

Bulletin 253 Addendum

Group insurance purchased by unlicensed financial institutions

May 20, 1996

This Bulletin Addendum will clarify those activities that are permissible or impermissible for unlicensed financial institutions that are group policyholders.

A "Financial Institution" means a trust company, commercial bank, savings bank, industrial bank, savings and loan association, or credit union, either state chartered or federally chartered. Under Title 24-A M.R.S.A. 1514-A, it also includes holding companies, subsidiaries, and any officer, employee, agent or representatives of the same. Controlling statutes are:

Title 24-A MRSA 1512 License Requirement
1514-A Prohibition as to banking institutions
1517 Licensing of firms or corporations

Title 24-A MRSA
Chapters 31 Group Life (2601-2629)
35 Group & Blanket Health Insurance (2801-2837)
37 Credit Life & Credit Health Insurance (2851-2864)

PERMITTED ACTIVITIES

1. An unlicensed financial institution may purchase a group policy only as provided in Title 24-A M.R.S.A. 2601 through 2612-A, 2801 through 2837, and 2851 through 2864.
2. An unlicensed financial institution may notify its customers that they are covered by a group policy or are eligible to apply for coverage by:
 - o informing the customer of the type of policy;
 - o introducing, but not soliciting, the group product;
 - o endorsing the group policy and the insurer; and
 - o may do so in a joint mailing. A joint mailing is one mailing that includes separate correspondence from the insurer and the policyholder.
3. An unlicensed financial institution may receive premium payments from certificate holders to include automatic withdrawals when authorized by the account holder.
4. An unlicensed financial institution may receive requests for enrollment to be transmitted to licensed agents or insurers and may enroll customers where underwriting is not required.
5. Where underwriting is required, an unlicensed financial institution may receive requests for coverage, receive information necessary for determining coverage, and transmit applications to licensed agents, brokers, or insurers. An unlicensed financial institution may not provide underwriting services to the insurer. Although an unlicensed financial institution may receive applications and answer questions of a clerical nature, if it receives substantive insurance-related questions requiring interpretation, the unlicensed financial institution must refer the customer to a licensed agent, broker, or insurer.
6. An unlicensed financial institution may provide the customers with information on costs as prepared

by the insurer or agent (including cost information on additional coverage limits) and may make the necessary calculations to determine costs.

7. An unlicensed financial institution may collect administrative fees from the insurer if not for the purpose of circumventing the legal prohibition against receipt of commissions or rebates.

ACTIVITIES NOT PERMITTED

1. An unlicensed financial institution and insurance company may not jointly inform customers of, introduce customers to, or endorse the group product by using the same letterhead or logo.

2. An unlicensed financial institution may not include advertisements regarding the group insurance product, insurer or agent in any financial institution publication if the purpose of the publication is to promote the financial institution's products and services. However, an unlicensed financial institution may announce in its publication that a loan or savings account is automatically protected with insurance if the loan or savings customer does not have to apply for the insurance or contribute to the cost of the insurance and if the insurer does not underwrite the insurance.

3. An unlicensed financial institution may not solicit insurance.

4. An unlicensed financial institution may not answer questions requiring interpretation of insurance products or policy conditions. In these instances, an unlicensed financial institution must refer certificate holders to the licensed agent or insurer.

5. An unlicensed financial institution may not collect commissions for the sale of certificates of insurance.

6. For group credit life or health insurance policies, an unlicensed financial institution may not collect handling or processing fees in excess of 10% of the prima facie premium.

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