

# MAINE STATE LEGISLATURE

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(New Draft of S.P. 784, L.D. 2110)

SECOND REGULAR SESSION

ONE HUNDRED AND ELEVENTH LEGISLATURE

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Legislative Document

No. 2437

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S.P. 906

In Senate, April 5, 1984

Reported by Senator Clark of Cumberland from the Committee on  
Business Legislation. Printed under Joint Rule 2.

Original bill presented by Senator Sewall of Lincoln.

JOY J. O'BRIEN, Secretary of the Senate

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STATE OF MAINE

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

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AN ACT Relative to Group Legal Insurance.

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

Sec. 1. 24-A MRSA §704, as enacted by PL 1969, c. 132, §1, is amended to read:

§704. "Health insurance" defined

Health insurance is insurance of human beings against bodily injury, disablement or death by accident or accidental means, or the expense thereof, or against disablement or expense resulting from sickness, and every insurance appertaining thereto, including provision for the mental and emotional welfare of human beings by defraying the costs of legal services only to the extent provided for in chapter 38.

1           Sec. 2. 24-A MRSA §1503, sub-§§5 and 6, as en-  
2 acted by PL 1969, c. 132, §1, are amended to read:

3           5. Health insurance, when transacted by an in-  
4 surer also represented by the same agent as to prop-  
5 erty or casualty or surety insurance; ~~and~~

6           6. Title insurance; and

7           Sec. 3. 24-A MRSA §1503, sub-§7 is enacted to  
8 read:

9           7. Legal services insurance.

10          Sec. 4. 24-A MRSA §1506, sub-§2, ¶¶D and E, as  
11 enacted by PL 1969, c. 132, §1, are amended to read:

12          D. Surety insurance; ~~and~~

13          E. Title insurance; and

14          Sec. 5. 24-A MRSA §1506, sub-§2, ¶F is enacted  
15 to read:

16          F. Legal services insurance.

17          Sec. 6. 24-A MRSA §1508, sub-§2, ¶E, as enacted  
18 by PL 1969, c. 132, §1, is amended to read:

19          E. Title insurance; and

20          Sec. 7. 24-A MRSA §1508, sub-§2, ¶F is enacted  
21 to read:

22          F. Legal services insurance.

23          Sec. 8. 24-A MRSA §2701, sub-§§3 and 4, as en-  
24 acted by PL 1969, c. 132, §1, are amended to read:

25          3. Life insurance, endowment or annuity con-  
26 tracts, or contracts supplemental thereto which con-  
27 tain only such provisions relating to health insur-  
28 ance as:

29          A. Provide additional benefits in case of death  
30 or dismemberment or loss of sight by accident or  
31 accidental means, or as

1 B. Operate to safeguard such contracts against  
2 lapse, or to give a special surrender value or  
3 special benefit or an annuity in the event that  
4 the insured or annuitant becomes totally and per-  
5 manently disabled, as defined by the contract or  
6 supplemental contract-;

7 4. Reinsurance-; and

8 Sec. 9. 24-A MRSA §2701, sub-§5 is enacted to  
9 read:

10 5. Legal services insurance.

11 Sec. 10. 24-A MRSA §2801, sub-§1, as enacted by  
12 PL 1969, c. 132, §1, is amended to read:

13 1. This chapter applies only to group health in-  
14 surance contracts and to blanket health insurance  
15 contracts as herein provided. Nothing in this chap-  
16 ter pertains to legal services insurance as described  
17 in chapter 38, except to the extent expressly permit-  
18 ted in that chapter.

19 Sec. 11. 24-A MRSA c. 38 is enacted to read:

20 CHAPTER 38

21 GROUP LEGAL SERVICES INSURANCE

22 §2881. Exemption from chapter

23 Legal services insurance, as defined in this  
24 chapter, does not include the payment by a voluntary  
25 association, other than a voluntary association which  
26 is an insurer, on behalf of one of its members of  
27 fees, costs or expenses related to or arising out of  
28 legal services performed for the member by an attor-  
29 ney who either is an employee of the paying associa-  
30 tion or who provides the legal services to the asso-  
31 ciation's member, pursuant to an agreement with that  
32 association.

33 §2882. Insurers authorized to sell legal services  
34 insurance

1       Upon application to an approval by the superin-  
2 tendent, an insurer incorporated by or under the laws  
3 of this State or any foreign or alien insurance com-  
4 pany duly licensed to transact insurance in its state  
5 of domicile may make application for a certificate of  
6 authority to transact the business of legal services  
7 insurance, including reinsurance, in this State, if  
8 that company is authorized or qualified to be autho-  
9 rized to transact a health insurance business in this  
10 State.

11       §2883. Legal services insurance defined

12       "Legal services insurance" is insurance which in-  
13 volves the assumption of a contractual obligation to  
14 reimburse the beneficiary against or pay on behalf of  
15 the beneficiary all or a portion of his fees, costs  
16 or expenses related to or arising out of services  
17 performed by or under the supervision of an attorney  
18 who is not an employee of or under the control of the  
19 insurer directly or indirectly and who is licensed to  
20 practice in the jurisdiction in which the services  
21 are performed. Legal services insurance may also in-  
22 clude provisions for basic legal advice only rendered  
23 to the beneficiary, by telephone or mail, by one or  
24 more attorneys licensed to practice in the  
25 jurisdiction in which the advice is given; none of  
26 whom are employees of or under the control of the in-  
27 surer, directly or indirectly. Legal services insur-  
28 ance does not include the provision of or reimburse-  
29 ment for legal services incidental to other insurance  
30 coverages.

31       §2884. Legal services insurance authorized to be  
32 sold on a group basis

33       Any insurance company authorized to write legal  
34 services insurance in this State, which for the pur-  
35 poses of this chapter only shall be deemed to be a  
36 form of health insurance, shall have the power to is-  
37 sue group legal services insurance policies or may,  
38 by providing for the mental and emotional welfare of  
39 individuals and members of his family by defraying  
40 the costs of legal services, include legal services  
41 insurance in and as a part of a group health insur-  
42 ance policy. Group legal services insurance is that  
43 form of voluntary legal services insurance covering

1 employees or members, with or without their eligible  
2 dependents, written under a master policy issued to  
3 any governmental corporation, unit, agency or depart-  
4 ment or to any employer or association of employers,  
5 including the trustee or trustees of a fund estab-  
6 lished by that employer or association of employers,  
7 a labor union or other employee organization, includ-  
8 ing the trustees of a fund established by that labor  
9 union or employee organization. The terms "employee"  
10 and "employees" shall have the same meaning as are  
11 given to those terms for the purposes of writing  
12 group life insurance in this State. Legal services  
13 insurance shall only be permitted to be issued in  
14 this State on a group policy basis.

15 §2885. Filing of group manual rates for information-  
16 al purposes

17 No policy of group legal services insurance may  
18 be delivered in this State until a copy of the group  
19 manual rates to be used in calculating the premium  
20 for these policies has been filed for informational  
21 purposes with the superintendent.

22 §2886. Freedom of selection of attorney

23 Beneficiaries of legal services insurance shall  
24 not be required to select an attorney other than one  
25 of the beneficiary's own choosing to provide covered  
26 legal services, except for basic legal advice ren-  
27 dered by telephone or mail, as described in this  
28 chapter.

29 §2887. Legal services insurance policy reserves

30 For all legal services insurance policies, the  
31 insurer shall establish and maintain thereon a re-  
32 serve which shall place a sound value on its liabili-  
33 ties under those policies and be not less than the  
34 reserve according to appropriate standards set forth  
35 in rules issued by the superintendent and, in no  
36 event, less in the aggregate than the pro rata gross  
37 unearned premiums for those policies.

38 §2888. Authority of superintendent to adopt addi-  
39 tional rules

1           The superintendent may also issue rules regarding  
 2 the content of legal services insurance policies and  
 3 marketing arrangements, including delivery of legal  
 4 services by licensed professionals.

5           Sec. 12. 24-A MRSA §3352, sub-§2, as amended by  
 6 PL 1969, c. 177, §57, is further amended to read:

7           2. When applying for an original certificate of  
 8 authority, the insurer must be otherwise qualified  
 9 therefor under this Title, and must have received and  
 10 accepted bona fide applications as to substantial in-  
 11 surable subjects for insurance coverage of a substan-  
 12 tial character of the kind of insurance proposed to  
 13 be transacted, must have collected in cash the full  
 14 premium therefor at a rate not less than that usually  
 15 charged by other insurers for comparable coverages,  
 16 must have surplus funds on hand and deposited as of  
 17 the date such insurance coverages are to become ef-  
 18 fective, or, in lieu of such applications, premiums  
 19 and surplus, may deposit and thereafter maintain sur-  
 20 plus, all in accordance with that part of the follow-  
 21 ing schedule which applies to each kind of insurance  
 22 the insurer proposes to transact:

23	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
24		Min.	Min.	Minimum	Min.	Max.	Deposit	
25		No. of	No Sub-	Premium	Amt.	Amt.	Min.	Deposit
26		Apps.	jects	Collected	Ins. Ea.	Ins. Ea.	Surplus	Surplus
27	Kind	Accepted	Covered		Subject	Subject	Fund	in Lieu
28	of Ins.					(5)	(6)	(7)
29								
30								
31	Life(1)	500	500	Annual	\$ 2,000	\$ 5,000	\$100,000	\$200,000
32	Health(2)	500	500	Quarterly	\$ 25	\$ 50	\$100,000	\$200,000
33					(wkly.	(wkly.		
34					indem.)	indem.)		
35	Property(3)	100	250	Annual	\$ 3,000	\$ 7,000	\$100,000	\$200,000
36	Casualty(4)	250	500	Annual	\$ 5,000	\$25,000	\$200,000	\$300,000
37								

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38           The following provisos are respectively applicable to  
 39 the foregoing schedule and provisions as indicated by  
 40 like numerals appearing in such schedule.

41           (1) No group insurance or term policies for

- 1 terms of less than 10 years shall be in-  
2 cluded.
- 3 (2) No group, blanket or family plans of  
4 insurance shall be included. In lieu of  
5 weekly indemnity a life premium value in  
6 medical, surgical, and hospital benefits may  
7 be provided. Any accidental death or dismem-  
8 berment benefit provided shall not exceed  
9 \$5,000.
- 10 (3) Only insurance of the owner's interest  
11 in real property may be included.
- 12 (4) Must include insurance of legal liabil-  
13 ity for bodily injury and property damage,  
14 to which the maximum and minimum insured  
15 amounts apply.
- 16 (5) The maximums provided for in this col-  
17 umn (F) are net of applicable reinsurance.
- 18 (6) The deposit of surplus in the amount  
19 specified in columns (G) and (H) must there-  
20 after be maintained unimpaired. The deposit  
21 is subject to chapter 15 (administration of  
22 deposits).
- 23 Expendable surplus: In addition to surplus deposited  
24 and thereafter to be maintained as shown in columns  
25 (G) or (H) above, the insurer when first authorized  
26 must have on hand surplus funds, which it can there-  
27 after expend in the conduct of its business, in  
28 amount not less than 50% of the applicable deposited  
29 and maintained surplus required of it under the above  
30 schedule.
- 31 Notwithstanding the requirements for expendable sur-  
32 plus otherwise required by this section for newly or-  
33 ganized insurance companies seeking a certificate of  
34 authority in this State, any such insurer may trans-  
35 act legal services insurance, to the extent provided  
36 for in chapter 38, without additional expendable  
37 funds, if the corporation is otherwise qualified for  
38 a certificate of authority to transact the business  
39 of health, life and health or multiple lines insur-  
40 ance, and possesses and thereafter maintains, in addi-



1 tion to the amounts enumerated in the table in this  
2 subsection, an additional amount of unimpaired basic  
3 surplus of not less than \$500,000.

4 STATEMENT OF FACT

5 The purpose of this new draft is to provide for  
6 the issuance of group legal insurance in this State,  
7 while incorporating this new product into the regula-  
8 tory scheme in place for all other types of insur-  
9 . ance.

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