

MAINE STATE LEGISLATURE

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1 (New Draft of H.P. 1615, L.D. 2137)

2 SECOND REGULAR SESSION
3

4 ONE HUNDRED AND ELEVENTH LEGISLATURE
5

6 Legislative Document

No. 2377

7
8 H.P. 1803

House of Representatives, March 28, 1984

9 Reported by Representative Brannigan from the Committee on Business
10 Legislation and printed under Joint Rule 2.

11 Original bill presented by Representative Murray of Bangor and
cosponsored by Representative Telow of Lewiston and Senator Clark of
Cumberland.

EDWIN H. PERT, Clerk

12
13 STATE OF MAINE
14

15 IN THE YEAR OF OUR LORD
16 NINETEEN HUNDRED AND EIGHTY-FOUR
17

18 AN ACT to Increase Capital and Surplus
19 Requirements of Insurers in Order to Hold a
20 Certificate of Authority to Write Insurance.
21

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

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25 1973, c. 625, §134, is repealed and the following en-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

27 1. To qualify for authority to transact any one
28 kind of insurance, as defined in chapter 9, or combi-
29 nation of kinds of insurance as shown below, an in-
30 surer shall possess and thereafter maintain unim-
31 paired paid-in capital stock, if a stock insurer, or
32 unimpaired basic surplus, if a foreign mutual or a
33 reciprocal insurer, and when first so authorized
34 shall possess initial free surplus, all in amounts

1 not less than as determined from the following table.

2 A health, life and health or multiple line (as de-
3 scribed in section 710) insurer may qualify for a
4 certificate of authority to transact a legal services
5 insurance business, as described in chapter 38, if it
6 is otherwise qualified therefor and possesses and
7 thereafter maintains, in addition to the amounts de-
8 scribed in the following table, an additional amount
9 of unimpaired paid-in capital stock, if a stock in-
10 surer, or unimpaired basic surplus, if a foreign mu-
11 tual or reciprocal insurer, of not less than
12 \$500,000.

	<u>Stock Insurers</u>		<u>Foreign mutual, Reciprocal Insurers</u>	
<u>Kind or Kinds of Insurance</u>	<u>Minimum Required Capital Stock</u>	<u>Initial Free Surplus</u>	<u>Minimum Required Basic Surplus</u>	<u>Initial Free Surplus</u>
<u>Life</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>\$1,500,000*</u>	<u>\$1,500,000*</u>
<u>Health</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
<u>Life and Health</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000*</u>	<u>2,500,000*</u>
<u>Casualty</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
<u>Marine and Transportation</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
<u>Property</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
<u>Surety</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
<u>Title</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<u>Multiple line (as defined in section 710)</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
<u>Life, and any one or more of</u>				

1 Property, Ca-
 2 sualty, Sure-
 3 ty, Marine and
 4 Transportation 5,000,000 5,000,000 5,000,000* . 5,000,000*

5 * Does not apply as to a reciprocal insurer.

6 Except:

7 A. An insurer holding a valid certificate of au-
 8 thority to transact insurance in this State on
 9 January 1, 1970, may, if otherwise qualified
 10 therefor until January 1, 1989, continue to be so
 11 authorized while possessing paid-in capital
 12 stock, if a stock insurer, or surplus, if a mutu-
 13 al or reciprocal insurer, as required for such
 14 authority immediately prior to January 1, 1970.

15 B. Prior to January 1, 1989, the superintendent
 16 shall not authorize such an insurer to transact
 17 any other kinds of insurance unless it complies
 18 with the requirements as to capital stock, if a
 19 stock insurer, or basic surplus, if a mutual or
 20 reciprocal insurer, as applied to all kinds of
 21 insurance it proposes to transact, as provided in
 22 the table contained in this paragraph.

23 A health, life and health or multiple line (as de-
 24 scribed in section 710) insurer may qualify for a
 25 certificate of authority to transact a legal services
 26 insurance business, as described in chapter 38, if it
 27 is otherwise qualified therefor and possesses and
 28 thereafter maintains, in addition to the amounts de-
 29 scribed in the following table, an additional amount
 30 of unimpaired paid-in capital stock, if a stock in-
 31 surer, or unimpaired basic surplus, if a foreign mu-
 32 tual or reciprocal insurer, of not less than
 33 \$500,000.

34				<u>Foreign mutual,</u>	
35		<u>Stock Insurers</u>		<u>Reciprocal Insurers</u>	
36		<u>Minimum</u>		<u>Minimum</u>	
37	<u>Kind or</u>	<u>Required</u>	<u>Initial</u>	<u>Required</u>	<u>Initial</u>
38	<u>Kinds of</u>	<u>Capital</u>	<u>Free</u>	<u>Basic</u>	<u>Free</u>
39	<u>Insurance</u>	<u>Stock</u>	<u>Surplus</u>	<u>Surplus</u>	<u>Surplus</u>

1	<u>Life</u>	<u>\$500,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000*</u>	<u>\$1,000,000*</u>
2	<u>Health</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
3	<u>Life and Health</u>	<u>500,000</u>	<u>1,000,000</u>	<u>1,000,000*</u>	<u>1,000,000*</u>
4	<u>Casualty</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
5	<u>Marine and</u>				
6	<u>Transportation</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
7	<u>Property</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
8	<u>Surety</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
9	<u>Title</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
10	<u>Multiple line</u>				
11	<u>(as defined</u>				
12	<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>
13	<u>Life, and any</u>				
14	<u>one or more of</u>				
15	<u>Property, Casu-</u>				
16	<u>alty, Surety,</u>				
17	<u>Marine and</u>				
18	<u>Transportation</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000*</u>	<u>2,000,000*</u>

19 * Does not apply as to a reciprocal insurer.
20

21 C. Until January 1, 1989, a domestic mutual in-
22 surer formed prior to January 1, 1968, and while
23 possessing surplus of not less than \$200,000 may
24 be authorized to transact additional kinds of in-
25 surance authorized by its charter; subject to
26 those minimum required basic surplus amounts ap-
27 plicable as to foreign mutual insurers as con-
28 tained in the table in paragraph B, if the insur-
29 er is to transact life insurance together with
30 any one or more of property, casualty, surety or
31 marine and transportation insurances.

32 D. Domestic mutual insurers holding a certifi-
33 cate of authority upon January 1, 1989, if other-
34 wise qualified therefor, and possessed of basic
35 surplus in minimum required amounts as contained

1 in the table in this paragraph may continue to be
 2 so authorized, provided those insurers continue
 3 to possess and maintain unimpaired basic surplus
 4 funds as determined herein and applicable to
 5 those lines or kinds of insurance permitted by
 6 its certificate of authority immediately prior to
 7 January 1, 1989. Upon application by any such
 8 insurer and written approval by the superintendent,
 9 the insurer's certificate of authority may
 10 be extended to permit the writing of other kinds
 11 or lines of insurance if the insurer is qualified
 12 therefor and possessed of basic surplus funds in
 13 amounts contained in the table in this paragraph.

14 A health, life and health or multiple line (as de-
 15 scribed in section 710) insurer may qualify for a
 16 certificate of authority to transact a legal services
 17 insurance business, as described in chapter 38, if it
 18 is otherwise qualified therefor and possesses and
 19 thereafter maintains, in addition to the amounts de-
 20 scribed in the following table, an additional amount
 21 of unimpaired paid-in capital stock, if a stock in-
 22 surer, or unimpaired basic surplus, if a foreign mu-
 23 tual or reciprocal insurer, of not less than
 24 \$500,000.

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>1,250,000</u>
30 <u>Casualty</u>	<u>750,000</u>
31 <u>Marine and Transportation</u>	<u>1,000,000</u>
32 <u>Property</u>	<u>500,000</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>1,250,000</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
 42 required under this subsection shall at all times
 43 maintain policyholders' surplus, combined paid-in

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

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

15 2. When applying for an original certificate of
 16 authority, the insurer must be otherwise qualified
 17 therefor under this Title, and must have received and
 18 accepted bona fide applications as to substantial in-
 19 surable subjects for insurance coverage of a substan-
 20 tial character of the kind of insurance proposed to
 21 be transacted, must have collected in cash the full
 22 premium therefor at a rate not less than that usually
 23 charged by other insurers for comparable coverages,
 24 must have surplus funds on hand and deposited as of
 25 the date such insurance coverages are to become ef-
 26 fective, or, in lieu of such applications, premiums
 27 and surplus, may deposit and thereafter maintain sur-
 28 plus, all in accordance with that part of the follow-
 29 ing schedule which applies to each kind of insurance
 30 the insurer proposes to transact:

(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	Fund	Surplus
Ins.	Accepted	Covered	Collected	Subject	(5)	(6)	(7)
Life(1)	500	500	Annual	\$ 2,500	\$50,000	\$1,000,000	\$1,250,000
Health							
(2)	500	500	Quarterly	100	.300	500,000	750,000
				(wkly.	(wkly.		
				indem.)	indem.)		
Prop-							

1	<u>erty(3)</u>	<u>100</u>	<u>250</u>	<u>Annual</u>	<u>10,000</u>	<u>100,000</u>	<u>500,000</u>	<u>750,000</u>
2	<u>Casu-</u>							
3	<u>alty(4)</u>	<u>250</u>	<u>500</u>	<u>Annual</u>	<u>25,000</u>	<u>100,000</u>	<u>750,000</u>	<u>1,000,000</u>
4								

5 The following provisions are respectively applicable
6 to the foregoing schedule and provisions as indicated
7 by like numerals appearing in such schedule.

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

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

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

18 (4) Such insurance must include coverage of
19 legal liability for bodily injury and prop-
20 erty damage, to which the maximum and mini-
21 mum insured amounts apply.

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

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

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

34 Expendable surplus: In addition to surplus deposited
35 and thereafter to be maintained as shown in columns
36 (G) or (H), the insurer when first authorized must
37 have on hand surplus funds, which it can thereafter
38 expend in the conduct of its business, in amount not

