

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND TWELFTH LEGISLATURE
4

5 Legislative Document

No. 1524

7 H.P. 1046

House of Representatives, May 13, 1985

8 Approved for introduction by a majority of the Legislative Council
9 pursuant to Joint Rule 27.

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

EDWIN H. PERT, Clerk

Presented by Representative Brannigan of Portland.

11 Cosponsored by Representative Murray of Bangor and Representative
Gwadosky of Fairfield.

12 STATE OF MAINE
13

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

17 AN ACT to Provide for the Sale of Savings
18 Bank Life Insurance.
19

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

22 Sec. 1. 9-B MRSA §161, sub-§2, ¶H, as amended by
23 PL 1983, c. 784, §2, is further amended to read:

24 H. The making of reports to the State Tax Asses-
25 sor required under Title 36, section 3851 and the
26 examination of the financial records authorized
27 by Title 36, section 112; or

28 Sec. 2. 9-B MRSA §161, sub-§2, ¶I, as enacted by
29 PL 1983, c. 784, §3, is amended to read:

30 I. Any disclosure of records made pursuant to
31 Title 22, section 16. This paragraph is repealed
32 on April 1, 1986; or

33 Sec. 3. 9-B MRSA §161, sub-§2, ¶J is enacted to
34 read:

J. Any disclosure of records made pursuant to Title 24-A, chapter 69.

Sec. 4. 9-B MRSA §569 is enacted to read:

§569. Savings bank life insurance

A savings bank may act as an agency bank for the purpose of transacting savings bank life insurance and savings bank annuity contracts subject to the requirements of this chapter and Title 24-A.

Sec. 5. 24-A MRSA §410, sub-§1, as repealed and replaced by PL 1983, c. 709, §1, is amended to read:

1. To qualify for authority to transact any one kind of insurance, as defined in chapter 9, or combination of kinds of insurance as shown below, an insurer shall possess and thereafter maintain unimpaired paid-in capital stock, if a stock insurer, or unimpaired basic surplus, if a foreign mutual or a reciprocal insurer, and when first so authorized shall possess initial free surplus, all in amounts not less than as determined from the following table.

A health, life and health or multiple line (as described in section 710) insurer may qualify for a certificate of authority to transact a legal services insurance business, as described in chapter 38, if it is otherwise qualified therefor and possesses and thereafter maintains, in addition to the amounts described in the following table, an additional amount of unimpaired paid-in capital stock, if a stock insurer, or unimpaired basic surplus, if a foreign mutual or reciprocal insurer, of not less than \$500,000.

Kind or Kinds of Insurance	Stock Insurers		Foreign mutual, Reciprocal Insurers	
	Minimum Required Capital Stock	Initial Free Surplus	Minimum Required Basic Surplus	Initial Free Surplus
Life	\$1,500,000	\$1,500,000	\$1,500,000*	\$1,500,000*
Health	1,000,000	1,000,000	1,000,000	1,000,000
Life and				

Health	2,500,000	2,500,000	2,500,000*	2,500,000*
Casualty	1,500,000	1,500,000	1,500,000	1,500,000
Marine and Transportation	1,500,000	1,500,000	1,500,000	1,500,000
Property	1,000,000	1,000,000	1,000,000	1,000,000
Surety	1,500,000	1,500,000	1,500,000	1,500,000
Title	500,000	500,000	500,000	500,000
Multiple line (as defined in section 710)	2,500,000	2,500,000	2,500,000	2,500,000
Life, and any one or more of Property, Ca- sualty, Sure- ty, Marine and Transportation	5,000,000	5,000,000	5,000,000*	5,000,000*

Savings Bank
Life and Annu-
ity**

* Does not apply as to a reciprocal insurer.

** Due to the limited number and unique nature of providers of this service, a minimum amount of capital stock or free surplus is not specified. The Bureau of Insurance shall analyze the financial condition of each applicant for license as a savings bank life and annuity insurance company to determine the adequacy of the company's financial resources prior to issuing or renewing a license.

Except:

A. An insurer holding a valid certificate of authority to transact insurance in this State on January 1, 1970, may, if otherwise qualified therefor until January 1, 1989, continue to be so authorized while possessing paid-in capital stock, if a stock insurer, or surplus, if a mutual or reciprocal insurer, as required for such authority immediate-

ly prior to January 1, 1970.

B. Prior to January 1, 1989, the superintendent shall not authorize such an insurer to transact any other kinds of insurance unless it complies with the requirements as to capital stock, if a stock insurer, or basic surplus, if a mutual or reciprocal insurer, as applied to all kinds of insurance it proposes to transact, as provided in the table contained in this paragraph.

A health, life and health or multiple line (as described in section 710) insurer may qualify for a certificate of authority to transact a legal services insurance business, as described in chapter 38, if it is otherwise qualified therefor and possesses and thereafter maintains, in addition to the amounts described in the following table, an additional amount of unimpaired paid-in capital stock, if a stock insurer, or unimpaired basic surplus, if a foreign mutual or reciprocal insurer, of not less than \$500,000.

Kind or Kinds of Insurance	Stock Insurers		Foreign mutual, Reciprocal Insurers	
	Minimum Required Capital Stock	Initial Free Surplus	Minimum Required Basic Surplus	Initial Free Surplus
Life	\$500,000	\$1,000,000	\$1,000,000*	\$1,000,000*
Health	250,000	250,000	250,000	250,000
Life and Health	500,000	1,000,000	1,000,000*	1,000,000*
Casualty	500,000	500,000	500,000	500,000
Marine and Transportation	500,000	500,000	500,000	500,000
Property	500,000	500,000	500,000	500,000
Surety	500,000	500,000	500,000	500,000
Title	150,000	150,000	150,000	150,000
Multiple line				

(as defined
in section 710) 1,000,000 1,000,000 1,000,000 1,000,000

Life, and any
one or more of
Property, Casu-
alty, Surety,
Marine and

Transportation 2,000,000 2,000,000 2,000,000* 2,000,000*

* Does not apply as to a reciprocal insurer.

C. Until January 1, 1989, a domestic mutual insurer formed prior to January 1, 1968, and while possessing surplus of not less than \$200,000 may be authorized to transact additional kinds of insurance authorized by its charter; subject to those minimum required basic surplus amounts applicable as to foreign mutual insurers as contained in the table in paragraph B, if the insurer is to transact life insurance together with any one or more of property, casualty, surety or marine and transportation insurances.

D. Domestic mutual insurers holding a certificate of authority upon January 1, 1989, if otherwise qualified therefor, and possessed of basic surplus in minimum required amounts as contained in the table in this paragraph may continue to be so authorized, provided those insurers continue to possess and maintain unimpaired basic surplus funds as determined herein and applicable to those lines or kinds of insurance permitted by its certificate of authority immediately prior to January 1, 1989. Upon application by any such insurer and written approval by the superintendent, the insurer's certificate of authority may be extended to permit the writing of other kinds or lines of insurance if the insurer is qualified therefor and possessed of basic surplus funds in amounts contained in the table in this paragraph.

A health, life and health or multiple line (as described in section 710) insurer may qualify for a certificate of authority to transact a legal services insurance business, as described in chapter 38, if it is otherwise qualified therefor and possesses and thereafter maintains, in addition to the amounts described in the following table, an additional amount of unimpaired paid-in capital stock, if a stock insurer, or unimpaired basic surplus, if a foreign mutual or reciprocal insurer, of not less than \$500,000.

Kind or
Kinds of Insurance

Domestic Mutual Insurers

Life	\$1,000,000
Health	500,000
Life and Health	1,250,000
Casualty	750,000
Marine and Transportation	1,000,000
Property	500,000
Surety	1,000,000
Title	350,000
Multiple Line (as defined in section 710)	1,250,000
Life, and any one or more of Property, Casualty, Surety, Marine and Transportation	2,500,000

E. An insurer which otherwise possesses funds as required under this subsection shall at all times maintain policyholders' surplus, combined paid-in capital stock, if any, and surplus, reasonable in amount, as determined by the superintendent, in relation to the kinds and amount of insurance it has in force, or being written and retained by it, net of applicable reinsurance. In making any such determination, the superintendent shall give due consideration to any applicable standards approved or adopted by the National Association of Insurance Commissioners and to the desirability of substantial uniformity as to such requirements among the respective states.

Sec. 6. 24-A MRSA §§702-A and 703-A are enacted to read:

§702-A. Savings bank life insurance defined

"Savings bank life insurance" is insurance which embodies the risk characteristics of life insurance as set forth in section 702, but is limited in nature and scope and may be issued only by a savings bank life insurance company as provided in chapter 69.

§703-A. Savings bank annuity defined

For the purpose of this Title, a "savings bank annuity" is a contract under which obligations are assumed as set forth in section 703, but which is limited in nature and scope and may be issued only by an authorized savings bank life insurance company as provided in chapter 69.

1 Sec. 7. 24-A MRSA §1514-A, as enacted by PL
2 1971, c. 407, is amended to read:

3 §1514-A. Prohibition as to banks, savings and loan
4 associations and credit unions

5 No license as an agent, broker or consultant
6 ~~shall~~ may be issued to a bank, a savings and loan as-
7 sociation or a credit union, a holding company or
8 subsidiary of any of the foregoing, or any officer,
9 agent, representative or employee thereof other than
10 a director, trustee or other part-time officer, ex-
11 cept for a limited license as a savings bank life in-
12 surance agent or agency bank as provided for in chap-
13 ter 69. Nothing in this section ~~shall~~ may limit the
14 activity of such organizations with respect to credit
15 life and credit health insurance pursuant to chapter
16 37, group health insurance authorized pursuant to
17 chapter 35 and group life insurance authorized pursu-
18 ant to chapter 31.

19 Sec. 8. 24-A MRSA §1531, sub-§1, D, as amended
20 by PL 1983, c. 298, §1, is further amended to read:

21 D. Covering only title insurance; ~~or~~

22 Sec. 9. 24-A MRSA §1531, sub-§1, ¶E, as enacted
23 by PL 1983, c. 298, §2, is amended to read:

24 E. Allowing a director of a domestic mutual as-
25 sessment fire insurance company to sell property
26 insurance coverage written by that company; or

27 Sec. 10. 24-A MRSA §1531, sub-§1, ¶F is enacted
28 to read:

29 F. Covering savings bank life insurance and sav-
30 ings bank annuity contracts only.

31 Sec. 11. 24-A MRSA §3352, sub-§2, as amended by
32 PL 1983, c. 801, §12, is further amended to read:

33 2. When applying for an original certificate of
34 authority, the insurer must be otherwise qualified
35 therefor under this Title, and must have received and
36 accepted bona fide applications as to substantial in-
37 surable subjects for insurance coverage of a substan-

1 tial character of the kind of insurance proposed to
2 be transacted, must have collected in cash the full
3 premium therefor at a rate not less than that usually
4 charged by other insurers for comparable coverages,
5 must have surplus funds on hand and deposited as of
6 the date such insurance coverages are to become ef-
7 fective, or, in lieu of such applications, premiums
8 and surplus, may deposit and thereafter maintain sur-
9 plus, all in accordance with that part of the follow-
10 ing schedule which applies to each kind of insurance
11 the insurer proposes to transact:

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Kind of Ins.	Min. No. of Apps. Accepted	Min. No. Subjects Covered	Minimum Premium Collected	Minimum Amount Ins. Ea. Subject	Maximum Amount Ins. Ea. Subject (5)	Deposit Minimum Surplus Fund (6)	Deposit Surplus in Lieu (7)
Life(1)	500	500	Annual	\$ 2,500	\$50,000	\$1,000,000	\$1,250,000
Health (2)	500	500	Quarterly (wkly.	100 (wkly. indem.)	300 indem.)	500,000	750,000
Prop-erty(3)	100	250	Annual	10,000	100,000	500,000	750,000
Casu-ality(4)	250	500	Annual	25,000	100,000	750,000	1,000,000
<u>Savings Bank and Life Annuity</u>	<u>500</u>	<u>500</u>	<u>Annual</u>	<u>2,500</u>	<u>50,000</u>	<u>1,000,000</u>	<u>1,250,000</u>

32 The following provisions are respectively applicable
33 to the foregoing schedule and provisions as indicated
34 by like numerals appearing in such schedule.

35 (1) No group insurance or term policies for
36 terms of less than 10 years may be included.

37 (2) No group, blanket or family plans of
38 insurance may be included. In lieu of weekly
39 indemnity, a like premium value in medical,
40 surgical and hospital benefits may be pro-
41 vided. Any accidental death or dismemberment

1 benefit provided shall not exceed \$15,000.

2 (3) Only insurance of the owner's interest
3 in real property may be included.

4 (4) Such insurance must include coverage of
5 legal liability for bodily injury and prop-
6 erty damage, to which the maximum and mini-
7 mum insured amounts apply.

8 (5) The maximums provided for in column (F)
9 are net of applicable reinsurance.

10 (6) The deposit of surplus in the amount
11 specified in columns (G) and (H) must there-
12 after be maintained unimpaired. The deposit
13 is subject to chapter 15 (administration of
14 deposits).

15 (7) Deposit surplus, when utilized, in lieu
16 of the alternative procedure of accepting
17 deposit application funds shall be in those
18 amounts enumerated for each identified kind
19 of insurance.

20 Expendable surplus: In addition to surplus deposited
21 and thereafter to be maintained as shown in columns
22 (G) or (H), the insurer when first authorized must
23 have on hand surplus funds, which it can thereafter
24 expend in the conduct of its business, in amount not
25 less than 50% of the applicable deposited and main-
26 tained surplus required of it under the schedule set
27 up in this subsection.

28 Notwithstanding the requirements for expendable sur-
29 plus otherwise required by this section for newly or-
30 ganized insurance companies seeking a certificate of
31 authority in this State, any such insurer may trans-
32 act legal services insurance, to the extent provided
33 for in chapter 38, without additional expendable
34 funds, if the corporation is otherwise qualified for
35 a certificate of authority to transact the business
36 of health, life and health or multiple lines insur-
37 ance, and possesses and thereafter maintains, in ad-
38 dition to the amounts enumerated in the table in this
39 subsection, an additional amount of unimpaired basic
40 surplus of not less than \$500,000.

1 Sec. 12. 24-A MRSA §4603, sub-§1, as enacted by
2 PL 1983, c. 846, is amended to read:

3 1. Application. This chapter shall apply to di-
4 rect life insurance policies, savings bank life in-
5 surance policies, health insurance policies, annuity
6 contracts, savings bank annuities contracts and con-
7 tracts supplemental to life and health insurance po-
8 licies and annuity contracts issued by persons autho-
9 rized to transact insurance in this State at any
10 time.

11 Sec. 13. 24-A MRSA c. 69 is enacted to read:

12 CHAPTER 69

13 SAVINGS BANK LIFE INSURANCE LAW

14 §5051. Short title

15 This chapter shall be known as the "Savings Bank
16 Life Insurance Law."

17 §5052. Definitions

18 As used in this chapter, unless the context oth-
19 erwise indicates, the following terms shall have the
20 following meanings.

21 1. Agency bank. "Agency bank" means a savings
22 bank which acts as agent for the savings bank life
23 insurance company.

24 2. Savings bank. "Savings bank" means a finan-
25 cial institution organized under the laws of this
26 State and authorized to exercise the powers set forth
27 in Title 9-B, Part 5, subject to such conditions and
28 limitations on the exercise of the powers as shall be
29 set forth in that Part, or a savings bank organized
30 under provisions of federal law which maintains its
31 principal office in this State.

32 3. Savings bank life insurance company. "Sav-
33 ings bank life insurance company" means a life insur-
34 ance company whose charter and laws of its state of
35 domicile enable it to transact only savings bank life
36 insurance and savings bank annuity contracts both in

1 its state of domicile and, if a foreign company, out-
2 side of its state of domicile, and which is expressly
3 authorized, pursuant to this Title, to transact sav-
4 ings bank life insurance and savings bank annuity
5 contracts in this State.

6 §5053. Savings bank as life insurance agent

7 A savings bank may act as an agency bank for the
8 purpose of soliciting applications for, or negotiat-
9 ing the procurement of, savings bank life insurance
10 or savings bank annuity contracts on behalf of a sav-
11 ings bank life insurance company, subject to the fol-
12 lowing and the further requirements of this chapter.

13 1. License and registration required. An agency
14 bank must be licensed as an insurance agency pursuant
15 to chapter 17 and each individual to act for the
16 agency bank under the license shall be named in or
17 registered with the superintendent as to the license
18 and shall qualify as an individual licensee. The in-
19 dividual shall exercise the license power only for
20 and in the name of the agency bank.

21 2. Solicitation prohibited. An agency bank
22 shall not employ any person to solicit, negotiate or
23 effect insurance policies or annuity contracts or to
24 collect premiums on those policies or contracts by
25 house-to-house solicitation or by electronic solici-
26 tation, whether by telephone or otherwise, nor shall
27 it pay any compensation to any person for those annu-
28 ities. This subsection shall not be deemed to pro-
29 hibit mail solicitation by any agency bank to its
30 customers.

31 §5054. Separate records and accounts

32 Any savings bank acting as an agency bank shall
33 keep all accounts, books, records, papers and corre-
34 spondence related to its activities as an agency bank
35 distinct from those related to noninsurance agency
36 activities of the bank. No insurance premiums or re-
37 turn premiums held pursuant to insurance activities
38 of an agency bank may be commingled with funds relat-
39 ing to noninsurance activities of any savings bank.

40 §5055. Supervision by insurance superintendent

1 A savings bank life insurance company shall be
2 subject to any and all provisions of this Title as
3 are applicable to life insurers, including, but not
4 limited to, the provisions of chapters 1 to 13, in-
5 clusive, 17, 23, 27, 29, 47, 61 and 62.

6 An agency bank shall be subject to any and all
7 provisions of this Title as are applicable to other
8 insurance agencies, including, but not limited to,
9 all supervisory and examination powers of the super-
10 intendent.

11 §5056. Savings bank life insurance policies and an-
12 nuity contracts

13 Savings bank life insurance policies may be is-
14 suued only on an individual basis in this State. A
15 savings bank life insurance company may not obligate
16 itself, pursuant to one or more savings bank life in-
17 surance policies, to pay more than \$50,000 in the
18 event of the death of any one person. This limita-
19 tion is exclusive of such amounts as may be payable
20 under an agreement to waive certain future premiums
21 under a policy issued on the life of a minor or on
22 the life of a spouse of the payor upon the death of
23 the payor of the premiums.

24 A savings bank life insurance company may not ac-
25 cept more than \$2,000 per year in gross annuity con-
26 siderations under a savings bank annuity contract or
27 contracts upon the life of any one person, or an
28 amount equivalent to the maximum contribution allowa-
29 ble for Individual Retirement Accounts under the
30 United States Internal Revenue Code of 1954.

31 §5057. Contract forms; compliance required

32 All savings bank life insurance and annuity con-
33 tracts to be delivered or issued for delivery in the
34 State are fully subject to the requirements of chap-
35 ter 27, including, but not limited to, the Insurance
36 Policy Language Simplification Act, and chapter 29.

37 §5058. Applicability of Maine Life and Health Insur-
38 ance Guaranty Association Act

39 All savings bank life insurance companies shall

1 be and remain members of the Maine Life and Health
2 Insurance Guaranty Association as a condition of
3 their authority to transact insurance in this State.

4 STATEMENT OF FACT

5 Savings bank life insurance products are sold by
6 mutual institutions in Massachusetts, Connecticut and
7 New York. Savings bank life insurance has provided
8 consumers in those states with low-cost life insur-
9 ance products which are readily understood and are
10 made conveniently available through branch networks.
11 This bill permits Maine's savings banks to act as
12 agents for the sale of savings bank life insurance
13 products. It also provides for regulation of this
14 activity by the Bureau of Insurance. Sales pressures
15 are reduced since savings bank life insurance would
16 be sold by salaried bank employees who are licensed
17 to sell insurance, rather than commissioned agents.

18 Sections 1, 2 and 3 provide an exemption from the
19 confidentiality sections of the banking laws in order
20 to allow the Bureau of Insurance access to financial
21 records necessary to examine for compliance with the
22 Insurance Code as it relates to savings bank life in-
23 surance.

24 Section 4 amends the banking laws to authorize
25 savings banks to act as agents for sale of savings
26 bank life insurance.

27 Sections 5 to 12 set forth changes to Title 24-A
28 to establish standards for capital requirements, li-
29 censing parameters and definitional changes to facil-
30 itate the operation of a savings bank life insurance
31 company in Maine.

32 Section 13 enacts a new chapter in the Insurance
33 Code which establishes the Savings Bank Life Insur-
34 ance Law, sets forth limitations and guidelines for
35 offering savings bank life insurance products in
36 Maine.

37 0787021585