

MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 931

6
7 H.P. 722

House of Representatives, March 1, 1983

8 On Motion of Representative Brannigan of Portland referred to the
9 Committee on Business Legislation. Sent up for concurrence and ordered
printed.

10 EDWIN H. PERT, Clerk

Presented by Representative Benoit of So. Portland.

Cosponsors: Senator Charette of Androscoggin and Representative
Murray of Bangor.

11
12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-THREE
16

17 AN ACT to Provide for the Sale of Life
18 Insurance by Financial Institutions.
19

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

22 Sec. 1. 9-B MRSA Pt. 12 is enacted to read:

23 PART 12

24 BANK INSURANCE

25 CHAPTER 113

26 BANK LIFE INSURANCE

27 §1131. Short title

28 This chapter may cited as the "Bank Life Insur-
29 ance Law."

1 The purpose of this chapter is to allow banks of
2 this State to sell life insurance policies and annu-
3 ity contracts.

4 §1132. Definitions

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

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

11 2. Bank. "Bank" means a financial institution,
12 as defined in section 131, subsection 17-A.

13 3. Bank life insurance company. "Bank life
14 insurance company" means a life insurance company
15 which conducts the business of life insurance in this
16 State in the manner prescribed by this chapter and
17 shall include the Savings Bank Life Insurance Company
18 of Connecticut.

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

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

24 6. Insurance department. "Insurance department"
25 means the department of an insurance bank in which
26 the business of issuing life insurance policies and
27 the granting of annuities is conducted.

28 7. Reinsuring life insurance company. "Reinsur-
29 ing life insurance company" means a life insurance
30 company which conducts the business of life insurance
31 in this State.

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

36 §1133. Establishment of insurance department

1 Any bank may, upon complying with this chapter,
2 establish an insurance department if its directors
3 have voted to do so by 2/3 vote of its directors
4 present at a meeting especially called for that pur-
5 pose. The Superintendent of Banking and the Super-
6 intendent of Insurance of this State shall issue a
7 joint certificate declaring the insurance department
8 established upon their finding that:

9 1. Vote file. Certified copies of the vote of
10 the directors authorizing the establishment of the
11 insurance department have been filed with the Super-
12 intendent of Banking and the Superintendent of Insur-
13 ance within 30 days after adoption thereof;

14 2. Advance to surplus. The bank has made an
15 advance to surplus of the insurance department, as
16 provided in section 1134;

17 3. Reinsurance. The bank has entered into an
18 agreement for reinsurance with a bank life insurance
19 company, or a reinsuring life insurance company, as
20 provided in section 1143, subsection 5; and

21 4. Financial condition. The financial condition
22 of the bank has been found by the Superintendent of
23 Banking to be safe and sound.

24 §1134. Advances to surplus of insurance department

25 1. Initial surplus. A life insurance department
26 shall have an initial surplus of not less than
27 \$50,000 in cash advanced to the department by the
28 bank, to be applied in payment of the operating
29 expenses, if and so far as other amounts applicable
30 to the operating expenses are insufficient.

31 2. Approval. The amount of the initial surplus
32 shall be fixed by the directors with the approval of
33 the Superintendent of Banking and additional advances
34 may be made at any time thereafter with the same
35 approval.

36 3. Legal investments. Certificates evidencing
37 advances to surplus shall be legal investments for a
38 bank and shall bear interest at a rate to be fixed
39 from time to time by the directors, but shall not
40 exceed 7% each year.

1 4. Repaid. Advances to surplus may be repaid
2 when the repayment will not reduce the surplus cre-
3 ated from net profits and advances below \$50,000.

4 5. Not liability. Advances to surplus shall not
5 be deemed a liability of the life insurance depart-
6 ment in determining the solvency thereof.

7 §1135. Powers of insurance department

8 Upon issuance of the certificate by the super-
9 intendents establishing the life insurance department
10 of an insurance bank, as provided by section 1133,
11 the life insurance department of the bank may issue
12 policies upon the lives of persons and grant or sell
13 annuities with all the rights, powers and privileges
14 and subject to all the duties, liability and restric-
15 tions in respect to conduct of life insurance, con-
16 ferred or imposed by law relating to domestic legal
17 reserve life insurance companies so far as the same
18 are applicable, and except as otherwise provided in
19 this chapter. The life insurance department shall in
20 all respects, except as otherwise provided in this
21 chapter, be managed by the directors of the bank, and
22 the savings department and life insurance department
23 shall continue to be a single corporation, and all
24 investments shall be made and all other business car-
25 ried on in the name of the bank.

26 §1136. Qualifications and certification of officers
27 and employees who accept applications for
28 life insurance

29 Before any agency bank or insurance bank solici-
30 its, or negotiates an application or order for life
31 insurance or annuity contracts, it shall have
32 employed at least one licensed life insurance agent
33 who shall supervise and control the actions of any
34 bank officer or employee in regard to the bank's
35 insurance activities.

36 §1137. Savings department distinct from insurance
37 department

38 1. Assets. The assets of the savings department
39 shall be liable for and applicable to the payment and
40 satisfaction of the liabilities, obligations and
41 expenses of the savings department only.

1 2. Liabilities and expenses. The assets of the
2 insurance department shall be liable for and applica-
3 ble to the payment and satisfaction of the liabili-
4 ties, obligations and expenses of the insurance
5 department only.

6 3. Accounting and investment. The savings
7 department and the insurance department shall also be
8 kept distinct in matters of accounting and invest-
9 ment. All expenses pertaining to the conduct of both
10 the savings department and the insurance department
11 shall be apportioned by the directors equitably
12 between the 2 departments.

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

16 "The only assets of this bank which are liable
17 and application to the payment and satisfaction
18 of the liabilities, obligations and expenses of
19 the insurance department of this bank are the
20 assets of the insurance department of this bank.
21 The mortality risk of this contract is rein-
22 sured."

23 §1138. Investment of funds

24 The assets of the insurance department shall be
25 invested or loaned in the same manner as the assets
26 of the bank may be invested or loaned under the laws
27 of this State, as now or hereafter amended. An
28 insurance department may lend upon any insurance
29 policy or annuity contract issued by it.

30 §1139. Limit of insurance

31 No insurance bank may:

32 1. Death. Become obligated to pay more than
33 \$250,000 in the event of the death of one person.
34 The amount which may be paid under this limitation
35 shall be exclusive of:

36 A. Dividends, profits or paid-up insurance pur-
37 chased with those dividends or profits; and

1 B. Such amounts as may be payable under:

2 (1) A group policy;

3 (2) A policy issued pursuant to conversion
4 privileges of such a group policy;

5 (3) An agreement in an annuity contract to
6 pay, upon death of the holder, to his estate
7 or to a specified payee, a sum not exceeding
8 the premiums paid thereon with compound
9 interest;

10 (4) An agreement to pay benefits of not
11 more than twice the face amount of the
12 policy in the event of death by accident or
13 accidental means;

14 (5) An agreement to pay an amount equal to
15 a cash surrender value in excess of the face
16 amount of the policy; or

17 (6) An agreement for decreasing term insur-
18 ance under which the term insurance shall
19 not exceed \$300,000 in initial face amount
20 and shall decrease in amount at regular
21 intervals so that no part thereof may be in
22 force beyond 40 years from the date of issue
23 of the policy; or

24 2. Annuity contract. Become obligated on any
25 annuity contract to make payments during the life-
26 time of the annuitant at the rate of more than
27 \$25,000 a year, exclusive of dividends or profits or
28 paid-up annuity purchased with dividends or profits.

29 §1140. Off-the-premises solicitors not to be
30 employed by banks

31 An insurance bank may establish agencies and
32 means for receiving applications for, and premium
33 payments on, insurance policies and annuity con-
34 tracts, but shall not employ any person to solicit,
35 negotiate or effect insurance policies or annuity
36 contracts or to collect premiums thereon by house-
37 to-house solicitation, nor shall it pay any compensa-
38 tion to any person therefor. An insurance bank may

1 appoint another bank or banks as its agent or agents
2 to receive for it applications for and premium pay-
3 ments on insurance policies and annuity contracts,
4 and may pay reasonable fees to those agency banks for
5 receiving and remitting premiums at such rates as the
6 Superintendent of Insurance may from time to time
7 approve. Any bank which has not established a life
8 insurance department may act as an agency bank when
9 so appointed either by a bank which has established
10 such a department or by a bank life insurance com-
11 pany.

12 §1141. Use of surplus

13 1. Set apart. The insurance department of each
14 insurance bank shall, on or before March 1st of each
15 year, set apart as surplus from its net profits
16 during the preceding calendar year such amounts as
17 the directors may determine; provided that the sur-
18 plus with the amounts then authorized to be trans-
19 ferred to it shall not exceed 12% of the policy
20 reserves of the department, except with the approval
21 of the Superintendent of Insurance.

22 2. Use. The surplus created, as provided in
23 section 1134, whether consisting of advances or net
24 profits, or both, shall be used to meet operating
25 expenses for which other amounts applicable thereto
26 are insufficient, losses occasioned by depreciation
27 in securities or other causes, to maintain a stable
28 dividend rate and to pay settlement or maturity divi-
29 dends, or both, as the directors may from time to
30 time determine.

31 §1142. Policies, how signed

32 Life insurance policies and annuity contracts
33 shall be signed on behalf of any insurance bank by
34 that officer or employee of that bank as the direc-
35 tors may from time to time determine.

36 §1143. Qualifications of bank life insurance company
37 or reinsuring life insurance company

38 In order that a bank may purchase stock in a bank
39 life insurance company, as provide in section 1144,
40 the company shall meet the following requirements.

1 1. Incorporation. It shall be incorporated
2 under the laws of this State or any other state of
3 the United States and be qualified to engage in the
4 business of life insurance in this State.

5 2. Shares. The shares of its capital stock
6 shall be owned only by banks located in the United
7 States.

8 3. Directors. No person who is a director of
9 any other life insurance company authorized to do
10 business in this State may be eligible to be a direc-
11 tor of that company.

12 4. Authorized. It shall be authorized to do a
13 participating life insurance business in this State,
14 with all general powers incident to the conduct of
15 that business.

16 5. Reinsurance. A reinsuring life insurance
17 company shall satisfy the requirements of subsections
18 1 and 4, and both a bank life insurance company and a
19 reinsuring life insurance company shall be authorized
20 to reinsure life insurance and annuity contracts and
21 shall agree in writing with each bank proposing to
22 establish a life insurance department to reinsure all
23 the contracts of the department in a manner which
24 will remove from the bank the mortality and morbidity
25 risk of all the contracts. The reinsurance agreement
26 shall contain, but shall not be limited to, the fol-
27 lowing provisions:

28 A. That the company shall prepare such forms of
29 life insurance policies and annuity contracts as
30 may from time to time be desirable;

31 B. That it shall prepare and furnish to the
32 insurance banks the forms of blanks for applica-
33 tion for life insurance policies and annuity con-
34 tracts and for proof of loss, and all other forms
35 necessary for the efficient prosecution of the
36 business, and all forms of books of record and of
37 account, and of all schedules and all reports,
38 not otherwise provided for, required in the con-
39 duct of the business, which shall be used as the
40 uniform and exclusive forms of blanks, books,
41 schedules and reports in the life insurance
42 department of all insurance banks;

1 C. That it shall, consistently with the law gov-
2 erning life insurance companies authorized to do
3 business in this State, determine, prepare or
4 procure and furnish to insurance banks tables of:

5 (1) Premium rates for all life insurance
6 policies to be issued by the insurance
7 banks;

8 (2) The purchase rates for annuities;

9 (3) The amounts of the surrender values;

10 (4) The amounts which may be loaned on
11 insurance policies;

12 (5) The reinsurance premiums it will
13 charge; and

14 (6) The legal reserves to be held under
15 insurance and annuity contracts;

16 D. That the rates, fees, charges and reserves so
17 fixed shall apply with respect to the policies of
18 all insurance banks;

19 E. That it shall prescribe the standards of
20 health or acceptability of the applicant for
21 insurance and annuity contracts;

22 F. That it shall, except as otherwise provided,
23 furnish to all insurance banks the services of an
24 actuary and a medical director;

25 G. That it shall have the right to pass on any
26 or all claims and that any claim disallowed by
27 it, in whole or in part, shall not, to the extent
28 disallowed, be the basis for any claim under the
29 reinsurance contract, unless the claim is paid
30 pursuant to the judgment or decree of a court of
31 competent jurisdiction;

32 H. That it may defend any legal action or pro-
33 ceeding involving or arising out of any insurance
34 policy or annuity contract and pay the expense of
35 the defense; and

1 I. That the company will underwrite all insur-
2 ance risks and that no life insurance policy or
3 annuity contract may be delivered or issued for
4 delivery by an insurance bank without prior
5 approval of the company.

6 §1144. Investment in bank life insurance company

7 A bank may invest, not in excess of 5% of its
8 surplus and undivided profits, in stock, obligations
9 or other securities of a bank life insurance company.
10 The investments may include certificates evidencing
11 advances to the surplus of a bank life insurance com-
12 pany.

13 §1145. Discontinuance of life insurance department

14 Any insurance bank may discontinue its insurance
15 department and the issuance of insurance policies and
16 annuity contracts at any time by a resolution adopted
17 by a vote of a majority of the entire board, at a
18 meeting called for that purpose, in accordance with
19 the bylaws of the bank. A copy of the resolution,
20 certified by the clerk, shall be filed with each
21 superintendent. When an insurance bank has voted to
22 discontinue its life insurance department, it shall
23 make provisions satisfactory to the Superintendent of
24 Insurance for carrying out, with reasonable conven-
25 ience to policyholders and annuitants, its existing
26 insurance and annuity contracts.

27 §1146. Examination of life insurance department

28 The insurance departments of insurance banks
29 shall be subject to the provisions of the insurance
30 law in regard to examinations and the Superintendent
31 of Banking may also make such examination as he deems
32 necessary. Each by rule may promulgate a method for
33 assessing each insurance department for the actual
34 costs of any examination.

35 §1147. Reports of savings and insurance banks

36 The life insurance department of every insurance
37 bank shall annually, on or before the first day of
38 March, file with the Superintendent of Insurance a
39 statement showing the financial condition of the life

1 insurance department on the last business day of
2 December, and whatever data the Superintendent of
3 Insurance may require to verify the reserves for life
4 insurance and annuity contracts. The annual state-
5 ment shall be in the form required by the Superinten-
6 dent of Insurance. The assets and liabilities shall
7 be computed and allowed in the statement in accor-
8 dance with the rules governing life insurance compa-
9 nies, except as otherwise provided in this chapter.
10 The president or vice-president and another principal
11 officer of the insurance bank shall make oath that
12 the annual report is correct according to the best of
13 their knowledge and belief.

14 §1148. Powers of insurance superintendent; insol-
15 vency

16 The Superintendent of Insurance shall have the
17 same powers to take action with respect to the con-
18 duct of the business of the life insurance department
19 of an insurance bank that he has with respect to
20 domestic legal reserve life insurance companies,
21 including, without limitation, the right to take ac-
22 tion in case of insolvency.

23 §1149. Taxation

24 The insurance department of an insurance bank,
25 authorized to do business under this chapter, shall
26 be taxed by this State in the same manner and at the
27 same rates as domestic legal reserve life insurance
28 companies.

29 Sec. 2. 24-A MRSA §1514-A, as enacted by PL
30 1977, c. 407, is repealed.

31 STATEMENT OF FACT

32 The purpose of this bill is to authorize banks to
33 sell life insurance at a reduced rate.

34 1117020883