

MAINE STATE LEGISLATURE

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SEVENTY-FOURTH LEGISLATURE

HOUSE.

No. 534

STATE OF MAINE.

IN THE YEAR OF OUR LORD ONE THOUSAND NINE
HUNDRED AND NINE.

AN ACT to amend Sections 123, 126, 127 and 128 of Chapter
49, relating to organization of Assessment Casualty Insur-
ance Companies.

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

Section 1. Section 123 of Chapter 49 is hereby amended
2 by the addition of the words "together with a special deposit
3 of not less than twenty-five thousand dollars (\$25,000),"
4 after the word "which" in the seventh line of said section,
5 so that said section 123, as amended, shall read as follows:

'Section 123. Seven or more persons, citizens of this
7 State, may form a corporation to carry on the business of
8 casualty insurance on the assessment plan. Such corpora-
9 tion shall be organized, and the proceedings thereunder shall

10 conform to sections one, two and three of chapter fifty-
11 seven; but no such corporation shall begin to do business
12 until at least five hundred persons have subscribed; in writ-
13 ing, to be insured therein, and have each paid in one full
14 disability assessment, which, together with a special deposit
15 of not less than twenty-five thousand dollars, shall be de-
16 posited in the State treasury on emergency or reserve fund
17 account, to be held in trust for the benefit of the beneficiaries
18 as provided in section one hundred and twenty-six, nor until
19 said corporation has filed with the insurance commissioner
20 a certified copy of the record of its organization and by-
21 laws, which has been approved by him; nor until the insur-
22 ance commissioner has certified that it has complied with
23 the provisions of this chapter relating to insurance on the
24 assessment plan and is authorized to transact business. No
25 organization under the provisions of this section shall con-
26 tinue valid more than one year unless the organization has
27 been completed and business begun thereunder.'

Sect. 2. Section 126 of said Chapter 49 is also amended
2 by the addition of the words "a special deposit of twenty-
3 five thousand dollars as required in section one hundred and
4 twenty-three and," after the word "State" in the fourth line
5 of said section; also by the addition of the words "reserve
6 fund" after the word "which" in fifth line; also by the addi-
7 tion of the words "The special deposit of twenty-five thou-
8 sand dollars shall be established and maintained by the per-
9 sons forming the corporation and shall be considered their

10 personal property after all the corporation's obligations to
11 its members have been cared for and such corporation has
12 discontinued doing business, but until such time said deposit
13 shall be held by the State Treasurer subject to the provisions
14 applicable to Stock Companies under Sections 59 to 64, both
15 inclusive, of Chapter 49," after the word "chapter" in the
16 twenty-seventh line of said section, so that said section 126,
17 as amended, shall read as follows:

'Section 126. Any corporation organized under section
19 one hundred and twenty-three, or any corporation of this
20 State doing assessment insurance business under this chap-
21 ter or its charter shall keep on deposit with the treasurer of
22 State a special deposit of twenty-five thousand dollars as
23 required in section one hundred and twenty-three, and a
24 reserve fund for the benefit and protection of certificate
25 holders in said corporation; for the creation of which re-
26 serve fund it shall on or before the thirty-first day of De-
27 cember of each year, deposit with said treasurer not less
28 than ten per cent. of the total receipts on assessments made
29 to pay indemnity claims during the year then ended, until
30 the reserve fund so accumulated shall amount, together with
31 the amount there deposited prior to March one, eighteen
32 hundred and eighty-nine, to not less than twenty-five thou-
33 sand dollars. These amounts may be deposited in such in-
34 terest bearing securities as the governor and council may
35 approve, or in such securities as any insurance company or
36 savings bank may, from time to time, be authorized to hold

37 for purpose of investment. These securities shall be held
38 in trust by the treasurer of State, but the corporation shall,
39 have at all times the right to exchange any part of said
40 securities for others of like amount and character. When
41 deemed advisable by a majority of the directors, such a part
42 of the fund as may be considered necessary, may be applied
43 from time to time, to the payment of claims under insurance
44 contracts and the expense necessarily incident thereto, and
45 for no other purpose. Provided, however, that said re-
46 serve fund shall not at any time be reduced below an amount
47 equal to one assessment or periodical call upon all of its
48 members. The insurance commissioner shall annually, in
49 February, certify to the treasurer of State, the minimum
50 amount of reserve fund required to be kept on deposit in
51 the State treasury by each corporation doing business on
52 the assessment plan, under this chapter. The special deposit
53 of twenty-five thousand dollars shall be established and
54 maintained by the persons forming the corporation and shall
55 be considered their personal property after all the corpora-
56 tion's obligations to its members have been cared for and
57 such corporation has discontinued doing business, but until
58 such time said deposit shall be held by the State treasurer
59 subject to the provisions applicable to stock companies un-
60 der Sections 59 to 64, both inclusive, of chapter 49. If said
61 corporation shall neglect for sixty days to satisfy any judg-
62 ment against it, in any court in this State, then the said
63 treasurer shall convert into money any of said securities,

64 and forthwith satisfy such judgment, and said corporation
65 shall not transact any further business until said deposit is
66 restored. When any such corporation shall discontinue
67 business, any justice of the supreme judicial court may ap-
68 point a receiver or agent to administer any unexhausted por-
69 tion of such fund which shall be used, less compensation not
70 to exceed five per cent, as such court or justice may allow
71 the receiver or agent, first, in the payment of accrued in-
72 demnity claims upon certificates or policies, or if insufficient
73 to pay such claims in full, they shall be paid, pro rata; sec-
74 ond, if a balance remains after the payment of such claims,
75 such balance shall be distributed to the holders of certificates
76 then in force, pro rata, in proportion to the total payments
77 by each policyholder after first paying all expenses incident
78 to such distribution. If, upon the thirty-first day of De-
79 cember of any year the reserve fund of any such corpora-
80 tion is found to be less than the amount of one assessment
81 or periodical call upon all the members thereof, said cor-
82 poration shall, within one year thereafter, collect from its
83 members a sum sufficient to bring said reserve fund up to
84 one assessment or periodical call upon all its members and
85 deposit the amount with the treasurer of State to the credit
86 of said fund.'

Sect. 3. Section 127 of said Chapter 49 is also amended
2 by the addition of the words 'and that it has on deposit
3 with its home state twenty-five thousand dollars for pro-
4 tection of all members' after the word "state" at the end

5 of the thirteenth line; also by the addition of the words
6 'In event that the corporation does not maintain a deposit
7 of twenty-five thousand dollars with its home state, and
8 will deposit such sum with the State of Maine the provision
9 for furnishing a certificate of such deposit as required above
10 will be waived' after the word "chapter," at the end of the
11 twenty-second line, so that said section 127, as amended,
12 shall read as follows:

'Sect. 127. Any corporation organized under authority of
14 another state or government to issue policies or certificates
15 of casualty insurance on the assessment plan, as a condition
16 precedent to the transaction of business in this State, shall
17 deposit with the insurance commissioner a certified copy
18 of its charter; a statement under oath, of its president and
19 secretary, in the form by the insurance commissioner re-
20 quired, of its business for the preceding year; a certificate,
21 under oath, of its president and secretary, that it has the
22 ability to pay and for the twelve months preceding has paid,
23 the maximum amount named in its policies or certificates
24 in full; a certificate from the proper authority in its home
25 state that corporations of this State, engaged according to
26 the provisions of this chapter in casualty insurance on the
27 assessment plan, are legally entitled to do business in such
28 state, and that it has on deposit with its home state twenty-
29 five thousand dollars for protection of all members; a copy
30 of its policy or certificate and application which must show

31 that benefits are provided for by assessment upon policy
32 or certificate holders; evidence satisfactory to the insurance
33 commissioner that the corporation accumulates a fund, equal
34 at all times in amount to not less than the proceeds of one
35 assessment or periodical call on all policy or certificate hold-
36 ers thereof, that such accumulation is permitted by the law
37 of its incorporation, and is a trust for the benefit of policy
38 or certificate holders, and is securely invested. Every such
39 corporation, and agent of such corporation, shall also com-
40 ply with the provisions of sections eighty-seven, ninety-six
41 and ninety-seven of this chapter. In event that the cor-
42 poration does not maintain a deposit of twenty-five thou-
43 sand dollars with its home state and will deposit such sum
44 with the State of Maine, the provisions of furnishing a
45 certificate of such deposit as required above will be waived.
46 The commissioner may thereupon issue or renew the au-
47 thority of such corporation to do business in this State, and
48 such authority to the corporation and its agents shall be
49 revoked whenever the insurance commissioner, on investi-
50 gation, is satisfied that such corporation is not paying the
51 maximum amount named in its policies or certificates in
52 full, or has violated the provisions of section one hundred
53 and twenty-nine, and the insurance commissioner shall en-
54 force the provisions of section eighty-seven of this chap-
55 ter. Upon such revocation the commissioner shall cause

56 notice thereof to be published in the State paper, and no
57 new business shall be thereafter done by said corporation
58 or its agents in this State.'

Sect. 4. Section 128 of said Chapter 49 is also amended
2 by the addition of the words 'No such policy or certificate
3 shall be issued which in any way limits the number or
4 amount of assessments and the policy or certificate holders
5 of any such corporation shall be liable for the amount of
6 any and all assessments made, providing they are insured
7 in such corporation at the time of the assessment.' So that
8 said Section 128, as amended, shall read as follows:

'Sect. 128. Every call for payments upon the policy or
10 certificate holders of any corporation doing business in this
11 State as a casualty insurance company on the assessment
12 plan, shall distinctly state the purposes of the same, whether
13 for indemnity claims or for expenses, and the proceeds of
14 indemnity calls, less a commission actually paid for collect-
15 ing the same not exceeding three per cent thereof, shall be
16 used for payment of claims under policy contracts, for
17 investigating and contesting policy claims believed to be
18 fraudulent, and for deposit with the treasurer of state or
19 reserve fund and for no other purpose. No such policy
20 or certificate shall be issued which in any way limits the
21 number or amount of assessments and the policy or certifi-
22 cate holders of any such corporation shall be liable for the

23 amount of any and all assessments made, providing they
24 are insured in such corporation at the time of the assess-
25 ment.'

STATE OF MAINE.

HOUSE OF REPRESENTATIVES,

Augusta, March 10, 1909.

Reported by Mr. GRANT from Committee on Mercantile
Affairs and Insurance and ordered printed under joint rules.

E. M. THOMPSON, *Clerk.*