

# MAINE STATE LEGISLATURE

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# 126th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2013

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Legislative Document

No. 1485

H.P. 1066

House of Representatives, April 30, 2013

### **An Act Relating to Insurance Company Formation and Dissolution**

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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 FITZPATRICK of Houlton.

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

2 **Sec. 1. 24-A MRSA §743, sub-§1, ¶B**, as enacted by PL 1991, c. 828, §20, is  
3 amended to read:

4 B. The superintendent may not license a firm, association, partnership or corporation  
5 unless the license is within purposes stated in the partnership agreement or ~~certificate~~  
6 ~~of organization~~ articles of incorporation. All licensees are subject to the applicable  
7 standards of section 407, subsection 2.

8 **Sec. 2. 24-A MRSA §3306, sub-§3**, as enacted by PL 1969, c. 132, §1, is  
9 amended to read:

10 **3. Articles of incorporation.** The incorporators shall execute ~~a certificate of~~  
11 ~~organization~~ articles of incorporation in ~~quadruplicate~~ triplicate, and at least a majority of  
12 the incorporators shall acknowledge their execution ~~thereof~~ of the articles of  
13 incorporation under oath. The ~~certificate of organization~~ articles of incorporation  
14 must state and show:

15 A. The name of the corporation, which must be generally indicative of the business  
16 to be transacted and be subject to section 408 (name of insurer); if a mutual, the word  
17 "mutual" must be a part of the name. An alternative name or names may be specified  
18 for use in foreign countries, or in jurisdictions ~~wherein~~ where conflict of name with  
19 that of another insurer or organization might otherwise prevent the corporation from  
20 being authorized to transact insurance ~~therein~~ in the foreign country;

21 B. The duration of its existence, which may be perpetual-;

22 C. The kinds of insurance, as defined in this Title, ~~which~~ that the corporation is  
23 formed to transact-;

24 D. If a stock corporation, its authorized capital and the number of shares of stock  
25 into which divided. The capital stock ~~shall~~ must consist entirely of common stock of  
26 one uniform class, par value not less than \$1.00 per share, each outstanding share of  
27 which ~~shall have~~ having equal rights in every respect with every other such share,  
28 except that treasury stock ~~shall~~ may not have dividend or voting rights. Shares  
29 without par value ~~shall~~ may not be authorized-;

30 E. If a stock corporation, the extent, if any, to which shares of its stock ~~shall be~~ are  
31 subject to assessment-;

32 F. If a mutual corporation, the maximum contingent liability of its members, other  
33 than as to nonassessable policies, for payment of losses and expenses incurred. Such  
34 liability ~~shall~~ must be as stated in the ~~certificate of organization~~ articles of  
35 incorporation, but ~~shall~~ may not be less than ± one or more than 6 times the premium  
36 for the member's policy at the annual premium rate for a term of one year-;

37 G. If a mutual corporation, the amount, if any, of its guaranty capital shares, the  
38 number and par value of shares into which divided, the voting and other rights of  
39 such shares, and the conditions under which such shares ~~shall~~ must or may be retired  
40 by the corporation, all consistent with section 3358 (guaranty capital shares)-;

1 H. The number of directors, ~~not less than 3~~, who shall constitute the board of  
2 directors and conduct the affairs of the corporation; and the names, addresses and  
3 terms of the members of the initial board of directors, who shall conduct the  
4 corporation's affairs for the term specified in the ~~certificate~~ articles, but for not more  
5 than one year after date of incorporation;

6 I. The city or town, and county in this State in which the corporation's principal place  
7 of business is to be located;

8 J. The name, residence address and national citizenship of each incorporator; and

9 K. Other provisions, not inconsistent with law, ~~deemed~~ determined appropriate by  
10 the incorporators, and including, in the case of life insurers, the power to act as  
11 trustee with respect to proceeds of maturity or death benefits payable under life  
12 insurance or annuity contracts issued or assumed by it.

13 **Sec. 3. 24-A MRSA §3307**, as amended by PL 1973, c. 585, §12, is further  
14 amended to read:

15 **§3307. Articles of incorporation, approval and filing**

16 **1.** The incorporators of a proposed insurer shall deliver the ~~quadruplicate~~ triplicate  
17 originals of the ~~certificate of organization~~ articles of incorporation to the superintendent.  
18 The superintendent shall deliver one set of such originals to the Attorney General of this  
19 State, and the Attorney General shall examine the same. If the Attorney General finds  
20 that the ~~certificate of organization~~ articles of incorporation comply with law, ~~he~~  
21 the Attorney General shall so certify in writing and return the original of the ~~certificate of~~  
22 organization articles of incorporation, so certified, to the superintendent.

23 **2.** When the ~~certificate of organization~~ has articles of incorporation have been so  
24 approved and returned by the Attorney General pursuant to subsection 1, the  
25 superintendent shall also endorse ~~his~~ the superintendent's approval upon each set ~~thereof~~  
26 of the articles of incorporation and return the ~~quadruplicate~~ triplicate originals of the  
27 ~~certificate of organization~~ articles of incorporation to the incorporators. The  
28 incorporators shall then file one of ~~such~~ the sets with the Secretary of State ~~of this State,~~  
29 and one set with the superintendent bearing the certification of the Secretary of State, ~~one~~  
30 ~~set for recording in the registry of deeds of the county in this State in which the~~  
31 ~~corporation's principal place of business is to be located,~~ and shall retain the remaining  
32 set in the corporate records.

33 **3.** For filing the ~~certificate of organization~~ articles of incorporation of a mutual  
34 insurer, the Secretary of State shall charge and collect a filing fee of \$25; except that if it  
35 is a mutual insurance corporation with provision for guaranty capital shares, the Secretary  
36 of State shall charge and collect for the filing of the ~~certificate of organization~~ articles of  
37 incorporation the same amount as would be payable by a stock insurance corporation  
38 having a like amount of authorized capital stock.

39 **4.** If the Attorney General finds that the proposed ~~certificate of organization~~ does  
40 articles of incorporation do not comply with law, ~~he~~ the Attorney General shall refuse to  
41 approve the same and shall return the set ~~thereof~~ of the articles of incorporation to the

1 superintendent, together with a written statement of the respects in which ~~he~~ the Attorney  
2 General finds that the ~~certificate does~~ articles do not so comply. The superintendent shall  
3 ~~thereupon~~ return all sets of the proposed ~~certificate of organization~~ articles of  
4 incorporation to the proposed incorporators together with the Attorney General's written  
5 statement.

6 5. The Secretary of State ~~shall~~ may not permit the filing in ~~that~~ the Secretary of  
7 State's office of any ~~such certificate~~ articles of incorporation unless the ~~same bears~~  
8 articles bear the superintendent's approval ~~endorsed thereon~~ as ~~hereinabove~~ provided in  
9 this section.

10 6. The approval of the Attorney General or superintendent, as ~~hereinabove~~ provided  
11 for in this section, ~~shall be deemed~~ is considered to relate only to the form and contents of  
12 the ~~certificate~~ articles, and ~~shall does~~ not constitute approval or commitment as to any  
13 other aspect or operation of the proposed insurer or relative to its entitlement, if any, to a  
14 certificate of authority.

15 7. The superintendent and Attorney General shall perform all duties required of  
16 them under this section within a reasonable time after the ~~certificate of organization has~~  
17 articles of incorporation have been submitted to the superintendent as provided in  
18 subsection 1.

19 **Sec. 4. 24-A MRSA §3310**, as amended by PL 1973, c. 585, §12, is further  
20 amended to read:

21 **§3310. Amendment of articles of incorporation; change of principal place of**  
22 **business**

23 1. A stock insurer may amend its ~~certificate of organization~~ articles of  
24 incorporation for any lawful purpose by authorization or vote of stockholders as provided  
25 for business corporations in general under the laws of this State applicable to such  
26 business corporations.

27 2. A mutual insurer may amend its ~~certificate of organization~~ articles of  
28 incorporation for any lawful purpose by affirmative vote of a majority of those of its  
29 members entitled to vote and present or represented by proxy at a lawful meeting of its  
30 members of which the notice given members included due notice of the proposal to  
31 amend and the substance of such proposal, and by affirmative vote of the holders of at  
32 least 2/3 of the insurer's outstanding guaranty capital shares, if any.

33 3. Upon adoption of ~~such~~ an amendment under subsection 2, the insurer shall make  
34 in ~~quadruplicate under its corporate seal~~ triplicate a certificate, sometimes referred to as a  
35 "certificate of amendment", setting forth ~~such~~ the amendment and the date and manner of  
36 the adoption ~~thereof~~ of the amendment. The certificate ~~shall~~ must be executed by the  
37 insurer's president or vice-president and secretary or assistant secretary and duly sworn to  
38 by one of them. The insurer shall deliver to the superintendent the ~~quadruplicate~~  
39 triplicate originals of the certificate for review, certification and approval or disapproval  
40 by the Attorney General and the superintendent, and filing and recording, all as provided  
41 for original ~~certificates of organization~~ articles of incorporation under section 3307. The

1 Secretary of State shall charge and collect for the use of the State a fee of \$20 for filing  
2 and recording the certificate of amendment of a mutual insurer. The amendment ~~shall be~~  
3 is effective when duly approved and filed with the Secretary of State.

4 **4.** An insurer may change its principal place of business without amendment of its  
5 ~~certificate of organization~~ articles of incorporation, by resolution of its board of directors.  
6 A copy of ~~such~~ the resolution, duly certified under oath by the corporate secretary, ~~shall~~  
7 must be executed in ~~quadruplicate~~ triplicate and filed with the superintendent, with the  
8 Secretary of State, ~~the registry of deeds of the county in which the insurer's principal~~  
9 ~~place of business was theretofore located,~~ and in the corporate records. ~~If the principal~~  
10 ~~place of business is thereby changed to another county of this State, the insurer shall also~~  
11 ~~file in the registry of deeds of such county a copy, duly certified by the superintendent, of~~  
12 ~~its certificate of organization and of each amendment thereto, and a certified copy of the~~  
13 ~~resolution by which the principal place of business was so changed.~~

14 **Sec. 5. 24-A MRSA §3353, sub-§1**, as amended by PL 1973, c. 585, §12, is  
15 further amended to read:

16 **1.** Before soliciting any applications for insurance required under section 3352 as  
17 qualification for the original certificate of authority, the incorporators of the proposed  
18 insurer shall file with the superintendent a corporate surety bond in the penalty of  
19 \$15,000, in favor of the State ~~of Maine~~ and for the use and benefit of the State ~~of Maine~~  
20 and of applicant members and creditors of the corporation. The bond ~~shall~~ must be  
21 conditioned ~~as follows~~ in the event the corporation fails to complete its organization and  
22 secure a certificate of authority within one year after the date of its articles of  
23 incorporation:

- 24 A. For the prompt return to applicant members of all premiums collected in advance;
- 25 B. For payment of all indebtedness of the corporation; and
- 26 C. For payment of costs incurred by the State ~~of Maine~~ in the event of any legal  
27 proceedings for liquidation or dissolution of the corporation;

28 ~~all in the event the corporation fails to complete its organization and secure a certificate~~  
29 ~~of authority within one year after the date of its certificate of organization.~~

30 **Sec. 6. 24-A MRSA §3354, sub-§3**, as enacted by PL 1969, c. 132, §1, is  
31 amended to read:

- 32 **3.** All ~~such~~ applications ~~shall~~ must provide that:
  - 33 A. Issuance of the policy is contingent upon the insurer qualifying for and receiving  
34 a certificate of authority;
  - 35 B. ~~No insurance~~ Insurance is not in effect ~~unless and~~ until the certificate of authority  
36 has been issued; and
  - 37 C. The prepaid premium or deposit, and membership or policy fee, if any, ~~shall~~ must  
38 be refunded in full to the applicant if organization is not completed and the certificate  
39 of authority is not issued and received by the insurer before a specified reasonable

1 date, which date ~~shall be~~ may not be later than one year after the date of the  
2 ~~certificate of organization~~ articles of incorporation.

3 **Sec. 7. 24-A MRSA §3356**, as amended by PL 1973, c. 585, §12, is further  
4 amended to read:

5 **§3356. Failure to complete and qualify**

6 If the proposed domestic mutual insurer fails to complete its organization and to  
7 secure its original certificate of authority within one year ~~from and~~ after the date of its  
8 ~~certificate of organization~~ articles of incorporation were filed with the Secretary of State,  
9 its corporate powers ~~shall~~ cease, and the superintendent shall return or cause to be  
10 returned to the persons entitled ~~thereto~~ to them all advance deposits or payments of  
11 premium held in trust under section 3355.

12 **Sec. 8. 24-A MRSA §3358, sub-§1**, as enacted by PL 1969, c. 132, §1, is  
13 amended to read:

14 **1.** A mutual insurer formed to transact or transacting any kind of insurance ~~shall~~  
15 ~~have~~ has the right to provide for guaranty capital shares in its ~~certificate of organization~~  
16 articles of incorporation. Outstanding guaranty capital shares at the par value ~~thereof~~  
17 ~~shall~~ take the place of a like amount of basic surplus otherwise required for authority to  
18 transact insurance.

19 **Sec. 9. 24-A MRSA §3364, sub-§1**, as amended by PL 1981, c. 501, §45, is  
20 further amended to read:

21 **1.** Except as provided otherwise in section 3367 with respect to nonassessable  
22 policies, each member of a domestic mutual insurer ~~shall have~~ has a contingent liability,  
23 pro rata and not one for another, for the discharge of its obligations, which contingent  
24 liability ~~shall~~ may not be greater than 6 times the annual premium for the member's  
25 policy at the annual premium rate, as ~~shall be~~ is specified in the insurer's ~~certificate of~~  
26 ~~organization~~ articles of incorporation or bylaws.

27 **Sec. 10. 24-A MRSA §3411**, as enacted by PL 1969, c. 132, §1, is amended to  
28 read:

29 **§3411. Directors**

30 **1.** The affairs of every domestic insurer ~~shall~~ must be managed by a board of  
31 directors consisting of not less than 7 directors or more than 21 directors, except that a  
32 domestic insurer may be managed by an initial board of not less than 3 directors during  
33 its first year of existence if so provided for by its articles of incorporation.

34 **2.** Directors, other than initial directors named in the insurer's ~~certificate of~~  
35 ~~organization~~ articles of incorporation, ~~shall~~ must be elected by the members or  
36 stockholders of a domestic insurer at the annual meeting of stockholders or members.  
37 Directors may be elected for terms of not more than 3 years each and until their  
38 successors are elected and have qualified; and, if the directors are to be elected for terms  
39 of more than one year, the insurer's bylaws may provide for a staggered term system

1 under which the terms of a proportionate part of the members of the board of directors  
2 shall expire on the date of each annual meeting of stockholders or members. A  
3 directorship becoming vacant before expiration of the term may be filled by the board of  
4 directors for the remainder of the term.

5 **Sec. 11. 24-A MRSA §3417, sub-§1**, as enacted by PL 1969, c. 132, §1, is  
6 amended to read:

7 **1.** If provided for in its articles of incorporation, certificate of organization or  
8 charter, a stock insurer or mutual insurer may issue any or all of its policies or contracts  
9 with or without participation in profits, savings, unabsorbed portions of premiums or  
10 surplus; may classify policies issued and perils insured on a participating and  
11 nonparticipating basis; and may determine the right to participate and the extent of  
12 participation of any class or classes of policies. Any such classification or determination  
13 shall must be reasonable, and shall may not unfairly discriminate as between policies so  
14 classified.

15 **Sec. 12. 24-A MRSA §3421, sub-§2**, as amended by PL 1969, c. 177, §59, is  
16 further amended to read:

17 **2.** A domestic insurer duly authorized to transact insurance in another jurisdiction  
18 may frame and issue policies for delivery in such jurisdiction pursuant to applications for  
19 insurance solicited and obtained therein, in accordance with the laws thereof, subject only  
20 to such restrictions, if any, as may be contained in the insurer's ~~certificate of organization~~  
21 articles of incorporation or bylaws; and subject, in the case of health insurers, to the  
22 provisions of section 2733 (policies issued for delivery in another state).

23 **Sec. 13. 24-A MRSA §3423, sub-§2**, as enacted by PL 1969, c. 132, §1, is  
24 amended to read:

25 **2.** The deficiency may be made good in cash or in assets eligible under chapter 13  
26 (investments) for the investment of the insurer's funds or by amendment of the insurer's  
27 certificate of authority to cover only such kind or kinds of insurance thereafter for which  
28 the insurer has sufficient paid-in capital stock, if a stock insurer, or surplus, if a mutual  
29 insurer, under this Title; or, if a stock insurer, by reduction of the number of shares of the  
30 insurer's authorized capital stock or the par value ~~thereof of the capital stock~~ through  
31 amendment of its certificate of organization or articles of incorporation, to an amount of  
32 authorized and unimpaired paid-in capital stock not below the minimum required for the  
33 kinds of insurance thereafter to be transacted.

34 **Sec. 14. 24-A MRSA §3473, sub-§1, ¶D**, as enacted by PL 1969, c. 132, §1, is  
35 amended to read:

36 D. The proposed conversion must be approved by affirmative vote of not less than  
37 2/3 of each class of outstanding securities of the insurer having voting rights, at a  
38 special meeting of holders of such securities called for the purpose; and at such  
39 meeting and by a like vote the certificate of organization or articles of incorporation  
40 of the corporation must be amended to remove ~~therefrom~~ from the certificate of  
41 organization or articles of incorporation the power to transact an insurance business



1 as an insurer, to provide for such new powers and purposes authorized by the general  
2 corporation laws of this State as may be consistent with the purposes for which the  
3 corporation is thereafter to exist, and to make such further alterations in the certificate  
4 of organization or articles of incorporation as may be required under such general  
5 corporation laws of an ordinary business corporation;

6 **Sec. 15. 24-A MRSA §3473, sub-§1, ¶F**, as amended by PL 1973, c. 585, §12,  
7 is further amended to read:

8 F. Upon compliance with paragraphs A to D, and upon filing of the amendment of  
9 the certificate of organization or articles of incorporation with the superintendent and  
10 otherwise as required by laws applicable to ordinary business corporations, the  
11 conversion ~~shall thereupon become~~ becomes effective.

12 **Sec. 16. 24-A MRSA §3484, sub-§5**, as amended by PL 1973, c. 585, §12, is  
13 further amended to read:

14 5. Following approval of the dissolution and plan ~~therefor~~ for dissolution by  
15 members or ~~adopted thereof~~ adoption by stockholders as ~~above~~ provided in this section,  
16 and approval by the superintendent, the trustees designated or provided for in the plan  
17 shall proceed to execute the plan. When all liabilities of the corporation have been  
18 discharged or otherwise adequately provided for, and all assets of the corporation have  
19 been liquidated and distributed in accordance with the plan, the trustees shall so certify in  
20 ~~quadruplicate~~ triplicate under oath in writing. The trustees shall deliver the original and  
21 the ~~3~~ 2 copies of such certificate to the superintendent, together with the fee for filing the  
22 certificate of the trustees with the Secretary of State. The superintendent shall make such  
23 examination of the affairs of the corporation, and of the liquidation and distribution of its  
24 assets and discharge of or provision for its liabilities as ~~he deems~~ the superintendent  
25 determines advisable. If upon such examination ~~he~~ the superintendent finds that the facts  
26 set forth in the certificate of the trustees are true, ~~he~~ the superintendent shall inscribe ~~his~~  
27 the superintendent's approval on the certificate, file the original ~~thereof~~ of the certificate  
28 so inscribed in the office of the Secretary of State, file a copy ~~thereof~~ of the certificate in  
29 the bureau and return the remaining ~~2~~ copy to the trustees. ~~The trustees shall file~~  
30 ~~one of such copies for recording in the registry of deeds of the county in this State in~~  
31 ~~which the corporation's principal place of business is located, and retain the fourth copy~~  
32 ~~for the corporate files.~~

33 **Sec. 17. 24-A MRSA §3484, sub-§6**, as enacted by PL 1969, c. 132, §1, is  
34 amended to read:

35 6. Upon receipt of the filing of the certificate of the trustees ~~with the Secretary of~~  
36 ~~State~~ as provided in subsection 5, the Secretary of State shall issue to the trustees ~~his~~  
37 ~~certificate of dissolution, and the corporate existence of the corporation shall thereupon~~  
38 ~~forever terminate~~ the Secretary of State's acknowledgment of the date of filing. The  
39 effective date of dissolution is the effective date of that filing with the Secretary of State.  
40 The Secretary of State shall charge and collect a fee of \$25 for the filing of the trustee's  
41 certificate, and shall deposit the same with the Treasurer of State for credit to the General  
42 Fund.

1           **Sec. 18. 24-A MRSA §3487, sub-§§1 and 2**, as enacted by PL 1999, c. 113,  
2           §23, are amended to read:

3           **1. Redomestication of foreign insurers to Maine.** Any stock or mutual insurer that  
4 is organized under the laws of any other state and has a valid certificate of authority to do  
5 business in this State may become a domestic insurer with approval of the superintendent  
6 by amending its ~~certificate of organization~~ articles of incorporation or equivalent  
7 corporate charter and by designating a location in this State as its principal place of  
8 business. The redomestication must be approved if the chief insurance regulatory official  
9 of the other state certifies to the superintendent that the redomestication is in compliance  
10 with all requirements established by the laws of that state, and the superintendent  
11 determines that the insurer's operations and corporate organization will comply with the  
12 requirements of this chapter and that the redomestication is not contrary to the interests of  
13 policyholders or the public. The amendments to the insurer's ~~certificate of organization~~  
14 articles of incorporation may provide that the corporation is a continuation of the  
15 corporate identity of the original foreign corporation and that the original date of  
16 incorporation in its original domiciliary state is the date of incorporation of the domestic  
17 insurer. The insurer's certificate of authority must be amended as of the effective date of  
18 the superintendent's approval to reflect the insurer's status as a domestic insurer and its  
19 new home office, and the insurer is thereafter subject to all provisions of this Title  
20 applicable to domestic insurers.

21           **2. Redomestication of domestic insurers.** Any domestic insurer may, upon the  
22 approval of the superintendent, transfer its domicile to any other state in which it is  
23 authorized to transact the business of insurance in accordance with the procedures  
24 established by the laws of that state. The proposed redomestication must be approved if  
25 the superintendent determines that the ~~certificate of organization~~ has articles of  
26 incorporation have been amended in conformance with section 3310 and that the  
27 redomestication is not contrary to the interests of policyholders or the public. The insurer  
28 ceases to be a domestic insurer as of the date the redomestication is recognized by its new  
29 state of domicile. Unless the superintendent determines that the insurer no longer  
30 qualifies for a certificate of authority, the insurer's certificate of authority must be  
31 amended as of the effective date of the redomestication to reflect the insurer's status as a  
32 domestic insurer and its new home office in its new state of domicile, and the insurer is  
33 thereafter subject to all provisions of this Title applicable to foreign insurers.

34           **Sec. 19. 24-A MRSA §3605**, as enacted by PL 1969, c. 132, §1, is amended to  
35 read:

36           **§3605. Formation of new assessment plan insurers**

37           Assessment plan insurers ~~shall hereafter~~ must be formed under the applicable  
38 provisions of sections 3306 (incorporation of domestic stock, mutual insurers) to 3309  
39 (completion of incorporation; general powers, duties);<sup>2</sup> except, that the ~~certificate of~~  
40 ~~organization~~ articles of incorporation of the corporation ~~shall~~ must stipulate that the  
41 corporation is formed to transact insurance on the assessment plan; and other provisions  
42 contained in the certificate ~~shall~~ must be consistent with the applicable provisions of this  
43 chapter.

