

# MAINE STATE LEGISLATURE

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E I G H T Y - N I N T H   L E G I S L A T U R E

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Legislative Document

No. 612

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H. P. 1433

House of Representatives, February 9, 1939.

Referred to Committee on Mercantile Affairs and Insurance. Sent up for concurrence and 500 copies ordered printed.

HARVEY R. PEASE, Clerk.

Presented by Mr. Paul of Portland.

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S T A T E   O F   M A I N E

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IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
THIRTY-NINE

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**AN ACT to Provide for the Organization of Non-profit Hospital Service Corporations.**

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

**Sec. 1. Scope.** Any corporation organized under special act of the legislature, or under the provisions of chapter 70 of the revised statutes for the purpose of establishing, maintaining and operating a non-profit hospital service plan whereby hospital care is to be provided by a hospital, or a group of hospitals, with which such corporation has a contract for such purpose may be licensed by the insurance commissioner on the terms and conditions hereinafter provided.

**Sec. 2. Incorporation.** The articles of incorporation of every such corporation, and amendments thereto, shall be submitted to the insurance commissioner, whose approval thereof shall be endorsed thereon before the same are filed with the secretary of state.

There shall be not less than 7 directors, and at least a majority of the directors of such corporation must be at all times administrators, corporators, trustees or members of the clinical staff of the hospital or hospitals which have contracted with such corporation to render hospital service to the subscribers.

**Sec. 3. Contracts.** Such corporation may enter into contracts for the rendering of hospital service to the subscribers only with hospitals approved by the department of welfare of the several states. All contracts issued by such corporation shall constitute direct obligations of the hospital or hospitals with which such corporation has contracted for hospital care.

**Sec. 4. License.** Application for the license provided for in section 1, shall be made in such form as may be required by the insurance commissioner, and shall contain such information as he shall deem necessary. Each application for such certificate or license shall be accompanied by copies of the following documents: (a) certificate of incorporation; (b) by-laws; (c) proposed contracts between the corporation and participating hospitals showing terms under which hospital service is to be furnished to subscribers; (d) contracts to be issued to subscribers showing a table of the rates to be charged and the benefits to which they are entitled; (e) financial statement of the corporation, including the amounts of contribution paid or agreed to be paid to the corporation for working capital and the name or names of each contributor and the terms of each contribution, total of which said contributions shall not be less than \$5,000.

The insurance commissioner shall issue a certificate of authority or license upon payment of a fee of \$20 and upon being satisfied on the following points:

(a) That the applicant is established as a bona-fide non-profit hospital service plan.

(b) That the contracts between the applicant and the participating hospitals obligate each hospital party to render service to which each subscriber may be entitled under the terms and conditions of the contract issued, to the subscribers.

(c) That the rates charged and benefits to be provided are fair and reasonable.

(d) That contributions to the working funds of the corporation are repayable only out of earned premiums over and above operating expenses, payments to participating hospitals and such reserve as the insurance commissioner deems adequate.

(e) That the amount of money actually available for working capital be sufficient to carry all acquisition costs and operating expenses for a reasonable period of time from the date of the issuance of the certificate.

**Sec. 5. Reports.** Every such corporation shall annually on or before the first day of March file in the office of the insurance commissioner a statement verified by at least two of the principal officers of said corpora-

tion showing its condition on the 31st day of December, then next preceding, which shall be in such form and shall contain such matters as the insurance commissioner shall prescribe.

**Sec. 6. Visitation.** The insurance commissioner, or any deputy or examiner or any other person whom he shall appoint, shall have the power of visitation and examination into the affairs of any such corporation and free access to all of the books, papers and documents that relate to the business of the corporation, and may summon and qualify witnesses under oath to examine its officers, agents or employees or other persons in relation to the affairs, transactions and conditions of the corporation.

**Sec. 7. Investments.** Any corporation subject to the provisions of this section shall be restricted in its investments in the same manner as are savings banks in this state.

**Sec. 8. Disputes.** Any dispute arising between a corporation subject to the provisions of this section and any hospital with which such corporation has a contract for hospital service may be submitted to the insurance commissioner for his decision with respect thereto. Any decision and findings of the insurance commissioner made under the provisions of this section shall not be any bar to constituted legal procedure for the review of such proceedings in a court of competent jurisdiction.

**Sec. 9. Dissolution.** Any dissolution or liquidation of a corporation subject to the provisions of this section shall be conducted under the supervision of the insurance commissioner who shall have all power with respect thereto granted to him under the provisions of law with respect to the dissolution and liquidation of insurance companies.

**Sec. 10. Taxation.** Every corporation subject to the provisions of this section is hereby declared to be a charitable and benevolent institution, and its funds and property shall be exempt from taxation.

**Sec. 11. Agents.** No person, for himself or in behalf of any individual, firm, association or corporation, shall sell, or offer to sell, any such hospital service, without being licensed therefor by the insurance commissioner.

**Sec. 12. Agents' licenses.** The insurance commissioner shall grant a license to sell such service in behalf of any individual, firm, association or corporation licensed therefor, to any applicant who shall furnish the commissioner with satisfactory evidence of his integrity and authority to sell the service offered. Such license, when granted, shall expire on January

1st thereafter, and annually thereafter may be renewed so long as the commissioner shall be satisfied of the licensee's integrity, authority and responsibility to provide the service stipulated.

**Sec. 13. Revocation.** The commissioner may revoke a license for cause, at any time, after hearing.

**Sec. 14. Fees.** The fee for each license issued under the provisions of section 12 shall be \$2. Said fees shall be paid to the insurance commissioner for the use of the state.

**Sec. 15. Penalty.** Any person, firm, association or corporation, or any officer, agent, servant or employee thereof, who shall violate any of the provisions of this act shall be punished by a fine of not more than \$300, or by imprisonment for not more than 6 months, or by both such fine and imprisonment.