

MAINE STATE LEGISLATURE

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1 SECOND REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 2137
6

7 H.P. 1615

House of Representatives, February 28, 1984

8 Submitted by the Department of Business, Occupational and Professional
9 Regulation pursuant to Joint Rule 24.

10 Referred to the Committee on Business Legislation. Sent up for
concurrency and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative Murray of Bangor.

11 Cosponsors: Representative Telow of Lewiston and Senator Clark of
Cumberland.

12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-FOUR
16

17 AN ACT to Increase Capital and Surplus
18 Requirements of Insurers in Order to Hold a
19 Certificate of Authority to Write Insurance.
20

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

23 Sec. 1. 24-A MRSA §410, sub-§1, as amended by PL
24 1973, c. 625, §134, is repealed and the following en-
25 acted in its place:

26 1. To qualify for authority to transact any one
27 kind of insurance, as defined in chapter 9, or combi-
28 nation of kinds of insurance as shown below, an in-
29 surer shall possess and thereafter maintain unim-
30 paired paid-in capital stock, if a stock insurer, or
31 unimpaired basic surplus, if a foreign mutual or a
32 reciprocal insurer, and when first so authorized
33 shall possess initial free surplus, all in amounts
34 not less than as determined from the following table:

	<u>Stock Insurers</u>		<u>Foreign mutual, Reciprocal Insurers</u>	
	<u>Minimum Required Capital Stock</u>	<u>Initial Free Surplus</u>	<u>Minimum Required Basic Surplus</u>	<u>Initial Free Surplus</u>
1				
2				
3				
4	<u>Kind or</u>			
5	<u>Kinds of</u>			
6	<u>Insurance</u>			
7	<u>Life</u>	<u>\$2,500,000</u>	<u>\$2,500,000</u>	<u>\$2,500,000*</u>
8	<u>Health</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>
9	<u>Life and</u>			
10	<u>Health</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000*</u>
11	<u>Casualty</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
12	<u>Marine and</u>			
13	<u>Transportation</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
14	<u>Property</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
15	<u>Surety</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
16	<u>Title</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
17	<u>Multiple line</u>			
18	<u>(as defined</u>			
19	<u>in section</u>			
20	<u>710)</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
21	<u>Life, and any</u>			
22	<u>one or more of</u>			
23	<u>Property, Ca-</u>			
24	<u>sualty, Sure-</u>			
25	<u>ty, Marine and</u>			
26	<u>Transportation</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000*</u>

27 * Does not apply as to a reciprocal insurer.

28 Except:

29 A. An insurer holding a valid certificate of au-
30 thority to transact insurance in this State on
31 January 1, 1970, may, if otherwise qualified
32 therefor until January 1, 1989, continue to be so
33 authorized while possessing paid-in capital

1 stock, if a stock insurer, or surplus, if a mutu-
 2 al or reciprocal insurer, as required for such
 3 authority immediately prior to January 1, 1970.

4 B. Prior to January 1, 1989, the superintendent
 5 shall not authorize such an insurer to transact
 6 any other kinds of insurance unless it complies
 7 with the requirements as to capital stock, if a
 8 stock insurer, or basic surplus, if a mutual or
 9 reciprocal insurer, as applied to all kinds of
 10 insurance it proposes to transact, as provided in
 11 the table contained in this paragraph.

	<u>Stock Insurers</u>		<u>Foreign mutual, Reciprocal Insurers</u>	
	<u>Minimum Required</u>	<u>Initial Free</u>	<u>Minimum Required</u>	<u>Initial Free</u>
<u>Kind or Kinds of Insurance</u>	<u>Capital Stock</u>	<u>Surplus</u>	<u>Basic Surplus</u>	<u>Free Surplus</u>
18 <u>Life</u>	<u>\$500,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000*</u>	<u>\$1,000,000*</u>
19 <u>Health</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
20 <u>Life and Health</u>	<u>500,000</u>	<u>1,000,000</u>	<u>1,000,000*</u>	<u>1,000,000*</u>
21 <u>Casualty</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
22 <u>Marine and</u>				
23 <u>Transportation</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
24 <u>Property</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
25 <u>Surety</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
26 <u>Title</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
27 <u>Multiple line</u>				
28 <u>(as defined</u>				
29 <u>in section 710)</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
30 <u>Life, and any</u>				
31 <u>one or more of</u>				
32 <u>Property, Casu-</u>				
33 <u>alty, Surety,</u>				
34 <u>Marine and</u>				

1 Transportation 2,000,000 2,000,000 2,000,000* 2,000,000*

2 * Does not apply as to a reciprocal insurer.
3

4 C. Until January 1, 1989, a domestic mutual insurer formed prior to January 1, 1968, and while possessing surplus of not less than \$200,000 may be authorized to transact additional kinds of insurance authorized by its charter; subject to those minimum required basic surplus amounts applicable as to foreign mutual insurers as contained in the table in paragraph B, if the insurer is to transact life insurance together with any one or more of property, casualty, surety or marine and transportation insurances.

15 D. Domestic mutual insurers holding a certificate of authority upon January 1, 1989, if otherwise qualified therefor, and possessed of basic surplus in minimum required amounts as contained in the table in this paragraph may continue to be so authorized to issue policies or contracts covering subjects of insurance located, or expressly to be performed in Maine at time of issue or lawfully solicited, written and delivered in Maine.

25 <u>Kind or</u>	
26 <u>Kinds of Insurance</u>	<u>Domestic Mutual Insurers</u>
27 <u>Life</u>	<u>\$1,000,000</u>
28 <u>Health</u>	<u>500,000</u>
29 <u>Life and Health</u>	<u>1,500,000</u>
30 <u>Casualty</u>	<u>1,000,000</u>
31 <u>Marine and Transportation</u>	<u>1,000,000</u>
32 <u>Property</u>	<u>750,000</u>
33 <u>Surety</u>	<u>1,000,000</u>
34 <u>Title</u>	<u>350,000</u>
35 <u>Multiple Line (as defined</u>	
36 <u>in section 710)</u>	<u>1,750,000</u>
37 <u>Life, and any one or more</u>	
38 <u>of Property, Casualty,</u>	
39 <u>Surety, Marine and Transportation</u>	<u>2,500,000</u>
40	

41 E. An insurer which otherwise possesses funds as

1 required under this subsection shall at all times
 2 maintain policyholders' surplus, combined paid-in
 3 capital stock, if any, and surplus, reasonable in
 4 amount, as determined by the superintendent, in
 5 relation to the kinds and amount of insurance it
 6 has in force, or being written and retained by
 7 it, net of applicable reinsurance. In making any
 8 such determination, the superintendent shall give
 9 due consideration to any applicable standards ap-
 10 proved or adopted by the National Association of
 11 Insurance Commissioners and to the desirability
 12 of substantial uniformity as to such requirements
 13 among the respective states.

14 Sec. 2. 24-A MRSA §3352, sub-§2, as amended by
 15 PL 1969, c. 177, §57, is repealed and the following
 16 enacted in its place:

17 2. Until January 1, 1989, when applying for an
 18 original certificate of authority, the insurer must
 19 be otherwise qualified therefor under this Title, and
 20 must have received and accepted bona fide applica-
 21 tions as to substantial insurable subjects for insur-
 22 ance coverage of a substantial character of the kind
 23 of insurance proposed to be transacted, must have
 24 collected in cash the full premium therefor at a rate
 25 not less than that usually charged by other insurers
 26 for comparable coverages, must have surplus funds on
 27 hand and deposited as of the date such insurance cov-
 28 erages are to become effective, or, in lieu of such
 29 applications, premiums and surplus, may deposit and
 30 thereafter maintain surplus, all in accordance with
 31 that part of the following schedule which applies to
 32 each kind of insurance the insurer proposes to trans-
 33 act:

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
					Minimum	Maximum	Deposit	
		Min. No.	Min. No.	Minimum	Amount	Ins. Ea.	Minimum	Deposit
	Kind of	of Apps.	Subjects	Premium	Ins. Ea.	Subject	Surplus	Surplus
	Ins.	Accepted	Covered	Collected	Subject	(5)	Fund	in Lieu
							(6)	(7)
34								
35								
36								
37								
38								
39								
40								
	Life(1)	500	500	Annual	\$ 2,500	\$100,000	\$1,000,000	\$1,250,000
41	Health							
42	(2)	500	500	Quarterly	175	700	325,000	500,000
43								

				(wkly. indem.)	(wkly. indem.)		
1							
2							
3	Prop-						
4	erty(3)	100	250	Annual	10,000	100,000	650,000 900,000
5	Casu-						
6	alty(4)	250	500	Annual	25,000	100,000	650,000 900,000
7							

8 The following provisions are respectively applicable
9 to the foregoing schedule and provisions as indicated
10 by like numerals appearing in such schedule.

11 (1) No group insurance or term policies for
12 terms of less than 10 years may be included.

13 (2) No group, blanket or family plans of
14 insurance may be included. In lieu of weekly
15 indemnity, a life premium value in medical,
16 surgical and hospital benefits may be pro-
17 vided. Any accidental death or dismemberment
18 benefit provided shall not exceed \$15,000.

19 (3) Only insurance of the owner's interest
20 in real property may be included.

21 (4) Such insurance must include coverage of
22 legal liability for bodily injury and prop-
23 erty damage, to which the maximum and mini-
24 imum insured amounts apply.

25 (5) The maximums provided for in column (F)
26 are net of applicable reinsurance.

27 (6) The deposit of surplus in the amount
28 specified in columns (G) and (H) must there-
29 after be maintained unimpaired. The deposit
30 is subject to chapter 15 (administration of
31 deposits).

32 (7) Deposit surplus, when utilized, in lieu
33 of the alternative procedure of accepting
34 deposit application funds shall be in those
35 amounts enumerated for each identified kind
36 of insurance.

37 Expendable surplus: In addition to surplus deposited
38 and thereafter to be maintained as shown in columns

1 (G) or (H), the insurer when first authorized must
2 have on hand surplus funds, which it can thereafter
3 expend in the conduct of its business, in amount not
4 less than 50% of the applicable deposited and main-
5 tained surplus required of it under the schedule set
6 up in this subsection.

7 Sec. 3. 24-A MRSA §3352, sub-§4 is enacted to
8 read:

9 4. A domestic mutual insurer, excepting domestic
10 assessment insurers formed pursuant to chapter 51,
11 organized on or after January 1, 1989, shall possess
12 and maintain unimpaired basic surplus as required by
13 section 410.

14 STATEMENT OF FACT

15 This bill requires increased capital funds for
16 corporations to be licensed as insurers in Maine.
17 Current required levels do not reflect contemporary
18 risk taking associated with insurance underwriting or
19 provide adequate public protections recognizing the
20 volatility of insurance products being marketed at
21 this time.

22 5557013084