

MAINE STATE LEGISLATURE

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

Legislative Document

No. 1587

H. P. 2101

House of Representatives, April 27, 1949.

Reported by Mr. Eastman from Committee on Mercantile Affairs and Insurance and printed under Joint Rule 10.

HARVEY R. PEASE, Clerk.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
FORTY-NINE

AN ACT Relating to Accident and Health Insurance.

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

R. S., c. 56, §§ 109-113, repealed and replaced, and §§113-A-113-H, additional. Sections 109 to 113, inclusive, of chapter 56 of the revised statutes, as amended, are hereby repealed and the following sections, to be numbered 109-113-H, inclusive, enacted in place thereof:

‘Accident and Sickness Insurance

Sec. 109. Definition. The term “policy of accident and sickness insurance” as used in sections 109 to 112, inclusive, includes any policy or contract providing insurance against loss resulting from bodily injury or death by accident, or from sickness, or both.

“Non-cancellable disability insurance” means insurance against disability resulting from sickness, ailment or bodily injury, but not including insurance solely against accidental injury, under any contract which does not give the insurer the option to cancel or otherwise terminate the contract at or after 1 year from its effective date or renewal date.

Sec. 110. Approval and disapproval of policies, and filing of rates. No such policy shall be delivered or issued for delivery to any person in this

state, nor shall any application, rider or endorsement be used in connection therewith until a copy of the form thereof and of the classification of risks and the premium rates, or, in the case of co-operatives or assessment companies the estimated cost pertaining thereto, have been filed with the insurance commissioner. No such policy shall be so delivered or issued for delivery, nor shall any application, rider or endorsement be used in connection therewith, until the expiration of 30 days after it has been so filed unless the commissioner shall sooner give his written approval thereto.

The commissioner may, within 30 days after the filing of any such form, disapprove such form if it contains a provision or provisions which are unjust, unfair, inequitable, misleading, deceptive or encourage misrepresentation of such policy. If the commissioner shall notify the insurer which has filed any such form that it does not comply with the provisions of this section and sections 6 and III, it shall be unlawful thereafter for such form to be delivered or issued for delivery in this state. In such notice the commissioner shall specify the reasons for his disapproval and state that a hearing will be granted within 20 days after request in writing by the insurer.

The commissioner may at any time, after a hearing of which not less than 20 days' written notice shall have been given to the insurer, withdraw his approval of any such form on any of the grounds stated in this section. It shall be unlawful for such form to be delivered or issued for delivery in this state after the effective date of such withdrawal of approval. The notice of any hearing called under this paragraph shall specify the matters to be considered at such hearing, and any decision affirming disapproval or directing withdrawal of approval under this section shall be in writing and shall specify the reasons therefor.

Sec. III. Form and content of policy.

I. No such policy shall be delivered or issued for delivery in this state unless:

- A. The entire money and other considerations therefor are expressed in the policy; and
- B. The time at which the insurance thereunder takes effect and terminates is stated in a portion of the policy preceding its execution by the insurer; and
- C. It purports to insure only 1 person, except that a policy may be issued to the head of a family, who shall be deemed the policyholder,

covering any 2 or more eligible members of that family, including husband, wife, dependent children or any children under a specified age which shall not exceed 19 years, and any other persons dependent upon the policyholder. With respect to persons other than the policyholder, benefits under such a policy shall be limited to indemnity on account of accidental death, hospitalization, or medical, surgical or nurse service; and

D. Every printed portion thereof and of any endorsements or attached papers shall be plainly printed in type of which the face shall be not smaller than 10-point; and

E. A brief description thereof be printed on its 1st page, and on its filing-back in type of which the face shall be not smaller than 14-point; and

F. Unless the exceptions of the policy be printed with the same prominence as the benefits to which they apply; provided, however, that any portion of such policy which purports, by reason of the circumstances under which a loss is incurred, to reduce any indemnity promised therein to an amount less than that provided for the same loss occurring under ordinary circumstances, shall be printed in boldface type and with greater prominence than any other portion of the text of the policy; and

G. Each such form, including riders and endorsements, shall be identified by a form number in not less than 10-point type in the lower left-hand corner of the 1st page thereof; and

H. It contains no provision purporting to make any portion of the charter rules, constitution or by-laws of the insurer a part of the policy unless such portion is set forth in full in the policy, except in the case of the incorporation of, or reference to, a statement of rates or classification of risks, or short rate table filed with the commissioner.

II. Except as provided in subsection IV, each such policy shall contain in substance the following provisions or, at the option of the insurer, corresponding provisions which in the opinion of the commissioner are more favorable to the policyholder:

A. A standard provision relative to the contract which may be in either of the following 2 forms: Form (a) to be used in policies which do not provide for reduction of indemnity on account of change of occupation, and form (b) to be used in policies which do so provide. If form (b)

is used and the policy provides indemnity against loss from sickness, the words "or contracts sickness" may be inserted therein immediately after the words "in the event that the insured is injured."

(a) 1. This policy includes the endorsement and attached papers if any, and contains the entire contract of insurance. No reduction shall be made in any indemnity herein provided by reason of change in the occupation of the insured or by reason of his doing any act or thing pertaining to any other occupation.

(b) 1. This policy includes endorsements and attached papers if any, and contains the entire contract of insurance except as it may be modified by the insurer's classification of risks and premium rates in the event that the insured is injured after having changed his occupation to one classified by the insurer as more hazardous than that stated in the policy, or while he is doing any act or thing pertaining to any occupation so classified, except ordinary duties about his residence or while engaged in recreation, in which event the insurer will pay only such portion of the indemnities provided in the policy as the premium paid would have purchased at the rate, but within the limit so fixed by the insurer, for such more hazardous occupation. If the law of the state in which the insured resides at the time this policy is issued requires that prior to its issue a statement of the premium rates and classification of risks pertaining to it shall be filed with the state official having supervision of insurance in such state, then the premium rates and classifications of risks mentioned in this policy shall mean only such as have been last filed by the insurer in accordance with such law, but if such filing is not required by such law then they shall mean the insurer's premium rates and classification of risks last made effective by it in such state prior to the occurrence of the loss for which the insurer is liable.

B. A standard provision relative to changes in the contract, which shall be in the following form:

2. No statement made by the applicant for insurance not included herein shall avoid the policy or be used in any legal proceeding hereunder. No agent has authority to change this policy or to waive any of its provisions. No change in this policy will be valid unless approved by an executive officer of the insurer and such approval be endorsed hereon.

C. Standard provisions relative to reinstatement of policy after lapse which may be in either of the 3 following forms: Form (a) to be used in policies which insure only against loss from accident; form (b) to be used in policies which insure only against loss from sickness; and form (c) to be used in policies which insure against loss from both accident and sickness.

(a) 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of the premium by the insurer or by any of its duly authorized agents shall reinstate the policy, but only to cover loss resulting from accidental injury thereafter sustained.

(b) 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of the premium by the insurer or by any of its duly authorized agents shall reinstate the policy but only to cover such sickness as may begin more than 10 days after the date of such acceptance.

(c) 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of the premium by the insurer or by any of its duly authorized agents shall reinstate the policy, but only to cover accidental injury thereafter sustained and such sickness as may begin more than 10 days after the date of such acceptance.

D. A standard provision relative to time of notice of claim which may be in either of the 3 following forms: Form (a) to be used in policies which insure only against loss from accident; form (b) to be used in policies which insure only against loss from sickness; and form (c) to be used in policies which insure against loss from both accident and sickness. If form (a) or form (c) is used, the insurer may at its option add thereto the following sentence: "In the event of accidental death immediate notice thereof must be given to the insurer."

(a) 4. Written notice of injury on which claim may be based must be given to the insurer within 20 days after the date of the accident causing such injury.

(a) 4. Written notice of sickness on which claim may be based must be given to the insurer within 10 days after the commencement of the disability from such sickness.

(c) 4. Written notice of injury or of sickness on which claim may

be based must be given to the insurer within 20 days after the date of the accident causing such injury or within 10 days after the commencement of disability from such sickness.

E. A standard provision relative to sufficiency of notice of claim which shall be in the following form and in which the insurer shall insert in the blank space such office and its location as it may desire to designate for such purpose of notice:

5. Such notice given by or in behalf of the insured or beneficiary, as the case may be, to the insurer at or to any authorized agent of the insurer, with particulars sufficient to identify the insured, shall be deemed to be notice to the insurer. Failure to give notice within the time provided in this policy shall not invalidate any claim if it shall be shown not to have been reasonably possible to give such notice and that notice was given as soon as was reasonably possible.

F. A standard provision relative to furnishing forms for the convenience of the insured in submitting proof of loss, as follows:

6. The insurer, upon receipt of such notice, will furnish to the claimant such forms as are usually furnished by it for filing proofs of loss. If such forms are not so furnished within 15 days after receipt of such notice, the claimant shall be deemed to have complied with the requirements of this policy as to proof of loss upon submitting within the time fixed in the policy for filing proofs of loss, written proof covering the occurrence, character and extent of loss for which claim is made.

G. A standard provision relative to filing proof of loss which shall be in such one of the following forms as may be appropriate to the indemnities provided:

(a) 7. Affirmative proof of loss must be furnished to the insurer at its said office within 90 days after the date of the loss for which claim is made.

(b) 7. Affirmative proof of loss must be furnished to the insurer at its said office within 90 days after the termination of the period of disability for which the company is liable.

(c) 7. Affirmative proof of loss must be furnished to the insurer at its said office in case of claim for loss of time from disability within 90 days after the termination of the period for which the insurer

is liable, and, in case of claim for any other loss, within 90 days after the date of such loss.

H. A standard provision relative to examination of the person of the insured, and relative to autopsy, which shall be in the following form:

8. The insurer shall have the right and opportunity to examine the person of the insured, when and so often as it may reasonably require during the pendency of claim hereunder, and also the right and opportunity to make an autopsy in case of death where it is not forbidden by law.

I. A standard provision relative to the time within which payments other than those for loss of time on account of disability shall be made, which provisions may be in either of the following 2 forms, and which may be omitted from any policy providing only indemnity for loss of time on account of disability. The insurer shall insert in the blank space either the word "immediately" or appropriate language to designate such period of time, not more than 60 days, as it may desire. Form (a) to be used in policies which do not provide indemnity for loss of time on account of disability, and form (b) to be used in policies which do so provide:

(a) 9. All indemnities provided in this policy will be paid after receipt of due proof.

(b) 9. All indemnities provided in this policy for loss other than that of time on account of disability will be paid after receipt of due proof.

J. A standard provision relative to periodical payments of indemnity for loss of time on account of disability, which provision shall be in the following form and which may be omitted from any policy not providing for such indemnity. The insurer shall insert in the 1st blank space of the form appropriate language to designate the proportion of accrued indemnity it may desire to pay, which proportion may be all or any part not less than $\frac{1}{2}$, and in the 2nd blank space shall insert any period of time not exceeding 60 days.

10. Upon request of the insured and subject to due proof of loss accrued indemnity for loss of time on account of disability will be paid at the expiration of each during the continuance of the period for which the insurer is liable,

and any balance remaining unpaid at the termination of such period will be paid immediately upon receipt of due proof.

K. A standard provision relative to indemnity payments which may be in either of the 2 following forms: Form (a) to be used in policies which designate a beneficiary, and form (b) to be used in policies which do not designate any beneficiary other than the insured.

(a) 11. Indemnity for loss of life of the insured is payable to the beneficiary if surviving the insured, and otherwise to the estate of the insured. All other indemnities of this policy are payable to the insured.

(b) 11. All indemnities of this policy are payable to the insured.

L. A standard provision providing for cancellation of the policy at the instance of the insured which shall be in the following form:

12. If the insured shall at any time change his occupation to one classified by the insurer as less hazardous than that stated in the policy, the insurer, upon written request of the insured and surrender of the policy, will cancel the same and will return to the insured the unearned premium.

M. A standard provision relative to the rights of the beneficiary under the policy which shall be in the following form and which may be omitted from any policy not designating a beneficiary:

13. Consent of the beneficiary shall not be requisite to surrender or assignment of this policy, or to change of beneficiary, or to any other changes in the policy.

N. A standard provision limiting the time within which suit may be brought upon the policy as follows:

14. No action at law or in equity shall be brought to recover on this policy prior to the expiration of 60 days after proof of loss has been filed in accordance with the requirements of this policy, nor shall such action be brought at all unless brought within 2 years from the expiration of the time within which proof of loss is required by the policy.

O. A standard provision relative to time limitations of the policy as follows:

15. If any time limitation of this policy with respect to giving notice of claim or furnishing proof of loss is less than that permitted

by the law of the state in which the insured resides at the time this policy is issued, such limitation is hereby extended to agree with the minimum period permitted by such law.

III. Except as provided in subsection IV, no such policy shall be so delivered or issued for delivery containing provisions respecting the matters set forth below unless such provisions are, in substance, in the following terms, or at the option of the insurer, in terms which in the opinion of the commissioner are more favorable to the policyholder:

A. An optional standard provision relative to cancellation of the policy at the instance of the insurer, as follows:

16. The insurer may cancel this policy at any time by written notice delivered to the insured or mailed to his last address, as shown by the records of the insurer, together with cash or the insurer's check for the unearned portion of the premiums actually paid by the insured, and such cancellation shall be without prejudice to any claim originating prior thereto.

B. An optional standard provision relative to reduction of the amount of indemnity to a sum less than stated in the policy, as follows:

17. If the insured shall carry with another company, corporation, association or society, other insurance covering the same loss without giving written notice to the insurer, then in that case the insurer shall be liable only for such portion of the indemnity promised as said indemnity bears to the total amount of like indemnity in all policies covering such loss, and for the return of such part of the premium paid as shall exceed the pro rata for the indemnity thus determined: Provided, that this provision shall not apply to the principal sum and/or specific losses provided for herein.

C. An optional standard provision relative to deduction of premium upon settlement of claim, as follows:

18. Upon the payment of claim hereunder any premium then due and unpaid or covered by any note or written order may be deducted therefrom.

D. An optional standard provision relative to other insurance by the same insurer which shall be in such one of the following forms as may be appropriate to the indemnities provided, and in the blank spaces of which the insurer shall insert such upward limits of indemnity as are

specified by the insurer's classification of risks, filed as required by this section.

(1) 19. If a like policy or policies, previously issued by the insurer to the insured, be in force concurrently herewith, making the aggregate indemnity in excess of \$....., the excess insurance shall be void and all premiums paid for such excess shall be returned to the insured.

(2) 19. If a like policy or policies, previously issued by the insurer to the insured, be in force concurrently herewith, making the aggregate indemnity for loss of time on account of disability in excess of \$..... weekly, the excess insurance shall be void and all premiums paid for such excess shall be returned to the insured.

(3) 19. If a like policy or policies, previously issued by the insurer to the insured, be in force concurrently herewith, making the aggregate indemnity for loss other than that of time on account of disability in excess of \$....., or the aggregate indemnity for loss of time on account of disability in excess of \$..... weekly, the excess insurance of either kind shall be void and all premiums paid for such excess shall be returned to the insured.

E. An optional standard provision relative to the age limits of the policy, which shall be in the following form and in the blank spaces of which the insurer shall insert such number of years as it may elect:

20. The insurance under this policy shall not cover any person under the age of years nor over the age of years. any premium paid to the insurer for any period not covered by this policy will be returned upon request.

IV. If any provision of this section is inapplicable to or is inconsistent with the coverage provided by a particular form of policy, the insurer may, with the consent of the commissioner, omit from such policy such inapplicable provision or modify such inconsistent provision in such manner as to make it consistent with the coverage provided by the policy. The word "insured", as used in this section and in section 112, shall not be construed as preventing a person other than the insured with a proper insurable interest from making application for and owning a policy covering the insured or from being entitled under such a policy to all indemnities, benefits and rights provided therein.

V. No policy of non-cancellable disability insurance shall be delivered or issued for delivery in this state unless it contains in substance the following provisions or provisions which in the opinion of the commissioner are more favorable to policyholders:

A. A provision that the contract shall be incontestable as to any statements made in the application after it has been in force during the lifetime, and without disability of the insured for a period of 3 years from date of issue. This provision shall not apply to any policy which does not provide benefits for sickness for more than 2 years.

B. A provision that the insured is entitled to a grace period of 10 days within which the payment of any premium after the first may be made, subject at the option of the insurer to an interest charge not in excess of 6% per annum for the number of days of grace elapsing before the payment of the premium, during which period of grace the policy shall continue in full force, but in case the policy becomes a claim by death, injury or disablement of the insured occurring during such period of grace before the overdue premiums or the deferred premiums of the current policy year, if any, are paid, the amount of such premiums, together with interest on any overdue premium, may be deducted from any amount payable under the policy in settlement.

C. Every such policy or contract of non-cancellable disability insurance delivered or issued for delivery in this state shall be governed by the requirements of the other subsections of this section, except that any such policy or contract may contain, in lieu of the clause numbered 17 hereinbefore set forth in subsection III, a provision in substance as follows:

If the total monthly amount of benefits promised in all policies or certificates of accident, health or disability insurance upon the insured, whether payable weekly or monthly, shall exceed the average monthly earnings of the insured for the period of 2 years immediately preceding a disability for which claim is made, the insurer will be liable only for such proportionate amount of the promised benefits specified in this policy as the amount of such average monthly earnings of the insured bears to the total amount of monthly benefits promised under all such policies or certificates upon the insured at the time of such disability and for the return of such part of the premiums paid during such 2 years as shall

exceed the pro rata amount of the premiums for the benefits actually paid hereunder; but this shall not operate to reduce the total monthly amount of benefits payable under all such policies or certificates upon the insured below the sum of \$200 or the sum of the monthly benefits specified in such policies or certificates, whichever is the lesser, nor shall it operate to reduce benefits payable in the event of the entire and irrecoverable loss of sight of both eyes, or the severance of both hands or both feet, or one hand and one foot.

VI. No policy of insurance referred to in sections 109 to 112, inclusive, issued or delivered in this state, except a policy which by its terms is cancellable by the company or is renewable or continuable with its consent, shall terminate or lapse for non-payment of any premium until the expiration of 3 months from the due date of such premium, unless the company, within not less than 10 or more than 45 days prior to said due date, shall have mailed, postage prepaid, duly addressed to the insured at his last address shown by the company's records, a notice showing the amount of such premium and its due date. If such a notice is not so sent, the insured may pay the premium in default at any time within said period of 3 months. The affidavit of any officer, clerk or agent of the company, or of any other person authorized to mail such notice, that the notice required by this section has been duly mailed by the company in the manner hereinbefore required, shall be prima facie evidence that such notice was duly given. No action shall be maintained on any policy to which this section applies and which has lapsed for non-payment of any premium unless such action is commenced within 2 years from the due date of such premium.

Sec. 112. Miscellaneous provisions.

I. A policy delivered or issued for delivery in violation of sections 109 to 112, inclusive, shall be held valid but shall be construed as provided in sections 109 to 112, inclusive, and when any provision in such a policy is in conflict with any provision of sections 109 to 112, inclusive, the rights, duties and obligations of the insurer, the policyholder and the beneficiary shall be governed by the provisions of sections 109 to 112, inclusive.

II. Application.

A. The falsity of any statement in the application for any policy covered by sections 109 to 112, inclusive, may not bar the rights to

recovery thereunder unless such false statement materially affected either the acceptance of the risk or the hazard assumed by the insurer.

B. The insured shall not be bound by any statement made in such application unless a copy of such application is attached to or endorsed on the policy when issued as a part thereof. If any policy of accident and sickness insurance issued for delivery in this state shall be reinstated or renewed, and the insured or the beneficiary or assignee of such policy shall make written request to the insurer for a copy of the application, if any, for such reinstatement or renewal, the insurer shall, within 15 days after the receipt of such request at its home office or any branch office of the insurer, deliver or mail to the person making such request, a copy of such application. If such copy shall not be so delivered or mailed, the insurer shall be precluded from introducing such application as evidence in any action or proceeding based upon or involving such policy or its reinstatement or renewal.

C. No alteration of any written application for any such policy shall be made by any person other than the applicant without his written consent, except that insertions may be made by the insurer for administrative purposes only, in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant.

III. The acknowledgment by any insurer of the receipt of notice given under any policy covered by sections 109 to 112, inclusive, or the furnishing of forms for filing proofs of loss, or the acceptance of such proofs, or the investigation of any claim thereunder shall not operate as a waiver of any of the rights of the insurer in defense of any claim arising under such policy.

IV. If any such policy contains a provision establishing, as an age limit or otherwise, a date after which the coverage provided by the policy will not be effective, and if such date falls within a period for which premium is accepted by the insurer or if the insurer accepts a premium after such date, the coverage provided by the policy will continue in force subject to any right of cancellation until the end of the period for which premium has been accepted. In the event the age of the insured has been mistated and if, according to the correct age of the insured, the coverage provided by the policy would not have become effective or would have ceased prior to the acceptance of such premium or premiums, then the liability of the insurer shall be limited to the refund, upon request, of all premiums paid for the period not covered by the policy.

V. Unless otherwise specifically stated, nothing in sections 109 to 112, inclusive, shall apply to or affect (1) any policy of workmen's compensation insurance or any policy of liability insurance with or without supplementary expense coverage therein; or (2) any policy or contract of reinsurance; or (3) any blanket or group policy of insurance; or (4) life insurance, endowment or annuity contracts, or contracts supplemental thereto which contain only such provisions relating to accident and sickness insurance as (a) provide additional benefits in case of death or dismemberment by accident, or as (b) operate to safeguard such contracts against lapse, or to give a special surrender value or special benefit or an annuity in the event that the insured or annuitant shall become totally and permanently disabled as defined by the contract or supplemental contract.

Sec. 113. Group accident and sickness insurance defined.

I. Any policy or contract of insurance against death or injury resulting from accident or from accidental means which covers more than 1 person, except blanket accident policies as defined in section 113-A, shall be deemed a group accident insurance policy. Any policy or contract which insures against disablement, disease or sickness of the insured, excluding disablement which results from accident or from accidental means, and which covers more than 1 person, except blanket sickness insurance policies as defined in section 113-A, shall be deemed a group sickness insurance policy or contract. Any policy or contract of insurance which combines the coverage of group accident insurance and of group sickness insurance shall be deemed a group accident and sickness insurance policy. No policy or contract of group accident, group sickness or group accident and sickness insurance, and no certificate thereunder, shall be delivered or issued for delivery in this state unless it conforms to the requirements of subsection II and the requirement of section 113-B.

II. No policy or contract of group accident, group sickness or group accident and sickness insurance, except as otherwise provided by law, shall be delivered or issued for delivery in this state unless the group of persons thereby insured conforms to one of the following descriptions:

A. A policy issued to an employer or to the trustees of a fund established by an employer, which employer or trustee shall be deemed the policyholder, to insure employees of the employer for the benefit of persons other than the employer, subject to the following requirements:

1. The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof determined by conditions pertaining to their employment. The policy may provide that the term "employees" shall include the employees of one or more subsidiary corporations and the employees, individual proprietors and partners of one or more affiliated corporations, proprietors or partnerships, if the business of the employer and of such affiliated corporations, proprietors or partnerships is under common control through stock ownership or contract. The policy may provide that the term "employees" shall include the individual proprietor or partners, if the employer is an individual proprietor or a partnership. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership.

2. The premium for the policy shall be paid by the policyholder, either wholly from the employer's funds or funds contributed by him, or partly from such funds and partly from funds contributed by the insured employees, or wholly from funds contributed by the insured employees. A policy on which any part of the premium is to be derived from funds contributed by the insured employees may be placed in force only if at least 75% of the then eligible employees, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions.

A policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

3. The policy must cover at least 25 employees at date of issue.

4. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or by the employer or trustees.

B. A policy issued to a labor union or to an incorporated or unincorporated association of employees, which association has a consti-

tution and by-laws and has 50 or more members and is organized and maintained in good faith for purposes other than that of obtaining insurance and has been so organized and maintained for a period of not less than 2 years prior to the issuance of such policy or contract, which shall be deemed the policyholder to insure members of such union or association for the benefit of persons other than the union or association or any of its officials, representatives or agents, subject to the following requirements:

1. The members eligible for insurance under the policy shall be all of the members of the union or association or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the union or association, or both.

2. The premium for the policy shall be paid by the policyholder, either wholly from the union's or association's funds, or partly from such funds and partly from funds contributed by the insured members specifically for their insurance. No policy may be issued on which the entire premium is to be derived from funds contributed by the insured members specifically for their insurance. A policy on which part of the premium is to be derived from funds contributed by the insured members specifically for their insurance may be placed in force only if at least 75% of the then eligible members, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

3. The policy must cover at least 25 members at date of issue.

4. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the union or association.

C. A policy issued to the trustees of a fund established by 2 or more employers in the same industry or by 1 or more labor unions, or by 1 or more employers and 1 or more labor unions, which trustees shall be deemed the policyholder, to insure employees of the employers or members of the unions for the benefit of persons other than the employers or the unions, subject to the following requirements:

1. The persons eligible for insurance shall be all of the employees

of the employers or all of the members of the unions, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the unions, or to both. The policy may provide that the term "employees" shall include the individual proprietor or partners if an employer is an individual proprietor or a partnership. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship.

2. The premium for the policy shall be paid by the trustees wholly from funds contributed by the employer or employers of the insured persons, or by the union or unions, or by both. No policy may be issued on which any part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance. The policy must insure all eligible persons, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

3. The policy must cover at date of issue at least 100 persons and not less than an average of 5 persons per employer unit; and if the fund is established by the members of an association of employers, the policy may be issued only if the participating employers constitute at date of issue at least 60% of those employer members whose employees are not already covered for group accident, group sickness or group accident and sickness insurance.

4. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the insured persons or by the policyholder, employers or unions.

III. The benefits payable under any policy or contract of group accident, group sickness or group accident and sickness insurance shall be payable to the employee or other insured member of the group or to some beneficiary or beneficiaries designated by him, other than the employer or the association or any officer thereof as such; but if there is no designated beneficiary as to all or any part of the insurance at the death

of the employee or member, then the amount of insurance payable for which there is no designated beneficiary shall be payable to the estate of the employee or member, except that the insurer may in such case, at its option, pay such insurance to any one or more of the following surviving relatives of the employee or member: wife, husband, mother, father, child or children, brothers or sisters; and except that payment of benefits for expenses incurred on account of hospitalization or medical or surgical aid, as provided in subsection IV, may be made by the insurer to the hospital or other person or persons furnishing such aid. Payment so made shall discharge the insurer's obligation with respect to the amount of insurance so paid.

IV. Any policy or contract of group accident, group sickness or group accident and sickness insurance may include provisions for the payment by the insurer of benefits for expenses incurred, by the employee or other member of the insured group, on account of hospitalization or medical or surgical aid for himself, his spouse, his child or children, or other persons chiefly dependent upon him for support and maintenance.

V. Anything in sections 113 to 113-H, inclusive, to the contrary notwithstanding, any policy or contract of group accident, group sickness or group accident and sickness insurance may provide for readjustment of the rate of premium based on the experience thereunder at the end of the 1st year or of any subsequent year of insurance thereunder, and such readjustment may be made retroactive only for such policy year. Any refund under any plan for readjustment of the rate of premium based on the experience under group policies and any dividend paid under such policies may be used to reduce the employer's contribution to group insurance for the employees of the employer, and the excess over such contribution by the employer shall be applied by the employer for the sole benefit of the employees.

VI. Nothing contained in this section shall be deemed applicable to any contract issued by any corporation defined in sections 218 to 232, inclusive.

Sec. 113-A. Blanket accident and sickness insurance defined.

I. Any policy or contract of insurance against death or injury resulting from accident or from accidental means which insures a group of persons conforming to the requirements of one of the following paragraphs A to E, inclusive, shall be deemed a blanket accident policy. Any policy or contract which insures a group of persons conforming to the requirements

of one of the following paragraphs C or E against total or partial disability, excluding such disability from accident or from accidental means, shall be deemed a blanket sickness insurance policy. Any policy or contract of insurance which combines the coverage of blanket accident insurance and of blanket sickness insurance on such a group of persons shall be deemed a blanket accident and sickness insurance policy.

A. Under a policy or contract issued to any railroad, steamship, motorbus or airplane carrier of passengers, which shall be deemed the policyholder, covering a group defined as all persons who may become passengers on such common carrier, insuring such passengers against death or bodily injury either while or as a result of being such passengers.

B. Under a policy or contract issued to an employer, who shall be deemed the policyholder, covering any group of employees defined by reference to exceptional hazards incident to such employment, insuring such employees against death or bodily injury resulting while or from being exposed to such exceptional hazards.

C. Under a policy or contract, covering students or teachers, issued to a college, school or other institution of learning or to the head or principal thereof, who or which shall be deemed the policyholder.

D. Under a policy or contract issued in the name of any volunteer fire department, which shall be deemed the policyholder, having not less than 10 members, covering all of the members of such department.

E. Under a policy or contract issued to and in the name of an incorporated or unincorporated association of persons having a common interest or calling, which association shall be deemed the policyholder, having not less than 50 members, covering all of the members of such association.

II. All benefits under any blanket accident, blanket sickness or blanket accident and sickness insurance policy shall be payable to the person insured, or to his designated beneficiary or beneficiaries, or to his estate, as shall be specified in the policy, except that if the person insured be a minor, such benefits may be made payable to his parent, guardian or other person actually supporting him, or to a person or persons chiefly dependent upon him for support and maintenance.

III. Nothing contained in this section shall be deemed to affect the legal liability of policyholders for the death of or injury to any such member of such group.

Sec. 113-B. Group or blanket accident and sickness insurance policy provisions.

I. No policy of group or blanket accident or sickness insurance or accident and sickness insurance and no certificate thereunder shall, except as provided in subsection III hereof, be delivered or issued for delivery in this state, unless the policy contains in substance each and all of the provisions set forth in the following paragraphs or provisions, which in the opinion of the commissioner are more favorable to the holders of such certificates or not less favorable to the holders of such certificates and more favorable to policyholders:

A. A provision that no statement made by the applicant for insurance shall avoid the insurance or reduce benefits thereunder unless contained in the written application signed by the applicant; and a provision that no agent has authority to change the policy or to waive any of its provisions; and that no change in the policy shall be valid unless approved by an officer of the insurer and evidenced by endorsement on the policy, or by amendment to the policy signed by the policyholder and the insurer.

B. A provision that all statements contained in any such application for insurance shall be deemed representations and not warranties.

C. A provision that all new employees or new members, as the case may be, in the group or classes eligible for such insurance must be added to such groups or classes for which they are respectively eligible.

D. A provision stating the conditions under which the insurer may decline to renew the policy.

E. Except in the case of blanket accident, blanket sickness or blanket accident and sickness insurance, a provision that the insurer shall issue to the policyholder, for delivery to each member of the insured group, an individual certificate setting forth in summary form a statement of the essential features of the insurance coverage of such employee or such member, to whom the benefits thereunder are payable, and in substance the provisions of paragraphs F to L, inclusive.

F. A provision specifying the ages, if any there be, to which the insurance provided therein shall be limited; and the ages, if any there be, for which additional restrictions are placed on benefits, and the additional restrictions placed on the benefits at such ages.

G. A provision that written notice of sickness or of injury must be given to the insurer within 30 days after the date when such sickness

or injury occurred. Failure to give notice within such time shall not invalidate nor reduce any claim if it shall be shown not to have been reasonably possible to give such notice and that notice was given as soon as was reasonably possible.

H. A provision that in the case of claim for loss of time for disability, written proof of such loss must be furnished to the insurer within 30 days after the commencement of the period for which the insurer is liable, and that subsequent written proofs of the continuance of such disability must be furnished to the insurer at such intervals as the insurer may reasonably require, and that in the case of claim for any other loss, written proof of such loss must be furnished to the insurer within 90 days after the date of such loss. Failure to furnish such proof within such time shall not invalidate nor reduce any claim if it shall be shown not to have been reasonably possible to furnish such proof and that such proof was furnished as soon as was reasonably possible.

I. A provision that the insurer will furnish to the policyholder such forms as are usually furnished by it for filing proof of loss. If such forms are not furnished before the expiration of 15 days after the insurer receives notice of any claim under the policy, the person making such claim shall be deemed to have complied with the requirements of the policy as to proof of loss upon submitting within the time fixed in the policy for filing proof of loss, written proof covering the occurrence, character and extent of the loss for which claim is made.

J. A provision that the insurer shall have the right and opportunity to examine the person of the insured when and so often as it may reasonably require during the pendency of claim under the policy and also the right and opportunity to make an autopsy in case of death where it is not prohibited by law.

K. A provision that all benefits payable under the policy, other than benefits for loss of time, will be payable not more than 60 days after receipt of proof, and that, subject to due proof of loss, all accrued benefits payable under the policy for loss of time will be paid not later than at the expiration of each period of 30 days during the continuance of the period for which the insurer is liable, and that any balance remaining unpaid at the termination of such period will be paid immediately upon receipt of such proof.

L. A provision that no action at law or in equity shall be brought to

recover on the policy prior to the expiration of 60 days after proof of loss has been filed in accordance with the requirements of the policy and that no such action shall be brought at all unless brought within 2 years from the expiration of the time within which proof of loss is required by the policy.

II. Any portion of any such policy, delivered or issued for delivery in this state, which purports, by reason of the circumstances under which a loss is incurred, to reduce any benefits promised thereunder to an amount less than that provided for the same loss occurring under ordinary circumstances, shall be printed in such policy and in each certificate issued thereunder, in bold face type and with greater prominence than any other portion of the rest of such policy or certificate, respectively; and all other exceptions of the policy shall be printed in the policy and certificate with the same prominence as the benefits to which they apply. If any such policy contains any provisions which affects the liability of the insurer because of any violation of law by the insured during the term of the policy, it shall be in the following form: The insurer shall not be liable for death, injury incurred or disease contracted, to which a contributing cause was the insured's commission of or attempt to commit a felony, or which occurs while the insured is engaged in an illegal occupation. If any such policy contains any provision which affects the liability of the insurer because of the insured's use of intoxicating liquor or narcotics during the term of the policy, it shall be in the following form: The insurer shall not be liable for death, injury incurred or disease contracted while the insured is intoxicated or under the influence of narcotics unless administered on the advice of a physician.

III. The commissioner may approve any form of blanket accident or sickness or accident and sickness insurance policy, or any form of certificate to be issued under such policy, which omits or modifies any of the provisions hereinbefore required, if he deems such omission or modification suitable for the character of such insurance and not unjust to the persons insured thereunder.

IV. Any such group or blanket policy may include benefits payable on account of hospital or medical or surgical aid for an employee or other member of the group insured by such policy, his or her spouse, child or children or other dependents, and may provide that any such benefits be paid by the insurer directly to the hospital, physician, surgeon doctor, nurse or other person furnishing services covered by such provision of said policy.

Sec. 113-C. Policies under franchise plan.

I. Accident and sickness insurance on a franchise plan is hereby declared to be that form of accident and sickness insurance issued to:

A. Five or more employees of any corporation, copartnership or individual employer or any governmental corporation, agency or department thereof, or

B. Ten or more members of any trade, occupational or professional association, or of a labor union, or of any other association having had an active existence for at least 2 years where such association or union has a constitution or by-laws and is formed in good faith for purposes other than that of obtaining insurance;

where such persons, with or without their dependents, are issued the same form of an individual policy varying only as to amounts and kinds of coverage applied for by such persons, under an arrangement whereby the premiums on such policies may be paid to the insurer periodically by the employer, with or without payroll deductions, or by the association for its members, or by some designated person acting on behalf of such employer or association.

II. Notwithstanding the provision of paragraph B of subsection VII of section 130, such section shall not prohibit different rates charged, or benefits payable, or different underwriting procedure for individuals insured under a franchise plan, provided rates charged, benefits payable or underwriting procedure used do not discriminate between franchise plans.

Sec. 113-D. Application of § 110; rules and regulations. All policy forms mentioned in sections 113 to 113-C, inclusive, shall be filed with and approved or disapproved by the insurance commissioner in accordance with the provisions of section 110. The commissioner may make reasonable rules and regulations necessary to effect the purpose of sections 109 to 113-E, inclusive.

Sec. 113-E. Penalty; revocation and suspension of license. Any person, partnership or corporation wilfully violating any provision of sections 109 to 113-E, inclusive, or an order of the commissioner made in accordance with the provisions of those sections, shall forfeit to the people of the state a sum not to exceed \$500 for each such violation, which may be recovered by a civil action. The commissioner may also suspend or revoke the license of an insurer or agent for any such wilful violation.

Sec. 113-F. Appeal. Any order or decision of the commissioner, issued under the provisions of sections 109 to 113-E, inclusive, shall be sub-

ject to review by a justice of the superior court, in term time or vacation, by an appeal taken within 15 days after the date of such order or decision to the superior court held in and for the county of Kennebec at the instance of any party in interest and aggrieved by said order or decision. Such appeal shall be prosecuted by petition to which such party shall annex the order or decision of the commissioner and the record upon which such order or decision is based and in which the appellant shall set out the substance of and the reasons for the appeal. Upon the filing thereof, the court in term time, or a justice thereof in vacation, shall order notice thereon. Upon the evidence and after hearing, which shall be held not less than 7 days after notice thereof, the court or any justice thereof may modify, affirm or reverse the order or decision of the commissioner in whole or in part in accordance with law and the weight of the evidence. The court or a justice thereof shall, upon hearing, determine whether the filing of the appeal shall operate as a stay of any such order or decision of the commissioner pending the final determination of the appeal, and may impose such terms and conditions as may be deemed proper.

Exceptions shall lie to the law court from the decision of the superior court.

Sec. 113-G. Copy of application. Every accident, sickness or casualty policy of insurance issued to a resident of this state by any insurance company, assessment association or fraternal order, which contains a reference to the application of the insured, either as a part of the policy or as having any bearing thereon, shall have attached thereto a correct copy of the application, and unless such copy is so attached, the application shall not be considered a part of the policy or be received in evidence.

Sec. 113-H. False or fraudulent statement; penalty. Any person who knowingly or wilfully makes a false or fraudulent statement or representation in or relative to any application for accident, sickness or casualty insurance, or who makes any such statement for the purpose of obtaining a fee, commission, money or benefit in a corporation transacting such business in this state, shall be punished by a fine of not less than \$100, nor more than \$500, or by imprisonment for not less than 30 days, nor more than 11 months, or by both such fine and imprisonment; and a person who wilfully makes a false statement of any material fact or thing in a sworn statement as to the death or disability of a policy or certificate holder in any such corporation, for the purpose of procuring payment of a benefit named in the certificate of such holder, shall be guilty of perjury.'