

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

FIRST REGULAR SESSION-2003

Legislative Document

No. 1521

H.P. 1114

House of Representatives, April 7, 2003

An Act Concerning Liability Insurance Covering Debt Cancellation Contracts

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

Reference to the Committee on Insurance and Financial Services suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative GLYNN of South Portland.

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

4 **Sec. 1. 24-A MRSA §2910-B** is enacted to read:

6 **§2910-B. Liability insurance in connection with debt
cancellation contracts**

8 An insurer may not offer, issue or renew a liability
10 insurance policy in connection with debt cancellation contracts
12 issued by financial institutions unless the debt cancellation
14 contracts meet the requirements of chapter 37 and rules adopted
16 pursuant to that chapter.

18 **SUMMARY**

20 Recently, some financial institutions have offered debt
22 cancellation contracts to their borrowers. These contracts
24 operate similarly to credit insurance, but the risk is taken by
26 the bank rather than by an insurer. The State's laws relating to
credit insurance do not apply to these contracts. Some insurers
market programs to financial institutions under which the bank
issues debt cancellation contracts, but the insurer assumes the
risk through a liability policy. This bill prohibits insurers
from issuing such policies unless the underlying debt
cancellation contracts meet the standards applicable to credit
insurance.