

# MAINE STATE LEGISLATURE

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*State Of Maine  
121st Legislature*

*First Regular Session*

*Bill Summaries*

*Joint Standing Committee  
on  
Insurance and Financial Services*

*July 2003*

**Members:**

*Sen. Lloyd P. LaFountain III, Chair*

*Sen. Neria R. Douglass*

*Sen. Arthur F. Mayo III*

*Rep. Christopher P. O'Neil, Chair*

*Rep. Marilyn E. Canavan*

*Rep. Joseph C. Perry*

*Rep. Bonita J. Breault*

*Rep. Anne C. Perry*

*Rep. Kevin J. Glynn*

*Rep. Florence T. Young*

*Rep. Lois A. Snowe-Mello*

*Rep. Michael A. Vaughan*

*Rep. Richard G. Woodbury*

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# Maine State Legislature



## Office Of Policy And Legal Analysis Office Of Fiscal And Program Review

### 121st Maine Legislature First Regular Session

#### Summary Of Legislation Before The Joint Standing Committees

Enclosed please find a summary of all bills, resolves, joint study orders, joint resolutions and Constitutional resolutions that were considered by the joint standing and joint select committees of the Maine Legislature this past session. The document is a compilation of bill summaries which describe each bill and relevant amendments, as well as the final action taken. Also included are statistical summaries of bill activity this session for the Legislature and each of its joint standing committees.

The document is organized for convenient reference to information on bills considered by the committees. It is arranged alphabetically by committee name and within committees by bill (LD) number. The committee report(s), prime sponsor for each bill and the lead co-sponsor(s), if designated, are listed below each bill title. All adopted amendments are listed by paper number. Two indices, a subject index and a numerical index by LD number are provided for easy reference to bills. They are located at the back of the document. A separate publication, History and Final Disposition of Legislative Documents, may also be helpful in providing information on the disposition of bills. These bill summaries also are available at the Law and Legislative Reference Library and on the Internet ([www.state.me.us/legis/opla](http://www.state.me.us/legis/opla)).

Final action on each bill is noted to the right of the bill title. The abbreviations used for various categories of final action are as follows:

<i>CARRIED OVER PURSUANT TO HP 1212</i> .....	<i>Bills carried over to the 2<sup>nd</sup> Regular Session</i>
<i>CON RES XXX</i> .....	<i>Chapter # of Constitutional Resolution passed by both Houses</i>
<i>CONF CMTE UNABLE TO AGREE</i> .....	<i>Committee of Conference unable to agree; bill died</i>
<i>DIED BETWEEN BODIES</i> .....	<i>House &amp; Senate disagree; bill died</i>
<i>DIED IN CONCURRENCE</i> .....	<i>One body accepts ONTP report; the other indefinitely postpones the bill</i>
<i>DIED ON ADJOURNMENT</i> .....	<i>Action incomplete when session ended; bill died</i>
<i>EMERGENCY</i> .....	<i>Enacted law takes effect sooner than 90 days</i>
<i>FAILED EMERGENCY ENACTMENT/FINAL PASSAGE</i> .....	<i>Emergency bill failed to get 2/3 vote</i>
<i>FAILED ENACTMENT/FINAL PASSAGE</i> .....	<i>Bill failed to get majority vote</i>
<i>FAILED MANDATE ENACTMENT</i> .....	<i>Bill imposing local mandate failed to get 2/3 vote</i>
<i>NOT PROPERLY BEFORE THE BODY</i> .....	<i>Ruled out of order by the presiding officers; bill died</i>
<i>INDEF PP</i> .....	<i>Bill Indefinitely Postponed</i>
<i>ONTP</i> .....	<i>Ought Not To Pass report accepted</i>
<i>OTP-ND</i> .....	<i>Committee report Ought To Pass In New Draft</i>
<i>P&amp;S XXX</i> .....	<i>Chapter # of enacted Private &amp; Special Law</i>
<i>PASSED</i> .....	<i>Joint Order passed in both bodies</i>
<i>PUBLIC XXX</i> .....	<i>Chapter # of enacted Public Law</i>
<i>RESOLVE XXX</i> .....	<i>Chapter # of finally passed Resolve</i>
<i>UNSIGNED</i> .....	<i>Bill held by Governor</i>
<i>VETO SUSTAINED</i> .....	<i>Legislature failed to override Governor's Veto</i>

Please note that the effective date for all non-emergency legislation enacted in the First Regular Session (unless otherwise specified in a particular law) is September 13, 2003.

**David C. Elliott, Director**  
Offices located in Room 215 of the Cross Office Building

## *Joint Standing Committee on Insurance and Financial Services*

**LD 1521**                      **An Act Concerning Liability Insurance Covering Debt Cancellation Contracts**                      **ONTP**

<u>Sponsor(s)</u> GLYNN		<u>Committee Report</u> ONTP		<u>Amendments Adopted</u>
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Recently, some financial institutions have offered debt cancellation contracts to their borrowers. These contracts operate similarly to credit insurance, but the risk is taken by the bank rather than by an insurer. The State's laws relating to credit insurance do not apply to these contracts. Some insurers market programs to financial institutions under which the bank issues debt cancellation contracts, but the insurer assumes the risk through a liability policy. LD 1521 proposed to prohibit insurers from issuing such policies unless the underlying debt cancellation contracts meet the standards applicable to credit insurance.

**LD 1522**                      **An Act To Establish Fee Caps under the Maine Insurance Code**                      **PUBLIC 203**

<u>Sponsor(s)</u> TURNER BREAULT		<u>Committee Report</u> OTP		<u>Amendments Adopted</u>
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LD 1522 proposed to authorize the Superintendent of Insurance to adopt rules establishing fees and miscellaneous charges under the Maine Insurance Code within a range that does not exceed the otherwise applicable current amounts in the law.

### *Enacted Law Summary*

Public Law 2003, chapter 203 authorizes the Superintendent of Insurance to adopt rules establishing fees and miscellaneous charges under the Maine Insurance Code within a range that does not exceed the otherwise applicable current amounts in the law.

**LD 1534**                      **An Act To Amend the Maine Banking Laws**                      **PUBLIC 322**

<u>Sponsor(s)</u> LAFOUNTAIN		<u>Committee Report</u> OTP-AM		<u>Amendments Adopted</u> S-141
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LD 1534 proposed to make technical changes to several definitions in the Maine banking laws.

The bill synchronizes the payment of assessments by all financial institutions to the Department of Professional and Financial Regulation, Bureau of Financial Institutions; provides consistency with frequency of reports filed; removes outdated references; and provides for an increase in the penalty for nonpayment of assessments. The current penalty of \$100 was created in 1975. All penalties paid would flow to the General Fund.

The bill clarifies that state law governing requirements for retention of records applies to banks and credit unions authorized to do business in this State to the extent that those requirements do not contravene existing federal law.

## *Joint Standing Committee on Insurance and Financial Services*

The bill clarifies the Superintendent of Financial Institutions' authority to report violations of the Maine banking laws to the Attorney General's office for prosecution on behalf of the State.

The bill makes a technical change to the law restricting the use of names of Maine financial institutions on credit cards to make it applicable to credit cards underwritten by state and federally chartered credit unions in the same fashion that the law is applicable to state and federally chartered banks.

The bill clarifies that those provisions in the banking laws governing the conservation, liquidation and insolvency of a financial institution supersede any other state statute.

The bill removes outdated language governing participation in electronic funds transfer systems and the opening, relocating, closing or operation of a branch by a state chartered credit union.

The bill clarifies that a credit union that has been designated a community development credit union under state law may impress and enforce a lien on shares and dividends of a nonmember to the same extent that the credit union may impress and enforce a lien on shares and dividends of a member.

The bill amends state law to apply general protections to accounts held by credit unions.

The bill gives the superintendent the authority to waive all or part of the guaranty fund requirements for individual credit unions. It adds rule-making authority with which to further implement that provision and maintain parity with federal credit union law.

The bill amends outdated laws governing credit union payment of dividends and interest on accounts and synchronizes state law with federal law in this area.

The bill removes an outdated reporting requirement for credit unions and repeals an outdated provision for the transition of credit unions into the state requirement for insurance of accounts.

The bill adds a specific requirement that a credit union board of directors establish a written loan policy and written investment policy and modifies several outdated provisions relating to the establishment of a supervisory committee or a credit committee. It also repeals an outdated law that prohibits a credit union director from acting as a surety or comaker on any loan.

The bill clarifies the duties and responsibility of a credit union supervisory committee or independent public accountant. The bill also requires a credit union over \$50,000,000 in assets to employ an independent public accountant and provides the superintendent with rule-making authority to further define the duties of the supervisory committee or independent public accountant.

The bill repeals outdated provisions in state law governing powers and duties of credit committees or loan officers of a credit union.

The bill amends outdated provisions for credit union members to call a special meeting of the board of directors and brings it into alignment with federal law in that area.

The bill clarifies the lending powers of a credit union, repeals the outdated provisions relating to mortgage loan application, inserts statutory provisions that require a credit union to establish a written loan policy, and gives the superintendent rule-making authority to further regulate lending activities by credit unions.

## *Joint Standing Committee on Insurance and Financial Services*

The bill requires a credit union to have a written investment policy and removes an outdated reference to the now defunct Federal Savings and Loan Insurance Corporation found in credit union law.

The bill repeals outdated language governing voluntary or involuntary dissolution of a credit union and replaces it with the more modern approach that is consistent with the process followed by the National Credit Union Administration, the federal agency that insures all accounts of each credit union doing business in Maine.

The bill corrects an outdated reference in the credit union conversion statutes.

**Committee Amendment "A" (S-141)** proposed to do the following.

1. It makes technical changes in the bill to reflect the appropriate terms used in the Maine banking laws and deletes unnecessary references to the recording of documents with the Secretary of State.
2. It increases the threshold asset size for a credit union from \$50,000,000 to \$100,000,000 for the requirement that a credit union employ an independent public accountant to conduct an annual audit of the credit union.

### ***Enacted Law Summary***

Public Law 2003, chapter 322 amends outdated laws governing state-chartered credit unions and synchronizes the provisions with federal laws governing federally chartered credit unions. The law also makes technical changes to various provisions in the Maine banking laws.

**LD 1540**                      **An Act To Implement the Recommendations of the Health Care System and Health Security Board**                      **ONTP**

<u>Sponsor(s)</u>		<u>Committee Report</u>		<u>Amendments Adopted</u>
		ONTP		

LD 1540 implements the recommendations of the Health Care System and Health Security Board to establish a single-payor health plan for the State. The bill proposed to establish the Maine Single-payor Health Care Plan and requires that the plan begin offering coverage on January 1, 2005. The bill also would establish the Health Security Board to develop recommendations for the implementation and administration of the single-payor plan. Under the bill, the implementation plan and any necessary legislation must be approved by the Legislature before the single-payor plan begins offering coverage.

See related bill LD 20.

**LD 1553**                      **An Act To Permit Special Purpose Reinsurance Vehicles**                      **PUBLIC 249**

<u>Sponsor(s)</u>		<u>Committee Report</u>		<u>Amendments Adopted</u>
LAFOUNTAIN YOUNG		OTP		

LD 1553 proposed to permit the establishment of special purpose reinsurance vehicles and to establish a regulatory framework for the oversight of activities related to special purpose reinsurance vehicles. Special purpose reinsurance vehicles provide insurers an option other than standard reinsurance as a possible method of transferring