

# MAINE STATE LEGISLATURE

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(New Draft of S.P. 815, L.D. 2192)

SECOND REGULAR SESSION

ONE HUNDRED AND ELEVENTH LEGISLATURE

Legislative Document

No. 2395

S.P. 887

In Senate, March 29, 1984

Reported by Senator Sewall of Lincoln from the Committee on Business Legislation. Printed under Joint Rule 2.

Original bill presented by Senator Clark of Cumberland.

JOY J. O'BRIEN, Secretary of the Senate

STATE OF MAINE

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

AN ACT to Amend the Investment Provisions  
and Certain Related Sections of the Maine  
Insurance Code.

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

Sec. 24-A MRSA §1110, sub-§1, ¶B, as amended by PL 1979, c. 458, §4, is further amended to read:

B. "Institution" includes a corporation, a joint-stock association ~~and~~, a business partnership, a business trust and a trust where a bank or trust company duly authorized and licensed therefor is acting as a corporate trustee, with or without a co-trustee, provided that that trust is controlled by any of the foregoing types of institutions and that all of the beneficiaries of that trust are any of the foregoing types of institutions.

1           Sec. 1. 24-A MRSA §1115, sub-§3 is enacted to  
2 read:

3           3. A life or health insurer may invest in any  
4 solvent institution organized and existing under the  
5 laws of this State wholly-owned and controlled by the  
6 insurer or its insurance company affiliates, or both,  
7 and formed for and limited to the purposes of acquir-  
8 ing, holding and managing, exclusively for the insur-  
9 er and its insurance company affiliates, assets which  
10 are authorized under this chapter as eligible invest-  
11 ments for the insurer. Those assets of those insti-  
12 tutions shall be deemed, for all purposes of this  
13 chapter, to be acquired and held directly by the in-  
14 surer, pro rata, in the case of institutions of this  
15 type not wholly-owned by the insurer; shall be valued  
16 in accordance with the provisions of sections 981 to  
17 984 and other applicable provisions of this Title;  
18 and shall be located pursuant to section 3408. Those  
19 institutions shall be subject to examination by the  
20 superintendent under section 221, subsection 1 and  
21 section 222, subsection 1.

22           Sec. 2. 24-A MRSA §1131, sub-§1, as repealed and  
23 replaced by PL 1979, c. 458, §12, is amended to read:

24           1. An insurer may make loans or investments, not  
25 otherwise eligible, qualified or expressly permitted  
26 under this chapter, in aggregate amount not over 5%  
27 ~~of the insurers assets if a life insurer, and in ag-~~  
28 ~~gregate amount not over 10% of the insurer's assets~~  
29 ~~if a property or casualty or surety or other such~~  
30 ~~nonlife insurer, and not over 1% of those assets as~~  
31 ~~to any one such loan or investment. None of the in-~~  
32 ~~vestment limitations contained in this chapter,~~  
33 ~~qualitative or quantitative or otherwise, shall apply~~  
34 ~~to loans or investments under this section, provided~~  
35 ~~that all loans or investments made or acquired here-~~  
36 ~~under shall meet the following requirements.~~

37           A. The loan or investment shall fulfill the re-  
38 quirements of section 1103, and otherwise  
39 ~~qualifies~~ qualify as a sound investment.

40           B. No such loan or investment shall be repre-  
41 sented by:

- 1 (1) Any item described in section 902;
- 2 (2) Any loan or investment expressly pro-  
3 hibited under section 1136; or
- 4 (3) Agent's balances, or amounts advanced  
5 to or owing by agents, except as to policy  
6 loans, mortgage loans and collateral loans  
7 to those agents otherwise authorized under  
8 any provision of this chapter.
- 9 C. No loan or investment ~~shall~~ may cause the in-  
10 surer to exceed the specific diversification re-  
11 quirements enumerated in sections 1105 and 1106.

12 STATEMENT OF FACT

13 This new draft amends the investment provisions  
14 of the Maine Insurance Code to permit insurers to  
15 make loans to business partnerships able to meet the  
16 same earnings tests currently imposed on corporate  
17 borrowers; to permit life and health insurers to make  
18 the same aggregate amount of "leeway" investments,  
19 not otherwise expressly permitted by the code, as can  
20 now be made by nonlife insurers; and to permit life  
21 and health insurers to make the same types of invest-  
22 ments they now make directly through an investment  
23 management subsidiary, whose holdings would be  
24 treated as the insurer's own assets.

25 These amendments track portions of the more ex-  
26 tensive insurance investment law reforms enacted last  
27 year by New York, the recognized leader in insurance  
28 industry regulation.

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