

MAINE STATE LEGISLATURE

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120th MAINE LEGISLATURE

FIRST REGULAR SESSION-2001

Legislative Document

No. 1630

S.P. 511

In Senate, March 13, 2001

An Act to Permit the Issuance of Certain Types of Consumer Credit Insurance.

Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 204.

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 DOUGLASS of Androscoggin.
Cosponsored by Representative SULLIVAN of Biddeford and
Senators: ABROMSON of Cumberland, LaFOUNTAIN of York, Representatives: DUDLEY
of Portland, GLYNN of South Portland, MAYO of Bath, O'NEIL of Saco.

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

2
4 **Sec. 1. 9-A MRSA §4-103, sub-§2**, as enacted by PL 1973, c.
762, §1, is amended to read:

6 2. "Credit Insurance Act" means ~~the Revised Statutes~~, Title
24-A, chapter 37.

8 **Sec. 2. 24-A MRSA §707, sub-§1, ¶N-1** is enacted to read:

10 N-1. Involuntary unemployment. Insurance against the loss
12 of income due to a permanent or temporary job loss or job
14 change. Involuntary unemployment insurance may include
16 labor dispute coverage. Governmental benefit programs are
 not considered involuntary unemployment insurance for
 purposes of this Title; and

18 **Sec. 3. 24-A MRSA c. 37** is amended by repealing the chapter
20 headnote and enacting the following in its place:

22 **CHAPTER 37**

24 **CONSUMER CREDIT INSURANCE**

26 **Sec. 4. 24-A MRSA §2851**, as repealed and replaced by PL 1999,
c. 256, Pt. H, §1, is amended to read:

28 **§2851. Scope of provisions**

30 All life insurance and all health insurance in connection
32 with loans or other credit transactions are subject to this
chapter, except:

34 1. **Long-term loan.** Insurance in connection with a loan or
36 other credit transaction of more than 15 years' duration;

38 2. **Isolated transactions.** Insurance issued in an isolated
40 transaction on the part of the insurer not related to an
agreement or a plan for insuring debtors of the creditor; or

42 3. **Real estate loan.** Insurance in connection with ~~real~~
44 ~~estate loans when the charge, if any, to the debtor is periodic~~
46 ~~and not financed, a credit transaction when the charge, if any,~~
48 to the debtor for this insurance is periodic and not financed and
is:

A. Secured by a first mortgage or deed of trust; and

2 B. Made to finance the purchase of real property or the
3 construction of a dwelling or to refinance a prior credit
4 transaction made for such purpose.

5 Credit property insurance, credit involuntary unemployment
6 insurance and other consumer credit insurance specifically
7 authorized by the superintendent under rules adopted pursuant to
8 section 2865 or chapter 40-A are subject to this chapter.

9 This chapter does not apply to credit insurance under
10 section 707, subsection 1, paragraph I or to debt cancellation
11 agreements entered into between a financial institution and its
12 debtors.

13 **Sec. 5. 24-A MRS §2851-A** is enacted to read:

14 **§2851-A. Short title**

15 This chapter may be known and cited as the "Consumer Credit
16 Insurance Act."

17 **Sec. 6. 24-A MRS §2852**, as enacted by PL 1969, c. 132, §1,
18 is amended to read:

19 **§2852. Purpose; construction**

20 The purpose of this chapter is to promote the public welfare
21 by regulating consumer credit life-insurance-and-credit-health
22 insurance. Nothing in this chapter is intended to prohibit or
23 discourage reasonable competition. This chapter shall must be
24 liberally construed.

25 **Sec. 7. 24-A MRS §2853, sub-§§2-A to 2-C** are enacted to read:

26 **2-A. "Credit involuntary unemployment insurance"** means
27 involuntary unemployment insurance insuring a debtor pursuant to
28 or in connection with a specific loan or other credit transaction.

29 **2-B. "Credit property insurance"** means property insurance on
30 property that is purchased on credit or pledged as collateral on
31 a loan when the insurance is purchased by or issued to the debtor
32 in connection with that loan or credit transaction.

33 **2-C. "Consumer credit insurance"** means insurance subject to
34 this chapter under section 2851.

35 **Sec. 8. 24-A MRS §2854**, as enacted by PL 1969, c. 132, §1,
36 is amended to read:

2
3 **§2854. Forms available**

4 ~~Credit--life--insurance--and--credit--health~~ Consumer credit
5 insurance shall may be issued only in the following forms:

6 **1. Individual life.** Individual policies of life insurance
7 issued to debtors on the term plan;

8
9 **2. Individual accident and health.** Individual policies of
10 health insurance issued to debtors on a term plan, or disability
11 benefit provisions in individual policies of credit life
12 insurance;

13
14 **3. Group life.** Group policies of life insurance issued to
15 creditors providing insurance upon the lives of debtors on the
16 term plan;

17
18 **4. Group accident and health.** Group policies of health
19 insurance issued to creditors on a term plan insuring debtors, or
20 disability benefit provisions in group credit life insurance
21 policies to provide such coverage;

22
23 **4-A. Individual credit property insurance.** Individual
24 policies of property insurance on property that is purchased on
25 credit or pledged as collateral on a loan when the insurance is
26 purchased by or issued to the debtor in connection with that loan
27 or credit transaction;

28
29 **4-B. Group credit property insurance.** Group policies of
30 property insurance on property that is purchased on credit or
31 pledged as collateral on a loan when the insurance is purchased
32 by or issued to the debtor in connection with that loan or credit
33 transaction;

34
35 **4-C. Individual credit involuntary unemployment insurance.**
36 Individual involuntary unemployment policies insuring a debtor
37 pursuant to or in connection with a specific loan or other credit
38 transaction but not including disability insurance policies;

39
40 **4-D. Group credit involuntary unemployment insurance.**
41 Group involuntary unemployment policies insuring a debtor
42 pursuant to or in connection with a specific loan or other credit
43 transaction but not including disability insurance policies; or

44
45 **5. Combination.** A combination under subsections 1 and 2,
46 or under 3 and 4.

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48 The superintendent may by rules adopted pursuant to section
49 2865 or chapter 40-A designate other permissible types of
50 consumer credit insurance.

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Sec. 9. 24-A MRSA §2856, sub-§5 is enacted to read:

5. For credit involuntary unemployment insurance, benefits must start after a waiting period of not longer than 30 days but need not be retroactive to the first day of unemployment and must have a maximum benefit period of at least 6 months.

Sec. 10. 24-A MRSA §2857, as amended by PL 1995, c. 238, §1, is further amended to read:

§2857. Policy provisions; delivery or disclosure to debtors

1. Policy or certificate delivered. All consumer credit ~~life--insurance--and--credit--health~~ insurance shall must be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance, which individual policy or group certificate of insurance shall must be delivered to the debtor.

2. Content of policy or certificate. Each individual policy or group certificate of consumer credit ~~life--insurance--or--credit--health~~ insurance must, in addition to other requirements of law, set forth the name and home office address of the insurer, the name or names of the debtor, or, in the case of a certificate under a group policy, the identity by name or otherwise of the debtor; the premium or amount of payment, if a separate identifiable charge is paid by the debtor separately for consumer credit ~~life--insurance--and--credit--health~~ insurance; a description of the coverage, including the amount and term of the coverage, and any exceptions, limitations and restrictions, including conditions under which the policy may be terminated, which must be highlighted in bold print; and must state that the benefit is paid to the creditor to reduce or extinguish the unpaid indebtedness and, wherever the amount of insurance may exceed the unpaid indebtedness, that any excess is payable to a beneficiary, other than the creditor, named by the debtor or to the debtor's estate. During the 30 days immediately following the commencement date, the debtor may cancel the insurance and request in writing a full refund of premium for any reason.

3. When delivered. The individual policy or group certificate of insurance shall must be delivered to the insured debtor at the time the indebtedness is incurred, except as otherwise provided.

4. Notice of proposed insurance. If the individual policy or group certificate of insurance is not delivered to the debtor at the time indebtedness is incurred, a copy of the application for such policy or a notice of proposed insurance, signed by the

2 debtor and setting forth the name and home office address of the
insurer, the name or names of the debtor, the premium or amount
4 of payment by the debtor, if a separate identifiable charge is
made separately for consumer credit ~~life--insurance--and--credit~~
6 ~~health~~ insurance, the amount, term and a brief description of the
coverage provided, shall must be delivered to the debtor at the
8 time such indebtedness is incurred. Failure to comply with the
foregoing requirement shall ~~preclude~~ precludes the use of such
10 application as evidence in any action brought against the
insured. The copy of the application for, or notice of proposed
12 insurance, shall must refer exclusively to insurance coverage,
and shall must be separate and apart from the loan, sale or other
14 credit statement of account, instrument or agreement, unless the
information required by this subsection is prominently set forth
16 therein. Upon acceptance of the insurance by the insurer and
within 30 days of the date upon which the indebtedness is
18 incurred, the insurer shall cause the individual policy or group
certificate of insurance to be delivered to the debtor. The
20 application or notice of proposed insurance shall must state that
upon acceptance by the insurer the insurance shall ~~become~~ becomes
22 effective as provided in section 2856.

24 **5. Risk not accepted.** If the named insurer does not accept
the risk, the debtor shall must receive a policy or certificate
26 of insurance setting forth the name and home office address of
the substituted insurer and the amount of the premium to be
28 charged, and if the amount of premium is less than that set forth
in the notice of proposed insurance, an appropriate refund shall
must be made.

30 **Sec. 11. 24-A MRSA §2858, sub-§5,** as amended by PL 1973, c.
32 585, §12, is further amended to read:

34 **5. Group certificate filing.** If a group policy of consumer
credit ~~life--insurance--or--credit--health~~ insurance has been
36 delivered in this State before September 16, 1961, or has been or
is delivered in another state before or after such date, the
38 insurer shall ~~be required to~~ file only the group certificate and
notice of proposed insurance delivered or issued for delivery in
40 this State as specified in section 2857, subsections 2 and 4, and
such forms shall must be approved by the superintendent, if they
42 conform with the requirements specified in such subsections and
if the schedules of premium rates applicable to the insurance
44 evidenced by such certificate or notice are not in excess of the
insurer's schedules of premium rates filed with the
46 superintendent.

48 **Sec. 12. 24-A MRSA §2859,** as amended by PL 1993, c. 149, §§1
50 to 3, is further amended to read:

2 **§2859. Premium rates; refunds; accounts credited**
3 **when insurance not issued**

4 **1. Rates filed; life and health.** Any insurer may revise its
5 schedules of premium rates from time to time, and shall file such
6 revised schedules with the superintendent; however, no upward
7 revision in insurance charges to debtors may be made in
8 connection with closed-end credit which that would apply to
9 debtors whose credit insurance is already in force. In the case
10 of open-end credit, the debtor must be given a 31-day notice
11 prior to an upward revision unless a waiver of that notice is
12 obtained from the superintendent, in which case the notice of the
13 upward revision must be given at the next regular billing cycle.
14 No An insurer shall may not issue any credit life insurance
15 policy or credit health insurance policy for which the premium
16 rate exceeds that determined by the schedules of such insurer as
17 then on file with the superintendent.

18 **1-A. Rates filed and approved; property and casualty.** All
19 rates charged in connection with credit property insurance or
20 credit involuntary unemployment insurance must be filed and
21 approved in accordance with section 2304-A. An insurer may not
22 issue any credit property insurance or credit involuntary
23 unemployment insurance policy for which the premium rate exceeds
24 those rates filed and approved by the superintendent.

25 **1-B. Rating standards.** The superintendent may by rules
26 adopted pursuant to section 2865 or chapter 40-A establish
27 specific rating standards for particular types of consumer credit
28 insurance.

29 **2. Refund.** Each individual policy or group certificate
30 shall provide that in the event of termination of the insurance
31 prior to the scheduled maturity date of the indebtedness, any
32 refund of an amount paid by the debtor for insurance shall must
33 be paid or credited promptly to the debtor. The superintendent
34 shall prescribe a minimum refund and no refund which that would
35 be less than such minimum need be made. The formula to be used in
36 computing such refund shall must be filed with and approved by
37 the superintendent.

38 **3. Accounts credited where insurance not issued.** If a
39 creditor requires a debtor to make any payment for consumer
40 credit ~~life--insurance--or--credit--health~~ insurance and an
41 individual policy or group certificate of insurance is not
42 issued, the creditor shall immediately give written notice to
43 such debtor and shall promptly make an appropriate credit to the
44 account.

2 **4. Termination.** Any policy for consumer credit insurance
3 issued subsequent to the enactment of this section shall must
4 contain a provision that the insurance provided for may only be
5 terminated under only the following conditions:

6 A. The date the indebtedness is discharged, renewed or
7 refinanced;

8 B. Upon written request of a debtor;

9 C. When a debtor is insured under an individual or group
10 policy, nonpayment by such a debtor of any required premium
11 over 31 days past due, provided that at least 10 days prior
12 to termination the debtor has been given a notice of the
13 right to cure in substantially the same form required by
14 Title 9-A, section 5-110, subsection 3;
15

16 D. In the case where debtors are insured under group
17 policies, the group policy may be terminated after 31 days
18 prior notice to the debtor from the creditor;:
19

20 (1) In a noncontributory policy, at the option of the
21 creditor;

22 (2) At the time the insurance risk is transferred to a
23 succeeding insurance carrier; or
24

25 (3) If the group policyholder fails to pay the
26 premium; or
27

28 E. In the case where credit is extended on open-ended
29 basis:
30

31 (1) At attainment by the debtor of an age determined
32 in advance by the contract of insurance; or
33

34 (2) If the creditor elects to terminate all insurance
35 on credit extended on an open-ended basis;:
36

37 F. If credit is extended on a closed-end basis, coverage
38 for an individual insured under the policy may be terminated
39 upon expiration of the term of the loan or term for which a
40 charge was paid; or
41

42 G. When consumer credit insurance is paid for by the debtor
43 in a single premium at the inception of the debt, if the
44 debt is placed in charged-off status by the creditor because
45 the debt is uncollectible, the insurance coverage may be
46 terminated by the creditor and any refund of premium must be
47 applied against any outstanding indebtedness. The creditor
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2 shall give notice of the termination of insurance coverage
to the debtor at the debtor's last known address.

4 **Sec. 13. 24-A MRSA §2860**, as amended by PL 1973, c. 585, §12,
is further amended to read:

6 **§2860. Authorized insurer, agent required**

8
10 All policies of consumer credit life-insurance-and-credit
health insurance shall may be delivered or issued for delivery in
12 this State only by an insurer authorized to transact such
insurance therein, and shall may be issued only through holders
of licenses or authorizations issued by the superintendent.

14
16 **Sec. 14. 24-A MRSA §2861, sub-§2**, as enacted by PL 1969, c.
132, §1, is amended to read:

18 2. The amount charged to a debtor for any consumer credit
life-or-credit-health insurance shall may not exceed the premiums
20 charged by the insurer, as computed at the time the charge to the
debtor is determined.

22
24 **Sec. 15. 24-A MRSA §2865** is enacted to read:

26 **§2865. Rulemaking**

28 The superintendent may adopt rules establishing specific
requirements and procedures for consumer credit insurance
policies, certificates of coverage and rates, consistent with the
30 purposes of this chapter. These rules may specify additional
types of consumer credit insurance that may be issued on an
32 individual basis or, pursuant to chapter 40-A, on a group basis.
Rules adopted pursuant to this section are routine technical
34 rules as defined by Title 5, chapter 375, subchapter II-A.

36 **Sec. 16. 24-A MRSA c. 40-A** is enacted to read:

38 **CHAPTER 40-A**

40 **GROUP PROPERTY AND CASUALTY INSURANCE**

42 **§2951. Group property and casualty insurance**

44
46 **1. Group coverage permitted.** The following lines of
property and casualty insurance may be written on a group basis,
subject to the requirements of this section and other applicable
48 law:

2 A. Liability insurance issued to a risk purchasing group in
3 compliance with chapter 72-A;

4 B. Credit involuntary unemployment insurance issued to a
5 debtor group in compliance with chapter 37; and

6 C. Other lines of insurance designated by the
7 superintendent in compliance with rules adopted pursuant to
8 section 2953.

10 2. Terms of coverage. A policy must provide insured group
11 members with terms of coverage that are no less favorable to the
12 insured than would be required for comparable nongroup policies,
13 at rates consistent with the requirements of this Title.

14 3. Certificate of coverage. An insured group member must
15 be issued a certificate of coverage adequately describing that
16 insured's rights and responsibilities under the group policy in a
17 manner satisfactory to the superintendent, delivered in the same
18 time and manner as is required for the delivery of comparable
19 nongroup policies.

20 §2952. Termination of coverage

21 Cancellation and nonrenewal of group policies and of
22 coverage of group members under group policies are governed by
23 this section.

24 1. Involuntary termination. Involuntary termination of the
25 group policy is governed by section 2908. Individual insureds do
26 not have standing to contest cancellation or nonrenewal of the
27 group policy unless they have the right to represent the group
28 policyholder.

29 2. Prior notice of involuntary termination of coverage.
30 Except as otherwise provided in this section, individual insureds
31 have the same rights to prior notice before involuntary
32 termination of coverage and opportunity for hearing before the
33 superintendent to contest the termination as would be available
34 under the cancellation control laws applicable to comparable
35 nongroup policies.

36 3. Termination of group policy. Termination of the group
37 policy, whether voluntary or involuntary, is a valid ground for
38 termination of coverage for all group members, if adequate notice
39 to group members has been given in accordance with subsection 2.

40 4. Termination of group membership. Termination of group
41 membership is a valid ground for termination of the member's
42 coverage under a group policy, if the certificate of coverage so
43 coverage under a group policy, if the certificate of coverage so

2 provides. If the certificate of coverage gives adequate notice
4 that coverage ceases immediately upon voluntary withdrawal from
6 the group, no further advance notice is required as a condition
8 precedent to the termination of coverage.

10 5. Continued coverage. An insurer's obligation to issue or
12 offer continued coverage to a group member under this chapter may
14 be satisfied by the issuance or offer of a comparable nongroup
16 policy.

18 **§2953. Rulemaking**

20 The superintendent may adopt rules, which are routine
22 technical rules pursuant to Title 5, chapter 375, subchapter
24 II-A, establishing specific requirements and procedures for group
26 property and casualty policies, certificates of coverage and
28 rates, consistent with the purposes of this chapter. These rules
30 may specify additional types of insurance that may be issued on a
32 group basis and the types of groups that may be policyholders, if
34 the superintendent determines that the issuance of multiple
36 individual policies to group members in accordance with chapter
38 40 does not adequately address the needs of the market.

40 **SUMMARY**

42 This bill amends the Maine Revised Statutes, Title 24-A,
44 chapter 37 to permit the issuance of additional types of consumer
46 credit insurance. Currently, chapter 37 only permits the
48 issuance of credit life and credit accident and health
50 insurance. This bill extends the provisions of this chapter to
expressly permit the issuance of and clarify the regulation of
credit involuntary unemployment insurance and credit property
insurance.

This bill also adds a new chapter 40-A to Title 24-A that
expressly permits the issuance of the following types of property
and casualty insurance on a group basis: credit involuntary
unemployment insurance, credit property insurance and other types
of insurance authorized to be issued on a group basis under rules
adopted by the Superintendent of Insurance. Currently, it is
unclear whether these types of insurance may be issued on a group
basis. This bill expressly permits the issuance of these
products and provides regulatory protections for this insurance.

This bill authorizes the superintendent to adopt rules
regarding consumer credit insurance including the creation of
rating standards. It also authorizes the superintendent to adopt
rules to establish specific requirements for group property and
casualty insurance policies and rates. The latter rules may also

2 specify additional types of insurance that may be issued on a group basis.