements

18 The university as it executes agreements under this  
19 chapter, shall file with the superintendent, a copy of each  
20 agreement entered into between the university and any trans-  
21 feror.

22 Sec. 3. 24-A M RSA §2574-A is enacted to read:

23 §2574-A. Surplus Funds

24 Surplus shall be maintained at all times in an amount  
25 at least equal to the greater of:

26 1. Ten percent of the reserve defined in section 2573;  
27 or

28 2. The lesser of:

29 A. The difference between:

30 (1) The reserve defined in section 2573; and

31 (2) An amount for each annuity agreement equal to  
32 the annual annuity benefit to the extent not rein-  
33 sured pursuant to section 2573 multiplied by the  
34 difference between the attained age of the annui-  
35 tant and 100; or

1           B. One hundred thousand dollars.

2           Sec. 4. 24-A MRSA §2575, sub-§4, as enacted by PL  
3 1977, c. 261, §2, is amended to read:

4           4. Age of recipient. The age, in years, at or nearest  
5 the date of the agreement, of the person during whose life  
6 the annuity is to be paid; and

7           Sec. 5. 24-A MRSA §2575, sub-§5 is enacted to read:

8           5. The present value, as of the date of the agreement  
9 of the benefits thereby created. The present value shown  
10 shall not exceed by more than 15% the net single premium for  
11 those benefits, determined in accordance with the minimum  
12 standard of valuation as prescribed in section 2573.

13           Sec. 6. 24-A MRSA §2576, as enacted by PL 1977, c.  
14 261, §2, is repealed and the following enacted in its place:

15           §2576. Reinsurance

16           The university, if it holds a certificate of authority  
17 under this chapter, may reinsure its total liability under  
18 an annuity agreement, as defined in section 2575, with an  
19 admitted insurer for a single premium. In this event, the  
20 university may take credit for the reinsurance in reduction  
21 of the amount of the reserve fund it is required to maintain  
22 under section 2573 subject to the following condition.

23           A. The university shall enter into a written agreement  
24 with the annuitant and the reinsurer, stipulating in  
25 the agreement that if the university for any reason is  
26 unable to continue the making of annuity payments re-  
27 quired by its annuity agreement, the annuitant shall  
28 receive payments directly from the reinsurer and the  
29 reinsurer shall be credited with all of the accounts  
30 between the university and the reinsurer. A copy of  
31 reinsurance contracts so effected shall be filed with  
32 the superintendent as executed.

33           Sec. 7. 24-A MRSA §2577, as enacted by PL 1977 c. 261,  
34 §2, is repealed and the following enacted in its place:

35           §2577. Examinations

36           The superintendent shall, as of July 1st of each year,  
37 value or cause to be valued, the reserve fund required under  
38 this chapter. He shall provide the university with a writ-

1 ten report of such valuation not later than the following  
2 October 1st. The university shall provide, to the superin-  
3 tendent, not later than August 1st of each year, a listing  
4 of all annuity agreements in force and upon which payments  
5 are being made. The listing shall give the attained age of  
6 each annuitant, sex, amount of the annuity, the reserve  
7 method and interest assumption utilized in the reserve cal-  
8 culatation and the details of any reinsurance effected if  
9 reinsurance credits are taken under this chapter.

10

#### Statement of Fact

11 This bill amends the provisions regarding annuity  
12 agreements with the University of Maine, Title 24-A, chapter  
13 30. Chapter 30 allows persons to make gifts to the univer-  
14 sity and receive in return annuity payments. The amendments  
15 modify requirements such as reporting to the Superintendent  
16 of Insurance and residue requirements to make it easier for  
17 the university and donors to come to an agreement. The  
18 amendments are expected to increase the amount of gifts made  
19 to the university.