

MAINE STATE LEGISLATURE

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1 (EMERGENCY)

2 FIRST REGULAR SESSION
3

4 ONE HUNDRED AND ELEVENTH LEGISLATURE
5

6 Legislative Document

No. 1622

7
8 S.P. 556

In Senate, May 16, 1983

9 Submitted by the Maine State Retirement System pursuant to Joint Rule
10 24.

11 Referred to the Committee on Aging, Retirement and Veterans. Sent
down for concurrence and ordered printed.

JOY J. O'BRIEN, Secretary of the Senate

Presented by Senator Clark of Cumberland.
12

13 STATE OF MAINE
14

15 IN THE YEAR OF OUR LORD
16 NINETEEN HUNDRED AND EIGHTY-THREE
17

18 AN ACT Concerning Group Life Insurance
19 for State Employees and Teachers.
20

21 Emergency preamble. Whereas, Acts of the Legis-
22 lature do not become effective until 90 days after
23 adjournment unless enacted as emergencies; and

24 Whereas, the statutes governing the group life
25 insurance plan for state employees and teachers which
26 were enacted in 1955 are in great need of revision to
27 bring the plan up to date and to bring the statutes
28 into conformity with the state insurance statutes,
29 Title 24-A; and

30 Whereas, the anniversary date of the present
31 policy covering the state group life insurance plan
32 is July 1, 1983, and being able to implement a
33 revised plan on that date would greatly facilitate
34 administration of the plan by the Maine State Retirement
35 System; and

1 Whereas, in the judgment of the Legislature,
2 these facts create an emergency within the meaning of
3 the Constitution of Maine and require the following
4 legislation as immediately necessary for the preser-
5 vation of the public peace, health and safety; now,
6 therefore,

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

9 Sec. 1. 5 MRSA §1151, as amended by PL 1979, c.
10 437, §§1-8, is repealed.

11 Sec. 2. 5 MRSA §1151-A is enacted to read:

12 §1151-A. Group life insurance

13 1. Authorization and administration. The board
14 of trustees of the Maine State Retirement System is
15 the sole group authorized to purchase from one or
16 more life insurance companies a policy or policies of
17 life insurance, as defined by Title 24-A, section
18 702.

19 A. Proposals may be solicited for the purchase
20 of the insurance from one or more insurance com-
21 panies on a competitive basis, or an existing
22 policy or policies may be renegotiated.

23 B. Any policy or policies purchased shall be
24 from a company or companies licensed under the
25 laws of this State.

26 C. All provisions of a policy or policies shall
27 be subject to the limitations of Title 24-A, sec-
28 tions 2601 to 2628.

29 D. The board of trustees may promulgate and pub-
30 lish, in accordance with the procedures of chap-
31 ter 375, subchapter II, as they are applicable,
32 the regulations as may be necessary and proper to
33 give effect to the intent, purposes and provi-
34 sions of this subchapter.

35 E. All expenses incurred in the administration
36 and operation of a life insurance policy or poli-
37 cies shall be reimbursed from premium rate ad-

1 justments, dividends or interest earnings on
2 reserves.

3 F. A report of the activities of this program
4 shall be published annually.

5 G. No provisions of the policy or policies may
6 reduce the benefits granted under this subchap-
7 ter.

8 2. Eligibility. This insurance shall be made
9 available to elective and appointive officers and
10 employees of the State and teachers eligible for
11 membership in the Maine State Retirement System, Jus-
12 tices of the Supreme Judicial Court and the Superior
13 Court and Judges of the District Court and employees
14 of any local district, as provided in paragraph B.

15 A. The board of trustees by rule may provide for
16 the exclusion of employees on the basis of nature
17 and type of employment or conditions, such as,
18 but not limited to, temporary or project employ-
19 ment. No employee or group of employees may be
20 excluded solely on the basis of the hazardous
21 nature of employment.

22 B. A local district may participate in this life
23 insurance program, provided that the executive
24 body or the voters of a town with a town meeting
25 form of government approve the participation and
26 those portions of the program which apply, and
27 file with the board of trustees a copy of the
28 resolution of the executive body or a record of
29 the vote of the town voters certified by the
30 clerk. The beginning date of participation of a
31 local district shall be not more than 6 months
32 following receipt of the certified copy of the
33 vote.

34 3. Type and amount of insurance. The following
35 coverages shall be available, subject to subsection
36 2, paragraph B.

37 A. Life insurance and accidental death and dis-
38 memberment insurance, to be known as basic insur-
39 ance, shall be available to all eligible partici-
40 pants. The amount of life insurance to be paid

1 in the event of death shall approximate the
2 participant's annual compensation rounded up to
3 the next \$1,000. A participant insured under
4 this policy shall be automatically covered for
5 any change in the maximum due to a change in
6 annual compensation. The change in coverage
7 shall coincide with the effective date of the
8 change in annual compensation rate.

9 B. The accidental death and dismemberment insur-
10 ance shall provide payments as follows:

11	<u>Loss</u>	<u>Amount Payable</u>
12	<u>Loss of life by acci-</u>	<u>An additional amount</u>
13	<u>dent</u>	<u>equal to that provided</u>
14		<u>under paragraph A</u>
15	<u>Loss of one hand or</u>	<u>One-half the amount pro-</u>
16	<u>one foot or sight of</u>	<u>vided under paragraph A</u>
17	<u>one eye</u>	
18	<u>Loss of 2 or more</u>	<u>The amount provided under</u>
19	<u>limbs or loss of</u>	<u>paragraph A</u>
20	<u>sight of both eyes or</u>	
21	<u>loss of one limb and</u>	
22	<u>loss of sight of one</u>	
23	<u>eye</u>	

24 For any one accident the aggregate amount of
25 group accidental death and dismemberment insur-
26 ance that may be paid shall not exceed the amount
27 provided under paragraph A.

28 C. Additional insurance coverage of equal
29 amounts, to be known as Supplemental Insurance,
30 shall be available to each participant purchasing
31 insurance under paragraph A.

32 D. Each participant shall be eligible to elect
33 to insure the life of a dependent not insured in
34 this group under one, but not both, of the fol-
35 lowing plans:

36		<u>Plan A</u>	<u>Plan B</u>
37	<u>Spouse</u>	<u>\$ 5,000</u>	<u>\$10,000</u>

1	<u>Full-time students to</u>		
2	<u>age 22</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
3	<u>Children, 6 months to</u>		
4	<u>age 19</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
5	<u>Children, 0 to 6 months</u>	<u>\$ 1,000</u>	<u>\$ 2,500</u>

6 This insurance may be purchased, subject to the
7 limitations of Title 24-A, section 2611-A. The
8 number of dependents shall not affect the premium
9 rate.

10 4. Payments on death. Any amount of group life
11 insurance and group accidental death insurance in
12 force on any employee at the date of his death shall
13 be paid, upon the establishment of a valid claim, in
14 the following order of precedence:

15 First, to the beneficiary or beneficiaries as the
16 employee may have designated in writing and received
17 in the employing office prior to death;

18 Second, if there is no such beneficiary, to the widow
19 or widower of that employee;

20 Third, if none of the above, to the child or children
21 of that employee and descendants of deceased children
22 by representation;

23 Fourth, if none of the above, to the parents of that
24 employee or the survivor of them;

25 Fifth, if none of the above, to the duly appointed
26 executor or conservator or the estate of that
27 employee; and

28 Sixth, if none of the above, to other next of kin of
29 the employee entitled under the laws of domicile of
30 that employee at the time of his death.

31 5. Employee automatically insured; procedure if
32 desire not to be insured. All employees eligible for
33 insurance under the terms of this section will be
34 automatically insured for the amounts applicable
35 under this section, commencing on the date they first

1 become so eligible. Any employee desiring not to be
2 insured shall, on the appropriate form, give written
3 notice to his employing officer that he desires not
4 to be insured. If that notice is received before the
5 employee has become insured under the policy, he
6 shall not be so insured; if it is received after he
7 has become insured, his insurance under the policy
8 will cease, effective with the end of the pay period
9 during which the notice is received by the employing
10 office. Any person who desires not to be insured may
11 subsequently apply for insurance, but will be re-
12 quired to produce evidence of insurability at his own
13 expense and in accordance with the requirements of
14 the board of trustees.

15 6. Payment of premiums. Payment of premiums for
16 life insurance shall be on the basis determined by
17 the board of trustees to be actuarially sufficient to
18 pay anticipated claims.

19 7. Dividend distribution. Each year upon
20 receipt of the annual report submitted by the under-
21 writer, the board of trustees shall review all phases
22 of the life insurance program and shall, within 90
23 days of receipt of the annual report, determine the
24 reserves necessary to pay anticipated claims and the
25 method of distribution of any accumulations above
26 those reserves.

27 8. Separation from service; termination of ser-
28 vice coverage. The insurance on any employee shall
29 cease upon his separation from service, subject to
30 provisions which shall be contained in the policy for
31 waiver of premiums in the event of total and perma-
32 nent disability, and temporary extension of coverage
33 and conversion to an individual policy of life insur-
34 ance. If, upon such date as the insurance would
35 otherwise cease, the employee retires, in accordance
36 with this chapter, his basic life insurance only
37 shall be continued without cost to him and in the
38 amounts provided in paragraphs A and B.

39 A. On retirement for reasons other than disabil-
40 ity, the average amount of basic insurance in
41 force for the last 3 years prior to retirement
42 shall be continued in force at no cost to the
43 participant, provided that he has participated in

1 the group life insurance program for a minimum of
2 10 years immediately prior to retirement. The
3 average amount shall be reduced at the rate of
4 15% per year to a minimum of 40% of the average
5 amount or \$2,500, whichever is greater. In
6 determining benefits under this section, the
7 reductions shall become effective at 12:01 a.m.
8 of the day following the first year anniversary
9 of the date of retirement and each succeeding
10 retirement anniversary thereafter until the mini-
11 imum has been reached.

12 B. On retirement for disability, the amount of
13 basic insurance in force at the time of retire-
14 ment shall be continued in force until normal
15 retirement age, after which, the amount shall be
16 reduced, as provided in paragraph A, at no cost
17 to the participant.

18 9. Master policy and certificates. The insur-
19 ance company shall issue a master policy to the Maine
20 State Retirement System and a certificate of coverage
21 to each participant setting forth the benefits to
22 which the participant is entitled.

23 Sec. 3. 5 MRSA §1152, as amended by PL 1977, c.
24 694, §27, is repealed.

25 Sec. 4. 5 MRSA §1153, as amended by PL 1975, c.
26 622, §63, is further amended to read:

27 §1153. Participating local districts

28 The employees of any local district may partici-
29 pate in this group life insurance program to the full
30 extent of any and all benefits provided for in this
31 chapter, provided the executive body or, for a town,
32 the voters of a town at a duly constituted town meet-
33 ing, approve such participation and file with the
34 board of trustees a duly certified copy of the reso-
35 lution of the executive body or a record of the vote
36 of the town voters certified by the clerk of the town
37 meeting approving such participation and the extent
38 of the benefits which shall apply subchapter, subject
39 to section 1151-A, subsection 2, paragraph B. Such
40 local district approving the participation of its
41 employees in this group life insurance program shall

1 thereafter be known for the purposes of this chapter
2 as a "participating local district." Such local dis-
3 trict shall designate in their approval any class of
4 employees who may be exempted from this chapter. Ini-
5 tially, seventy-five percent 75% of the eligible
6 employees of each participating district shall be the
7 minimum number permissible as a coverage covered
8 group. The date when the participation of the employ-
9 ees of a participating local district may begin shall
10 be set by the board of trustees not more than 6
11 months following the date the local district approved
12 the participation of its employees.

13 Employees of a participating local district who
14 are covered under the basic group life insurance plan
15 shall also be eligible for the additional group life
16 supplemental and dependent insurance and paid-up life
17 insurance coverage as provided for in section 1151 if
18 the local district involved elects to adopt such ben-
19 efits plan.

20 The chief fiscal officer of a participating local
21 district shall submit to the board of trustees such
22 information, and shall cease to be performed such
23 duties, in respect to the employees of such local the
24 district, as shall be prescribed by the board of
25 trustees in order to carry out this chapter subchap-
26 ter, and shall pay such pro rata cost of premiums and
27 expenses as may be levied by the board of trustees.

28 Sec. 5. P&SL 1983, c. 1 is repealed.

29 Emergency clause. In view of the emergency cited
30 in the preamble, this Act shall take effect when
31 approved.

32 STATEMENT OF FACT

33 The purpose of the bill is to update, clarify and
34 bring into conformity with the insurance statutes the
35 group life insurance provisions of Title 5, sections
36 1151 to 1153. This bill will also enable the Maine
37 State Retirement System to offer a better insurance
38 program to all of its participants. The principal
39 changes in the statute are as follows.

1 1. Life insurance and accidental death and dis-
2 ability insurance coverage is to be increased to 1X
3 annual salary rounded up to the next \$1,000. At
4 present there is a \$25,000 cap on this insurance.

5 2. Supplemental insurance will also be available
6 up to 1X annual salary and will no longer be subject
7 to the \$25,000 cap.

8 3. Dependent insurance is increased substan-
9 tially and 2 programs are to be offered. The amounts
10 of dependent insurance which can be purchased are
11 determined by the insurer's income under Title 24-A.
12 The present dependent insurance is minimal, expensive
13 and not popular.

14 4. If an employee is continuously insured for 10
15 years prior to retirement, insurance coverage into
16 retirement will be reduced 15% each year for 4 years
17 to 40% of the basic life insurance in force at time
18 of retirement or \$2,500, whichever is greater. At
19 present, coverage is reduced 15% each year to 25% of
20 the basic insurance in force at time of retirement.
21 This increased coverage will be extended to all per-
22 sons who are presently retired.

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