

# MAINE STATE LEGISLATURE

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R.O.S.

L.D. 1051

(Filing No. H-399 )

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
116TH LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 778, L.D. 1051, Bill, "An Act to Authorize Maine Financial Institutions and Credit Unions to Sell Annuities"

Amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

Sec. 1. 9-B MRSA §443, sub-§11 is enacted to read:

11. Annuities. A financial institution, credit union or financial institution holding company, or a subsidiary or employee of such an entity, authorized to do business in the State may sell, or arrange for the sale of, through a licensed 3rd-party, annuities purchased from a licensed insurance company and may share commissions in connection with the sale of annuities pursuant to the provisions of Title 24-A. A financial institution, a credit union or a financial institution holding company or an employee or subsidiary of such an entity must be licensed in accordance with Title 24-A, section 1531, subsection 1, paragraph F before engaging in any of the activities concerning the sale of annuities authorized by this subsection. If annuities are sold pursuant to the authorization under this subsection through an arrangement with a licensed 3rd-party agent who is also licensed to sell other types of insurance products, that 3rd-party agent may sell only annuity products either on the premises of the financial institution, credit union or financial institution holding company, or a subsidiary of such an entity, or as an agent of any of those entities. As used in this subsection, the words "sell annuities" and "arrange for the sale of annuities" do not include the underwriting of those products.

COMMITTEE AMENDMENT

Sec. 2. 9-B MRSA §467, sub-§4 is enacted to read:

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4. Sale of annuities. A financial institution or a credit union authorized to do business in this State may not arrange for the sale of annuities pursuant to section 443, subsection 11, with an insurance agent if that agent is a director of the financial institution or credit union or with an agency if a director is an owner or otherwise has a financial interest in the agency.

Sec. 3. 24-A MRSA §1514-A, sub-§2, as enacted by PL 1985, c. 731, is amended to read:

2. Prohibition on licensing. No A financial institution, financial institution holding company or the subsidiary of either or any an officer, employee, agent or representative of a financial institution, financial institution holding company or the subsidiary of either may not be licensed as an insurance agent, broker or consultant in this State or may not act as an insurance agent, broker or consultant in this State. Nothing in this section limits the activity of these organizations with respect to credit life and credit health insurance to the extent authorized by chapter 37, group health insurance to the extent authorized by chapter 35 and group life insurance to the extent authorized by chapter 31. Nothing in this section prohibits a financial institution, credit union, financial institution holding company or a subsidiary or employee of any such entity from selling annuities, arranging for the sale of annuities or sharing commissions in connection with the sale of annuities to the extent authorized by Title 9-B, section 443, subsection 11, provided that such entity has been licensed pursuant to section 1531, subsection 1, paragraph F and if that activity includes the sale of variable annuity contracts, the National Association of Securities Dealers registration form has been submitted to the superintendent as required by the provisions of section 1520, subsection 3. In the event that a financial institution, credit union or financial institution holding company or subsidiary of a financial institution, credit union or financial institution holding company contracts for the sale of annuity products through a licensed 3rd-party agent who is also licensed to sell other insurance products, if the agent sells any insurance product other than annuities, in each instance the agent shall provide a written disclosure to the party purchasing the insurance product. The disclosure must state that in making the sale the agent is acting as an independently licensed insurance agent and not as an agent of the financial institution, credit union, financial institution holding company or subsidiary of a financial institution, credit union or financial institution holding company.

Sec. 4. 24-A MRSA §1514-A, sub-§2-A is enacted to read:

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2-A. Notwithstanding the provisions of subsections 1 and 2, an individual may not be affiliated pursuant to section 1518, subsection 5, with a financial institution, credit union, holding company or subsidiary of a financial institution, credit union, holding company or subsidiary of which the individual is a director or trustee nor may an individual, through a 3rd-party arrangement, otherwise sell annuities for or share commissions with an institution. This prohibition applies to an organization licensed as an agent or broker in which the director or trustee has an ownership interest or otherwise controls the organization.

Sec. 5. 24-A MRSA §1517, sub-§6 is enacted to read:

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6. A financial institution, credit union, financial institution holding company or a subsidiary of any such entity may be licensed as an insurance agent for the limited purpose of selling annuities as provided in section 1531, subsection 1, paragraph F or for the purpose of sharing commissions in the connection with the sale of annuities as provided in this Title. An entity that is authorized to sell annuities or to share in commissions from the sale of annuities pursuant to Title 9-B, section 443, subsection 11 is not required to comply with the requirements of subsection 2.

Sec. 6. 24-A MRSA §1531, sub-§1, as amended by PL 1983, c. 298, §§1 and 2, is further amended to read:

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1. The superintendent may shall issue to an applicant qualified ~~therefor~~ under this chapter a limited agent's license as follows:

- A. Covering motor vehicle insurance only; ~~or~~
- B. Travel accident and baggage insurance, as provided in section 1521, subsection 3 ~~of section 1521~~; ~~or~~
- C. Covering only credit life and credit health insurance; ~~or~~
- D. Covering only title insurance; ~~or~~
- E. Allowing a director of a domestic mutual assessment fire insurance company to sell property insurance coverage written by that company; ~~or~~
- F. Covering only annuities. An individual who is licensed to sell annuities as well as other kinds of insurance under the Maine Insurance Code who is or becomes an employee of a financial institution, credit union, financial institution

2 holding company or a subsidiary of such an entity that  
3 becomes licensed pursuant to this subsection, must promptly  
4 deliver the license to the superintendent for reissuance  
5 without fee or charge as a limited license for the sale of  
6 annuities only.

7 Sec. 7. 24-A MRSA §1875, sub-§2, as enacted by PL 1989, c. 31,  
8 §4, is amended to read:

9 2. This Except for limited licenses for the sale of  
10 annuities, this subchapter shall does not apply to persons  
11 holding only resident limited licenses under section 1531.

### 14 FISCAL NOTE

15 Allowing banks and credit unions to become licensed sellers  
16 of annuities will increase dedicated revenues to the Bureau of  
17 Insurance from license fees. The amounts can not be determined  
18 at this time.

19 The Bureau of Banking will incur some minor additional costs  
20 to enforce the annuity selling requirements. These costs can be  
21 absorbed within the bureau's existing budgeted resources.'

### 26 STATEMENT OF FACT

27 This amendment makes the following changes to the bill.

28 1. The amendment provides that, if a financial institution,  
29 credit union, financial institution holding company or a  
30 subsidiary of any such entity chooses to sell annuities through a  
31 contract with a licensed 3rd-party insurance agent, that  
32 insurance agent may sell only annuity products on the premises of  
33 that institution or as the institution's authorized agent.

34 2. It adds a reference to the existing requirement that if  
35 variable annuities are to be sold as part of the licensing  
36 process a licensed applicant must show written evidence of  
37 successful completion of the minimum National Association of  
38 Security Dealers requirements for the sale of variable contracts.

39 3. A definition has been added to make it clear that the  
40 authorization to sell annuities does not include the ability to  
41 underwrite annuity products.

42 4. A provision has been added that requires an agent who  
43 sells annuities for a financial institution or credit union who  
44 also sells other insurance products, which by law are not allowed

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2 to be sold by an agent of the financial institution or credit  
union, to disclose to the person purchasing the other insurance  
4 products that the agent is not acting on behalf of the financial  
institution or credit union.

6 5. The amendment clarifies that, in addition to directly  
selling annuities and arranging for the sale of annuities through  
8 licensed 3rd-party agents, financial institutions and credit  
unions will also be permitted to share commissions like any other  
10 agent in connection with the sale of annuities.

12 6. The amendment provides that, if an employee of a  
financial institution or credit union or any of their  
14 subsidiaries is to be considered an individual employee agent of  
that entity as part of its qualification for a limited agent's  
16 license to sell annuities and that employee has an insurance  
agent's license to sell products in addition to annuities, the  
18 employee's license must be exchanged for a limited license to  
sell only annuities as an agent of the financial institution or  
20 credit union.

22 7. The amendment defines the applicability of the  
continuing education requirements of the Maine Revised Statutes,  
24 Title 24-A for licensed agents, brokers or consultants and  
applies those continuing education requirements to limited  
26 licenses covering the sale of annuities.

28 8. This amendment prohibits a financial institution or  
credit union from entering into an agreement for the sale of  
30 annuities on behalf of the financial institution or credit union  
with an agent who is a director or an agency if the director is  
32 an owner or otherwise has a financial interest in the agency. It  
prohibits an individual who is a member of the board of directors  
34 of a financial institution or credit union from being affiliated  
with that institution for the sale of annuities.

36 9. This amendment adds a fiscal note.  
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Reported by the Majority of the Committee on Banking and Insurance  
Reproduced and distributed under the direction of the Clerk of the  
House  
5/24/93 (Filing No. H-399)