

MAINE STATE LEGISLATURE

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

Legislative Document

No. 1157

H. P. 819

House of Representatives, March 6, 1959.

Referred to the Committee on Retirements and Pensions, sent up for concurrence and 750 copies ordered printed.

HARVEY R. PEASE, Clerk

Presented by Mr. Call of Cumberland.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
FIFTY-NINE

**AN ACT Providing Group Insurance Coverage for State and Governmental
Employees.**

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

Sec. 1. R. S., c. 63-A, § 13, sub-§§ XVII-XIX, additional. Section 13 of chapter 63-A of the Revised Statutes, as enacted by section 1 of chapter 417 of the public laws of 1955 and as amended by section 3 of chapter 316 of the public laws of 1957, is further amended by adding 3 new subsections to be numbered XVII to XIX, to read as follows:

'XVII. The board of trustees may establish within the retirement system a division of retirement, a division of group insurance, and such other divisions as may be deemed necessary to carry out the functions within the purview of the board of trustees. The board of trustees shall prescribe procedures and establish rules and regulations for the coordination and administration of the several divisions and for the transaction of their business.

XVIII. There is hereby established within the retirement system a special group insurance board consisting of one member of the board of trustees who shall be appointed for a 2 year term by the chairman of the board of trustees, the Commissioner of Insurance ex officio, a state employee duly elected for a 2 year term by the Maine State Employees Association, a member duly elected for a 2 year term by the Maine Teachers Association, and a person duly elected for a 2 year term by the Maine Municipal Association. The members of the group insurance board shall serve without compensation, but shall be reimbursed from the funds of the retirement system for all necessary expenses they may incur in service to the board of trustees.

XIX. The board of trustees shall administer all group insurance programs with the assistance of the group insurance board, and except as otherwise provided herein, is hereby authorized to promulgate and publish such regulations as may be necessary and proper to give effect to the intent, purposes and provisions of section 24. Subject to the limitations of the chapter, the duties and perogatives of the group insurance board in administering the group insurance program shall be established by the board of trustees. The group insurance board shall prepare or cause to be prepared the necessary specifications for competitive bidding on any or all portions of the group insurance provisions of this chapter, shall review the bidding and recommend to the board of trustees the selection of one or more insurance companies or non-profit hospital-medical service corporations as the carrier or carriers. The group insurance board shall review the contracts or agreements and shall annually advise the board of trustees on the desirability or necessity of reopening the bidding process. The group insurance board shall annually review the adequacy of coverage, the financial soundness, and related aspects of the group insurance provisions and shall advise the board of trustees on matters of policy pertaining thereto. The recommendations of the group insurance board shall be incorporated in the official minutes of the board of trustees.'

Sec. 2. R. S., c. 63-A, § 15, sub-§ I, amended. Subsection I of section 15 of chapter 63-A of the Revised Statutes, as enacted by section 1 of chapter 417 of the public laws of 1955 and as amended by section 6 of chapter 367 of the public laws of 1957, is further amended to read as follows:

'I. Funds. All the assets of the retirement system shall be credited, according to the purpose for which they are held, among ~~four~~ 6 funds, namely, the Members' Contribution Fund, the Retirement Allowance Fund, the Expense Fund, the **Group Life Insurance Fund**, the **Group Hospital Insurance Fund**, and the Survivors' Benefit Fund.'

Sec. 3. R. S., c. 63-A, § 15, sub-§ V, amended. The 2nd sentence of subsection V of section 15 of chapter 63-A of the Revised Statutes, as enacted by section 1 of chapter 417 of the public laws of 1955, is amended to read as follows:

'These estimates shall show the total requirements for the Retirement Allowance Fund, the **Group Life Insurance Fund**, the **Group Hospital Insurance Fund**, the **Survivors' Benefit Fund**, and the Expense Fund for the ensuing biennium.'

Sec. 4. R. S., c. 63-A, § 15, sub-§§ VII-VIII, additional. Section 15 of chapter 63-A of the Revised Statutes, as enacted by section 1 of chapter 417 of the public laws of 1955, and as amended, is further amended by adding 2 new subsections to be numbered VII and VIII, to read as follows:

'VII. Group Life Insurance Fund.

A. The State Controller shall open on the books of the State a **Group Life Insurance Fund**. Said fund shall accumulate all moneys required for the payment of premiums for group life and accidental death and dismemberment insurance coverages as set forth in section 24, subsection **XV**.

B. On account of each active or retired state officer or employee, or teacher participating in the group life insurance coverages provided by section 24, there shall be paid annually into the Group Life Insurance Fund by the State an amount equal to a certain percentage of the annual earnable compensation for such active persons, and the gross annual retirement allowances for such retired persons, such amounts to be known as the "employer's insurance contribution." The rate per cent of such contribution shall be fixed on the basis of the liabilities of the group life insurance program as accrued.

C. The income from any dividend, premium rate adjustment, or other earned income of the Group Life Insurance Fund shall constitute a part of such fund.

VIII. Group Hospital Fund.

A. The State Controller shall open on the books of the State a Group Hospital Fund. Said fund shall accumulate all moneys required for the payment of premiums for the group-medical-surgical coverages as set forth in section 24, subsection XVI.

B. On account of each person for whom hospital-medical-surgical insurance coverage is provided by the State as his employer, there shall be paid annually into the State Group Hospital Insurance Fund for the ensuing fiscal year an amount equal to $2\frac{1}{4}\%$ of the estimated gross annual earnable compensation of each state officer and employee for the use of the board in paying the premiums for said coverage.

C. The income from any dividend, premium rate adjustment, or other earned income of the Group Hospital Insurance Fund shall constitute a part of said fund.'

Sec. 5. R. S., c. 63-A, § 24, repealed and replaced. Section 24 of chapter 63-A of the Revised Statutes, as enacted by chapter 451 of the public laws of 1955 and as amended by chapter 38 and by section 64 of chapter 429 both of the public laws of 1957, is repealed and the following enacted in place thereof:

'Sec. 24. Group insurance for state employees and teachers. Group life, hospital, medical and surgical insurance shall be made available to state employees and teachers subject to the following provisions:

I. Except as provided herein, each appointive classified officer or employee of the State of Maine or teacher who is eligible for membership in the Maine State Retirement System, or each member of the State Police who is a member of the State Police Retirement System, including those members of that system who have retired since September 5, 1955 and living on March 18, 1957, or those officers and employees of the unclassified service of the State of Maine specifically designated by the board of trustees, shall at such time and under the conditions of eligibility as the board of trustees may by regulations prescribe, come within the purview of this section. Notwithstanding anything to the contrary the amount of group life insurance for said retired

members of the State Police Retirement System shall be set forth in Table A and shall be based on the gross salary of each member at date of his retirement and shall reduce at the rate of 15% per year from date of retirement as provided in subsection VI, paragraphs A and B. Such regulations may provide for the exclusion of employees on the basis of nature and type of employment or conditions pertaining thereto, such as, but not limited to, emergency, temporary or project employment and employment of like nature; which regulations shall be issued only after consultation with the appointing authority concerned, provided no employee or group of employees shall be excluded solely on the basis of the hazardous nature of employment. A determination by the board of trustees that a person is eligible for participation in a plan of insurance shall be final and shall be binding on all parties.

II. Each eligible person to whom subsections I to IX applies shall be eligible to be insured for an amount of group life insurance approximating his annual compensation and an equal amount of group accidental death and dismemberment insurance in accordance with the following schedule. The board of trustees may, upon recommendation of the group insurance board, permit certain classifications to purchase up to double the amounts shown in Table A. The total number permitted such additional coverage shall be limited to not more than 5% of all persons covered by this group insurance policy.

TABLE A

If annual compensation is		Group Life Insurance	Group Accidental Death and Dismemberment Insurance
Greater than	but not greater than	The maximum amount of group life insurance shall be	The maximum amount of group accidental death and dismemberment insurance shall be
0	\$1,000	\$ 1,000	\$ 1,000
\$1,000	2,000	2,000	2,000
2,000	3,000	3,000	3,000
3,000	4,000	4,000	4,000
4,000	5,000	5,000	5,000
5,000	6,000	6,000	6,000
6,000	7,000	7,000	7,000
7,000	8,000	8,000	8,000
8,000	9,000	9,000	9,000
9,000	—	10,000	10,000

Subject to the conditions and limitations of the policy purchased by the board of trustees under this section, the group life and accidental death and dismemberment insurance shall provide payments as follows:

TABLE B

Loss	Amount Payable
Loss of life from natural causes	The full amount shown in the column of Table A entitled "Group Life Insurance."
Loss of life by accident	The full amount shown in the column of Table A entitled "Group Life Insurance" plus the amount shown in the column entitled "Group Accidental Death and Dismemberment Insurance."
Loss of one hand or one foot or sight of one eye	One-half the amount shown in the column of Table A, entitled "Group Accidental Death and Dismemberment Insurance."
Loss of 2 or more limbs or loss of sight of both eyes or loss of one limb and loss of sight of one eye	The full amount shown in the column of Table A entitled "Group Accidental Death and Dismemberment Insurance."

For any one accident, the aggregate amount of group accidental death and dismemberment insurance that may be paid shall not exceed the amount shown in Table A.

III. Any amount of group life insurance and group accidental death insurance in force on any employee at the date of his death shall be paid, upon the establishment of a valid claim therefor, to the person or persons surviving at the date of his death, in the following order of precedence:

First, to the beneficiary or beneficiaries as the employee may have designated by a writing received in the employing office prior to death;

Second, if there be no such beneficiary, to the widow or widower of such employee;

Third, if none of the above, to the child or children of such employee and descendants of deceased children by representation;

Fourth, if none of the above, to the parents of such employee or the survivor of them;

Fifth, if none of the above, to the duly appointed executor or administrator of the estate of such employee;

Sixth, if none of the above, to other next of kin of such employee entitled under the laws of domicile of such employee at the time of his death.

IV. All employees eligible under the terms of this section will be automatically insured for the maximum amounts applicable thereunder, commenc-

ing on the date they first become so eligible. Any employee desiring not to be insured shall, on appropriate form, give written notice to his employing officer that he desires not to be insured. If such notice is received before the employee shall have become insured under such policy, he shall not be so insured; if it is received after he shall have become insured, his insurance under the policy will cease, effective with the end of the pay period during which the notice is received by the employing office. Any person who desires not to be insured may subsequently apply for insurance, but may be required to produce evidence of insurability at his own expense and in accordance with the requirements of the board of trustees.

V. An employee insured under this policy shall be automatically covered for any change in such maximum due to a change in annual compensation. Such change in coverage shall coincide with the effective date of the change in annual compensation rate. A member of the Legislature shall be entitled to an amount of insurance during his tenure of office equal to the next even \$1,000 above his statutory salary and an equal amount of accidental death and dismemberment insurance.

VI. Each policy of life insurance purchased under sections 24 to 26, shall contain a provision to the effect that any insurance thereunder on any insured shall cease upon his separation from the service subject to the provisions which shall be contained in the policy for waiver of premiums in the event of total and permanent disability, and temporary extension of coverage and conversion to an individual policy of life insurance, except that if upon such date as the insurance would otherwise cease, the insured retires in accordance with the provisions of this chapter, his life insurance only shall be continued without cost to him and in the amounts provided in paragraphs A and B below:

A. On retirement for reasons other than occupational disability, the average amount of insurance in force for the last 5 years prior to retirement shall be continued in force at no cost to the state officer, employee, or teacher. Said average amount shall be reduced at the rate of 15% per year of the original calculated amount to a minimum of 25% of said average amount and provided further that the maximum amount of insurance in force on a retired member after attaining age 70 shall be 25% of the average amount of insurance in force for the last 5 years prior to retirement.

In determining benefits under this section the 15% reductions shall become effective at 12:01 AM of the day following the first year anniversary of the date of retirement and each succeeding retirement anniversary thereafter until the minimum has been reached.

The average amount of insurance for any insured who retires before he was eligible for 5 years of such coverage shall be determined by adding the amount of coverage he had in each year prior to retirement and dividing by the number of years he was eligible, provided further that if he was eligible for coverage less than one year prior to retirement the amount of

coverage shall be equal to the amount in force at the first day he became insured.

B. On retirement for occupational disability, the amount of insurance in force at the time of retirement shall be continued in force at no cost to the state employee or teacher until attainment of the age of 60, after which said amount shall be reduced at the rate of 15% of the original calculated amount per year to a minimum of 25% of said amount and provided further that the maximum amount of insurance in force after attaining age 70 shall be 25% of the amount in force at time of retirement.

VII. Each appointive classified officer or employee of the State of Maine, or those officers and employees of the unclassified service of the State of Maine specifically designated by the board of trustees, shall, at such times and under such conditions of eligibility as the board of trustees may by regulation prescribe, be eligible for benefits of a group hospital-medical and surgical insurance or service plan covering persons in the service of the State and their dependents. Such plan shall include, but is not limited to, hospital expense benefits to provide payments for board and room in duly licensed hospitals, payment for ancillary hospital services normally incident to such medical and surgical care, payments for surgical operations and associated anesthetic procedures, payments to doctors for in-hospital medical expenses, payments for out-of-hospital x-ray and laboratory expenses, and payments for comprehensive major medical expense insurance which shall include a deductible and co-insurance provisions.

VIII. Each person eligible for coverage under subsections VII to IX shall be automatically insured for all coverage provided under said policy or policies or contract or contracts commencing on the date he first becomes eligible in accordance with the rules and regulations of the board of trustees, or on the effective date of such policy or contracts whichever last occurs. Anything to the contrary notwithstanding, hospital-medical-surgical coverage for dependents shall become effective when and if 75% of the total number of eligible persons having dependents, or 2500 persons having dependents, whichever is less, shall signify their willingness to pay for the entire cost of dependent coverage through payroll deduction. Each such person shall furnish the board, on such forms as it shall prescribe, such information as is necessary to enroll his dependents under a policy of hospital-medical-surgical insurance. Any employee desiring not to insure his dependents, shall give written notice that his dependents are not to be insured for any of the coverages provided.

IX. Each policy or contract of group hospital-medical-surgical insurance shall contain a provision that at the option of the insured, equivalent benefits to those currently available for actively employed participants, shall be continued after retirement from service; provided that the insured shall pay the entire premium applicable to himself and his dependents, which premiums shall not exceed the current costs for non-retired members not actively on the payroll. The maximum coverage allowable under any major medical provisions shall be as prescribed by the board of trustees.

ADMINISTRATION

X. The board of trustees is authorized to purchase from one or more insurance companies, a policy or policies of group life and accidental death and dismemberment insurance or group, general or blanket insurance covering hospital-surgical and medical benefits, or to enter into a contract with one or more non-profit hospital and medical service corporations, to provide the benefits specified by this section, provided further that such company or companies shall be licensed under the laws of the State of Maine. The policy or contract provisions shall be subject to and as provided for by the insurance or other laws of this State except as modified by this section. The board of trustees shall execute all agreements or contracts pertaining to said policies and any amendments thereto, for, and in behalf of, and in the name of the State of Maine.

XI. The board of trustees shall negotiate a contract or contracts for such term not exceeding two years, as it may, in its discretion, deem to be most advantageous to the State and to the participating officers and employees of the State. The cost of premiums per month shall not exceed the estimated monthly cost for which funds have been appropriated.

XII.

A. During any period in which a person is insured under a policy of life insurance and accidental death and dismemberment insurance in conformity with the provisions of subsections I-VI, there shall be withheld by payroll deduction or deductions as his share of the cost of his group life and accidental death and dismemberment insurance, an amount determined by the board of trustees, but not to exceed 65c per month for each \$1,000 of such insurance; provided that any person who is paid on other than a 52 week a year basis shall have such amounts withheld as may be determined by the board of trustees and the participating insurance underwriters to be proper to guarantee insured status for a full year, but in no instance shall such deductions exceed \$7.80 per year for each \$1,000 of coverage. Under such conditions as the board of trustees may prescribe, if an insured is not entitled to receive salary, wages, or other compensation during a premium-paying period, he may continue all coverages in effect by paying directly to the board of trustees a sum equal to that which would be paid by him through payroll deductions for said period.

B. For each period in which a person is insured under such policy, there shall be paid from the group life insurance fund an amount which together with premium deductions and payments by the insured shall be sufficient to pay the premium or premiums of such policy or policies purchased in conformity with this section.

XIII.

A. For each period that a policy of group hospital-medical-surgical insurance is in effect as provided by subsections VII-IX, the State of Maine as employer shall pay the entire premium for each classified or unclassified

officer or employee of the State determined by the board of trustees to be eligible for such coverage, and for each member of the Legislature for the duration of his tenure of office, provided, that under such conditions as the board of trustees may prescribe, if an officer or employee is not entitled to receive any salary, wages, or other compensation during a premium-paying period, he may continue his insurance in effect by paying directly to the board of trustees of the State Retirement System a sum equal to that which would be paid by the State for said period.

B. With respect to any period of group hospital-medical-surgical insurance which is in effect for the dependents of an eligible person, there shall be withheld from each payment of salary or wages of such person, the entire cost of premiums of such insurance for said dependents, provided, however, under such conditions as the board of trustees may prescribe, if an insured is not entitled to receive salary, wages, or other compensation during a premium-paying period, he may continue the insurance in effect for his dependents by paying directly to the board of trustees of the State Retirement System a sum equal to that which would be paid by him through payroll deductions for said period.

C. For each period in which a classified or unclassified officer or employee of the State is insured under a policy of group hospital-medical-surgical insurance, there shall be paid from the group hospital insurance fund a sum which together with premium deductions and direct payments by the insured for himself and his dependents shall be sufficient to pay the premiums of such policy or policies and contract or contracts purchased in conformity with the provisions of this section.

XIV. The successful bidder or bidders shall furnish the usual master policy or policies and contract or contracts and certificates, and shall arrange to have each person insured under such policy or contract receive a certificate setting forth the benefits to which he is entitled thereunder, to whom such benefits are payable, to whom claims shall be submitted, and summarizing the provisions of the policy or contract principally affecting the assured.

XV. Every such policy, or contract whether original or renewal, shall provide in the case of persons and their dependents then covered by group life, hospital-surgical and medical insurance, protection by continuing uninterrupted coverages without regard to waiting period.

XVI. The insurance provided by sections 24-26 and the withholdings and contributions for that purpose, shall become effective when directed by the board of trustees.'

Sec. 6. R. S., c. 63-A, § 25, repealed and replaced. Section 25 of chapter 63-A of the Revised Statutes, as enacted by chapter 451 of the public laws of 1955, is repealed and the following enacted in place thereof:

'Sec. 25. Hospital-Medical-Surgical Insurance for teachers and their dependents. Anything to the contrary notwithstanding, teachers of any city or town, or any educational institution indicated in section 17, subsection VII, shall

be entitled to participate to the full extent of any or all group hospital-medical-surgical benefits as provided by section 24, provided further that each city, town, or board of trustees of such educational institutions shall approve such participation, and appropriate the necessary funds to pay for the entire cost of premiums for said teacher as the employer's share of the cost of said coverage, together with a pro-rata share of the cost of administration of the plan. Anything to the contrary notwithstanding, hospital-medical-surgical coverage for dependents of teachers shall become effective when and if 75% of the total number of eligible persons having dependents in such participating unit shall signify their willingness to pay the entire cost of such dependent coverage through payroll deduction. For purposes of this section, all teachers and dependents shall be deemed to constitute one coverage group for the purpose of determining costs of premiums, computing experience ratings, dividends, etc. Said coverage group shall be entirely separate and distinct from that provided by section 24 for officers and employees of the State of Maine.

The chief fiscal officer of each city, town, or educational institution shall submit to the board of trustees such information, and shall cause to be performed such duties in respect to said teachers, as shall be prescribed by the board of trustees in order to carry out the provisions of these sections, and shall pay such costs of premiums and pro-rata expenses as may be levied by the board of trustees.'

Sec. 7. R. S., c. 63-A, § 26, repealed and replaced. Section 26 of chapter 63-A of the Revised Statutes, as enacted by chapter 451 of the public laws of 1955, is repealed and the following enacted in place thereof:

'Sec. 26. Participating local districts. The employees of any county, city, town, water district, public library corporation or any other quasi-municipal corporation of the State or of Maine Municipal Association may participate in the group insurance programs, to the full extent of any and all benefits provided for in section 24, provided the county commissioners, or the city council or corresponding body of a city, or the voters of a town at a duly constituted town meeting, or the trustees of water districts or public library corporations or other quasi-municipal corporation, or the active member municipalities of Maine Municipal Association through its executive committee, approve such participation and file with the board of trustees a duly certified copy of the resolution of the county commissioners or of the city council or such corresponding body or a record of the vote of the town voters certified by the clerk of the town meeting approving such participation and the extent of the benefits which shall apply. Such county, city, town, water district, public library corporation or other quasi-municipal corporation or Maine Municipal Association approving the participation of its employees in these group insurance programs shall thereafter be known for the purposes of this chapter as a "participating local district."

I. Anything to the contrary notwithstanding, said employees shall be entitled to participate to the full extent of any or all group hospital-medical-surgical benefits provided by section 24. Each county, city, town, water district, public library corporation, or any other quasi-municipal corporation of the State, or

the Maine Municipal Association shall approve such participation, and appropriate the necessary funds to pay the entire cost of premiums for said employees as the employer's share of the cost of said coverage, together with a pro-rata share of the cost of administration of the plan. Anything to the contrary notwithstanding hospital-medical-surgical coverage for dependents of said employees shall become effective when and if 75% of the total number of eligible persons having dependents in such participating district shall signify their willingness to pay the entire cost of such dependent coverage through payroll deduction.

II. Such county, city, town, water districts or public library corporations or other quasi-municipal corporations or Maine Municipal Association shall designate in their approval any class of employees who may be exempted from the provisions of this chapter. Seventy-five percent of the eligible employees of each participating district shall be the minimum number permissible as a coverage group for life insurance. The date when the participation of the employees of a participating local district may begin shall be set by the board of trustees not more than 6 months following the date the local district approved the participation of its employees.

III. For purposes of this section, all employees and dependents shall be deemed to constitute one or more coverage groups for the purpose of determining costs of premiums, computing experience ratings, dividends, etc. Said coverage group or groups shall be entirely separate and distinct from that provided by section 24 for officers and employees of the State of Maine, but may be combined with the coverage group provided in section 25, as the board of trustees shall decide after consultation with the chief fiscal officers of the participating local districts.

IV. The chief fiscal officer of a participating local district shall submit to the board of trustees such information, and shall cause to be performed such duties in respect to said employees of such local district as shall be prescribed by the board of trustees in order to carry out the provisions of this chapter, and shall pay such costs of premiums and pro-rata expenses as may be levied by the board of trustees.'

Sec. 8. Appropriation. There is hereby appropriated from the Unappropriated Surplus of the General Fund the sum of \$310,500 for the fiscal year ending June 30, 1960, and the sum of \$317,750 for the fiscal year ending June 30, 1961 to create the group hospital-medical-surgical insurance fund and to carry out the purpose of those sections of this act relating to group hospital-medical-surgical benefits for state officers, employees and members of the Legislature. Any balance in this fund shall not lapse, but shall remain a continuing carrying account.

Sec. 9. Appropriation. There is hereby appropriated from the Unappropriated Surplus of the General Fund the sum of \$50,000 for the fiscal year ending June 30, 1960, and \$50,000 for the fiscal year ending June 30, 1961 to carry out the purposes of those sections of this act relating to group life insurance for

state officers, employees, members of the Legislature and teachers. Any balance in this fund shall not lapse but shall remain a continuing carrying account.

Sec. 10. Appropriation. There shall be paid from the General Highway Fund, the sum of \$215,500 for each year of the biennium ending June 30, 1961, and from departments supported wholly or in part by fees or special revenue funds the sum of \$117,575 for each year of the biennium ending June 30, 1961 to carry out the purposes of this act. The amount chargeable to each account shall be as determined by the State Budget Officer by taking into consideration the personal services expenditures for the fiscal year 1957-58.