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STATE OF MAINE

ONE HUNDRED AND TWENTY-THIRD LEGISLATURE

COMMITTEE ON INSURANCE AND FINANCIAL SERVICES

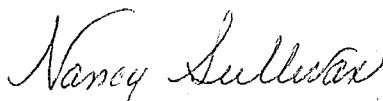
March 10, 2008

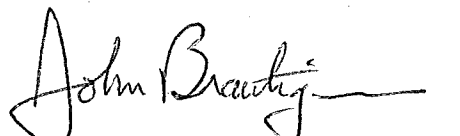
The Honorable Beth Edmonds
 President of the Senate
 The Honorable Glenn Cummings
 Speaker of the House of Representatives
 123rd Legislature
 State House
 Augusta, ME 04333

Dear Madam President and Mr. Speaker:

Pursuant to Title 3 Maine Revised Statutes, chapter 35, we are pleased to submit the findings of the Joint Standing Committee on Insurance and Financial Services from the review and evaluation of the Department of Professional and Financial Regulation under the State Government Evaluation Act. In its review, the Committee found that the Commissioner's Office, the Bureau of Financial Institutions, the Bureau of Consumer Credit Protection, the Bureau of Insurance and the Office of Securities within the Department of Professional and Financial Regulation are operating within its statutory authority.

Sincerely,


 Senator Nancy B. Sullivan
 Senate Chair


 Representative John R. Brautigam
 House Chair

cc: Lloyd P. LaFountain, III, Acting Commissioner
 Patrick Norton, Director, Office of Policy and Legal Analysis

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JOINT STANDING COMMITTEE ON INSURANCE AND FINANCIAL SERVICES

Review of the Department of Professional and Financial Regulation under the Government Evaluation Act

The Government Evaluation Act

The Government Evaluation Act (“Act”) provides for a system of periodic review of the efficacy and performance of state government agencies. The review of an agency’s finances and programs must include a review of agency management and organization, program delivery, goals and objectives, statutory mandates and fiscal accountability. 3 MRSA § 951 et seq. The review is conducted by the legislative committee having jurisdiction over the state agency identified for review on a 10-year cycle. To assist the legislative committee, agencies are required to prepare and submit a program evaluation report. The program evaluation report includes the following components: the agency’s enabling state and federal legislation; program descriptions; organizational structure, position count and job classifications; compliance with federal and state health and safety laws; ten-year financial summaries; regulatory agenda; coordinated efforts with other state agencies; constituencies served by the agency; alternative delivery systems; and emerging issues for the agency.

Review Process

Pursuant to the requirements of the Act, the Joint Standing Committee on Insurance and Financial Services notified the Department of Professional and Financial Regulation in April 2007 of its intent to review the department during the Second Regular Session of the 123rd Legislature. The review of the Department of Professional and Financial Regulation is conducted jointly with the Joint Standing Committee on Business, Research and Economic Development because of the overlapping jurisdiction of the two committees over bureaus and offices within the department. This is the 2nd review of the Department of Professional and Financial Regulation under the Government Evaluation Act; the first review under the Act was completed in 1997.

The Joint Standing Committee on Insurance and Financial Services held five meetings to conduct the review under the Act: November 16, 2007, January 8, 2008, January 15, 2008, January 17, 2008 and February 26, 2008. The Joint Standing Committee on Insurance and Financial Services reviewed the Commissioner’s Office, the Bureau of Financial Institutions, the Bureau of Consumer Credit Protection, the Bureau of Insurance and the Office of Securities. Since the Joint Standing Committee on Business, Research and Economic Development is expected to review the Office of Licensing and Regulation, the Joint Standing Committee on Insurance and Financial Services makes no findings with regard to that office in this report.

Findings of Review

The Joint Standing Committee on Insurance and Financial Services reviewed the Office of the Commissioner, the Bureau of Financial Institutions, the Bureau of Consumer Credit Protection, the Bureau of Insurance and the Office of Securities within the Department of Professional and Financial Regulation and finds that these bureaus and offices are operating within their statutory authority. The committees finds that these bureaus and offices within the Department of Professional and Financial Regulation are performing effectively and efficiently in carrying out

the statutory mandate to administer and enforce the consumer credit, banking, insurance and securities laws in order to protect the public.

The committee notes also that the Governor's 2008-2009 Supplemental Budget Bill (LD 2173) proposed changes to reorganize the Office of Commissioner and the Office of Securities within the Department of Professional and Financial Regulation. As originally drafted, Part T of LD 2173 proposes to eliminate the headcount associated with the Commissioner position and make statutory changes to require the Governor to appoint one of 4 positions within the Department of Professional and Financial Regulation to serve as Commissioner in addition to their other statutory duties: the Superintendent of Financial Institutions, the Superintendent of Consumer Credit Protection, the Superintendent of Insurance and the Director of the Office of Licensing and Registration. Part T also proposes to eliminate the Securities Administrator position and designate the Superintendent of Financial Institutions as the Securities Administrator.

At the request of the Joint Standing Committee on Appropriations and Financial Affairs, the committee reviewed the proposed changes and made the following recommendations to the Appropriations Committee. The committee unanimously supported the elimination of the headcount, salary and associated costs related to the Commissioner position and the statutory change to the appointment of the Commissioner by the Governor. With regard to the Office of Securities, 11 members supported the elimination of one of the 2 Assistant Securities Administrator positions instead of the Securities Administrator position---a recommendation agreed to by the Acting Commissioner of the Department and the Administration. One committee member supported elimination of the Securities Administrator positions as originally proposed. As of the date of this report, LD 2173 has not been finally voted on, but the Appropriations Committee informally accepted the committee's recommendations with regard to the Office of the Commissioner and the Office of Securities in work session on February 20, 2008.

Emerging Issues

During its review, the committee identified the following emerging issues that may have an impact on the department's performance in the coming months and years. The committee believes the department should monitor these issues carefully and take action to address them as necessary. The committee requests that the department provide periodic updates on these issues and notify the committee as soon as possible if it becomes clear that legislative action is warranted or additional resources are needed.

Office of the Commissioner

- ◆ Long-term planning for the department and its facility and space needs

Bureau of Financial Institutions

- ◆ The integration of the financial services industry
- ◆ Federal preemption of state banking laws
- ◆ Predatory lending practices and mortgage foreclosures as it relates to loans made by banks and credit unions

Bureau of Consumer Credit Protection

- ◆ Predatory lending practices and mortgage foreclosures as it related to loans made by non-bank mortgage companies and loan brokers
- ◆ Regulation of payroll processing companies and pre-settlement litigation funding companies

Bureau of Insurance

- ◆ Potential federal regulation of insurance
- ◆ Consumer protection and advocacy with regard to all lines of insurance
- ◆ Affordability and access to health insurance
- ◆ Affordability of long-term care insurance
- ◆ Effect of global warming, climate change and natural disasters on insurance markets and risk management
- ◆ Effect of terrorism on insurance markets

Office of Securities

- ◆ Need for investor education, especially for Maine's growing elderly population, with regard to securities and other investments
- ◆ Development of uniform standards and certification for individuals who use a certification or professional designation indicating that the individual has special certification or training in advising seniors about securities
- ◆ Impact of growth in licensees on workload of Office of Securities

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STATE OF MAINE

ONE HUNDRED AND TWENTY-THIRD LEGISLATURE

COMMITTEE ON BUSINESS, RESEARCH AND ECONOMIC DEVELOPMENT

March 31, 2008

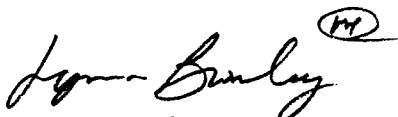
Honorable Beth G. Edmonds, President of the Senate
Honorable Glenn A. Cummings, Speaker of the House
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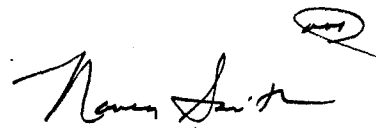
Dear President Edmonds and Speaker Cummings:

Pursuant to the State Government Evaluation Act, Maine Revised Statutes, Title 3, chapter 35, we are pleased to submit the findings and recommendations of the Joint Standing Committee on Business, Research and Economic Development from the review and evaluation of the Department of Professional and Financial Regulation.

In its review, the committee found that the Department of Professional and Financial Regulation is operating within its statutory authority. The committee supports the proposed legislation submitted by the department and therefore has submitted to the Legislature on March 15th its findings and recommendations with respect to the department.

Sincerely,


Lynn Bromley
Senate Chair


Nancy Smith
House Chair

Cc: Anne Head, Acting Commissioner, Department of Professional and Financial Regulation
Patrick Norton, Director, Office of Policy and Legal Analysis

**JOINT STANDING COMMITTEE ON
BUSINESS, RESEARCH & ECONOMIC DEVELOPMENT**

**Review of the Department of Professional and Financial Regulation
Under the Government Evaluation Act
January 2008**

The Government Evaluation Act

The Government Evaluation Act (“Act”) provides for a system of periodic review of the efficacy and performance of state government agencies (3 MRSA § 951 et seq). The law provides for a legislative review of each agency based on an agency self-evaluation presented in a “program evaluation report,” the contents of which are prescribed in statute. The program evaluation report provides a starting point for the committee of jurisdiction to conduct its evaluation of the agency’s effectiveness, efficiency and performance.

Review Process

In May of 2007, the chairs of the Joint Standing Committee on Business, Research and Economic Development on behalf of the committee, sent notice to the Department of Professional and Financial Regulation of the committee’s intent to review the department pursuant to 3 MRSA §959 during the second regular session of the 123rd Legislature and directed the department to submit its program evaluation report in accordance with 3 MRSA §956.

On November 1, 2007, the Department of Professional and Financial Regulation submitted its report in compliance with 3 MRSA §956, and on January 24, 2008, Lloyd LaFountain, III, on behalf of the department, presented the GEA report to the committee. A few weeks following the presentation, the committee discussed the report and made the following findings and recommendations.

Findings and Recommendations

The Joint Standing Committee on Business, Research and Economic Development has reviewed the Department of Professional and Financial Regulation and finds that it is performing effectively and operating within its statutory authority. During the course of the review, the department submitted recommendations to create efficiencies within the department and make technical corrections to the statutes. The committee supports these recommendations and submits proposed legislation pursuant to its authority under the Government Evaluation Act.