

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

No. 745

S.P. 264

In Senate, March 16, 1987

Reference to the Committee on Banking and Insurance suggested and ordered printed.

JOY J. O'BRIEN, Secretary of the Senate
Presented by Senator DOW of Kennebec.

STATE OF MAINE

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

1 AN ACT Relating to the Definition of
2 Insurance Agents' Relating to the
3 Termination of Contracts Between
4 Insurance Companies and Agents.
5

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

8 24-A MRSA §422-A is enacted to read:

9 §422-A. Termination of insurance sales contract

10 No insurer as defined in section 4 doing business
11 in this State may terminate, cancel or refuse to re-
12 new a contract or selling agreement with an insurance
13 agent as defined in section 1502 without good cause
14 and notice to the agent.

1 1. Good cause. Good cause includes:

2 A. Criminal misconduct or gross negligence re-
3 lating to the business or premises of the agency;

4 B. Fraud or moral turpitude of the agent;

5 C. Failure to pay money due the company accord-
6 ing to the contract or agreement;

7 D. Death of the agent;

8 E. Insolvency of the company or agent;

9 F. Discontinuance of a line of insurance of the
10 company sold by the agent according to the con-
11 tract or agreement with the company; and

12 G. Failure of the agent to perform according to
13 the terms of the contract.

14 2. Notice. The insurance company shall notify
15 the agent in writing of the termination, cancellation
16 or nonrenewal of the contract or agreement no less
17 than 60 days before the effective date of the con-
18 tract stating the specific cause. In no event may
19 the contract or agreement be terminated, cancelled or
20 not renewed prior to the expiration of the 60-day no-
21 tice period without the written consent of the agent.

22 STATEMENT OF FACT

23 This bill intends to balance the imbalance in
24 bargaining power that exists between insurance agents
25 and insurance companies when unilateral contracts of-
26 fered by the companies, governing sales by the agent,
27 are terminated or cancelled or refused renewal. This
28 bill requires the company to show good cause for its
29 action and provide notice to the agent of its in-
30 tended action.

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