

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

FIRST REGULAR SESSION-1993

Legislative Document

No. 1068

S.P. 354

In Senate, March 29, 1993

An Act to Regulate Credit Insurance and to Require Disclosure to Borrowers.

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.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator HARRIMAN of Cumberland.
Cosponsored by Senator: VOSE of Washington, Representative: PINEAU of Jay.

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

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4 **Sec. 1. 24-A MRS §2169**, as amended by PL 1983, c. 394, §5,
is further amended to read:

6 **§2169. Notice of free choice of agent or insurer**

8 Every debtor, borrower or purchaser of property with respect
10 to which insurance of any kind on the property is required in
connection with a debt or loan secured by that property or in
12 connection with the sale of that property shall must be informed
by the creditor or lender at the time of application for the loan
14 or at the outset of negotiations regarding the loan or sale of
his that person's right of free choice in the selection of the
agent and insurer through or by which the insurance is to be
16 placed. ~~There shall be no interference~~ Another person may not
interfere either directly or indirectly with the borrower's,
18 debtor's or purchaser's free choice of an agent and of an insurer
which that complies with the requirements set out in section
20 2168, and the creditor or lender shall may not refuse an adequate
policy so tendered by the borrower, debtor or purchaser. For
22 purposes of this section, the term "policy" includes, but is not
limited to, any temporary contract or binder, by whatever name
24 known, under the terms of which insurance coverage commences at a
specified time, and continues until a finished policy is issued
26 or the risk is declined and coverage is terminated. Upon notice
of any refusal of this tendered policy, the superintendent shall
28 the superintendent determine that the refusal is not in
accordance with the requirements set out in section 2168. Failure
30 to comply with such an order of the superintendent shall ~~be~~
32 deemed is a violation of this section.

34 **Sec. 2. 24-A MRS §2170, sub-§2**, as enacted by PL 1969, c.
132, §1, is amended to read:

36 2. This section shall does not prohibit fees paid to a
38 lender for handling or processing credit accident and health or
credit life insurance not exceeding 10% of prima facie premiums
40 as set forth by rules adopted by the superintendent.

42 **Sec. 3. 24-A MRS §2860-A** is enacted to read:

44 **§2860-A. Commissions**

46 Commissions may not be paid to any creditor, whether or not
48 a licensed agent. This section does not prohibit fees paid to a
lender for handling or processing credit life or health insurance
not exceeding 10% of prima facie premiums as set forth by rules
50 adopted by the superintendent.

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STATEMENT OF FACT

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This bill establishes the time at which lenders who require borrowers to procure insurance for the purchase of property must inform the borrowers of the borrowers' right to choose an insurance agent and insurer.

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12 Current law limits fees paid by insurers to lenders for
14 processing credit life and disability insurance to 10% of
16 premium. Commissions on credit life and disability insurance are
18 often 30% or more. This bill prohibits paying commissions on
20 credit insurance to a creditor or anyone affiliated with a
22 creditor, including a licensed agent and limits reimbursement to
24 the 10% servicing fee.

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20 Also, since insurers are allowed to charge higher rates
22 based on poor claims experience, current law allows a higher
24 servicing fee to creditors with poor claims experience. This
bill bases the 10% limitation on prima facie premiums rather than
actual premiums, resulting in the same servicing fee for all
creditors.