

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

NO. 1548

H.P. 1138 House of Representatives, May 13, 1987  
Submitted by the Department of Professional and Financial  
Regulation pursuant to Joint Rule 24.  
Reference to the Committee on Banking and Insurance  
suggested and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative REED of Falmouth.

Cosponsored by Senator CLARK of Cumberland and  
Representative ALIBERTI of Lewiston.

STATE OF MAINE

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

AN ACT to Amend the Law Relating to Group  
Life and Health Insurance.

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

Sec. 1. 24-A MRSA §2412, sub-§1, as amended by  
PL 1973, c. 585, §12, is further amended to read:

1. No basic insurance policy or annuity contract  
form, or application form ~~where~~ when written applica-  
tion is required and is to be made a part of the pol-  
icy or contract, or printed rider or endorsement form  
or form of renewal certificate, ~~shall~~ may be deliv-  
ered, or issued for delivery in this State, unless  
the form has been filed with and approved by the su-  
perintendent. This provision shall not apply to sure-  
ty bonds, or to specially rated inland marine risks,

1 or to policies, riders, endorsements or forms of  
2 unique character designed for and used with relation  
3 to insurance upon a particular subject, or which re-  
4 late to the manner of distribution of benefits or to  
5 the reservation of rights and benefits under life or  
6 health insurance policies and are used at the request  
7 of the individual policyholder, contract holder, or  
8 certificate holder. As This provision shall also  
9 apply to group insurance policies effectuated and de-  
10 livered outside this State but covering persons resi-  
11 dent in this State, except that if the policy is is-  
12 ssued to an employee group as defined in sections 2603  
13 and 2804, or to a labor union group as defined in  
14 sections 2605-A and 2805, then only the group certifi-  
15 icates to be delivered or issued for delivery in this  
16 State shall be filed, for the superintendent's infor-  
17 mation only, with the superintendent at his request.  
18 As to forms for use in property, marine other than  
19 wet marine and transportation insurance, casualty and  
20 surety insurance coverages, the filing required by  
21 this subsection may be made by rating organizations  
22 on behalf of its members and subscribers; but this  
23 provision shall not be deemed to prohibit any such  
24 member or subscriber from filing any such forms on  
25 its own behalf.

26 **Sec. 2. 24-A MRSA §2612-A, sub-§1, as enacted by**  
27 **PL 1981, c. 150, §16, is amended to read:**

28 1. No such group life insurance policy may be  
29 delivered in this State unless ~~the superintendent~~  
30 ~~finds that~~, in the superintendent's discretion, the  
31 group to be covered is substantially similar to the  
32 groups described in sections 2602-A to 2610-A.

33 ~~A.---The issuance of the group policy is not con-~~  
34 ~~trary to the best interest of the public;~~

35 ~~B.---The issuance of the group policy would be ac-~~  
36 ~~tuarily sound;~~

37 ~~C.---The issuance of the group policy would result~~  
38 ~~in economics of acquisition or administration;~~  
39 ~~and~~

40 ~~D.---The benefits are reasonable in relation to~~  
41 ~~the premiums charged.~~



1 Life and health insurances are issued either as  
2 individual insurance or group insurance. Group in-  
3 surance may be issued to the types of groups enumer-  
4 ated in the laws. Under the current law, group in-  
5 surance may also be issued to "other groups" if cer-  
6 tain requirements are met. This bill corrects 2  
7 problems which have arisen with group insurance is-  
8 sued to "other groups."

9 The first problem is that insurance may be of-  
10 fered to the State's residents under a group policy  
11 issued in another state and approved in a 3rd state  
12 without the forms or rates being filed in the State.  
13 This is done by setting up a trust under the control  
14 of the insurer to which the group policy is issued.  
15 The residents of the State are then invited to join  
16 the "group" and buy the insurance. This type of  
17 group is known as a "pseudo-group" or a "fictitious  
18 group." It allows insurers to avoid the statutory re-  
19 quirements which would apply if the insurance were  
20 issued on an individual basis. For example, rates  
21 for health insurance issued through "other groups"  
22 may be increased without state approval, which would  
23 be necessary for individual insurance.

24 The 2nd problem with the current law is that the  
25 requirements which must be met by "other groups" are  
26 vague and subject to varying interpretations. This,  
27 coupled with the lack of a filing requirement, allows  
28 insurers to offer "pseudo-group" coverage by finding  
29 one state which will interpret the requirements  
30 permissively.

31 This bill corrects these problems by permitting  
32 "other group" insurance to be offered in the State  
33 only if the Superintendent of Insurance finds that  
34 the group is substantially similar to the enumerated  
35 groups.

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