

MAINE STATE LEGISLATURE

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1 (EMERGENCY)
2 FIRST REGULAR SESSION
3

4 ONE HUNDRED AND TWELFTH LEGISLATURE
5

6 Legislative Document

No. 1476

7
8 H.P. 1024

House of Representatives, May 9, 1985

9 Reference to the Committee on Business and Commerce suggested and
10 ordered printed.

11 EDWIN H. PERT, Clerk

Presented by Representative Murray of Bangor.

Cosponsored by Representative Rydell of Brunswick.

12
13 STATE OF MAINE
14

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

18 AN ACT to Amend the Provisions Governing the
19 Conversion of a Mutual Insurer.
20

21 Emergency preamble. Whereas, Acts of the Legis-
22 lature do not become effective until 90 days after
23 adjournment unless enacted as emergencies; and

24 Whereas, the Maine Revised Statutes, Title 24-A,
25 section 3477, which authorizes and provides standards
26 governing the conversion of a domestic mutual insurer
27 to a stock form, was enacted by Public Law 1969,
28 chapter 132, section 1, as part of the recodification
29 of the Maine Insurance Code which became effective
30 January 1, 1970, at which time there was little in-
31 terest in demutualization on the part of mutual in-
32 surers except those which were financially distressed
33 and sought to demutualize in order to facilitate
34 their acquisition and avoid liquidation; and

35 Whereas, major changes and developments in the
36 insurance industry and in the economic environment in

1 general, including increased competition in financial
2 services, have recently caused new interest in
3 demutualization on the part of insurers which are not
4 financially distressed; and

5 Whereas, the statutory standards governing
6 demutualization have not been reviewed or revised in
7 light of these changed economic conditions because,
8 until recently, no Maine domiciled insurer has ex-
9 pressed the intention of pursuing demutualization;
10 and

11 Whereas, in the judgment of the Legislature,
12 these facts create an emergency within the meaning of
13 the Constitution of Maine and require the following
14 legislation as immediately necessary for the preser-
15 vation of the public peace, health and safety; now,
16 therefore,

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

19 Sec. 1. 24-A MRSA §3477, sub-§2, ¶G, as amended
20 by PL 1973, c. 585, §12, is further amended to read:

21 G. The plan provides for payment to each member
22 not electing to apply his entire equity share in
23 the insurer for or upon the purchase price of
24 stock to which preemptively entitled, of cash in
25 an amount found to be reasonable by the superin-
26 tendent but not in excess of 50% of the amount of
27 his equity ~~not so used for the purchase of stock,~~
28 with the remainder of the member's equity share
29 to be applied for or upon the purchase of stock
30 to which he is preemptively entitled, and which
31 so that the total of the cash payment together
32 with the amount applied to the purchase of stock
33 so purchased, if any, is equal to the member's
34 entire equity share and shall constitute full
35 payment and discharge of the member's equity or
36 property interest in such mutual insurer;

37 Sec. 2. 24-A MRSA §3477, sub-§6 is enacted to
38 read:

1 6. Costs. For the purpose of determining wheth-
2 er a conversion plan meets the requirements of this
3 section and any other relevant provisions of this ti-
4 tle, the superintendent may employ staff personnel
5 and outside consultants. All reasonable costs relat-
6 ed to the review of a plan of conversion, including
7 those costs attributable to the use of staff person-
8 nel, shall be borne by the insurer or insurers making
9 the filing.

10 **Sec. 3. Transitional provision.** Notwithstanding
11 the terms of the Maine Revised Statutes, Title 1,
12 section 302, it is the intent of the Legislature that
13 the Maine Revised Statutes, Title 24-A, section 3477,
14 as amended by this Act shall apply to any filing by a
15 mutual insurer seeking the approval of the Superin-
16 tendent of Insurance of its plan and procedure of
17 demutualization, including any such filing which has
18 been previously filed with and is currently pending
19 hearing or decision by the Superintendent of Insur-
20 ance upon the effective date of this Act.

21 **Emergency clause.** In view of the emergency cited
22 in the preamble, this Act shall take effect when ap-
23 proved.

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STATEMENT OF FACT

2 Section 1 of this bill provides that a policy-
3 holder who elects to cash out his interest in a mutu-
4 al insurer upon its conversion to stock form, which
5 cash payment is limited to no more than 50% of his
6 interest in the company, is entitled to apply the
7 full remainder of his equity interest toward the pur-
8 chase of stock, so that the total of the cash he re-
9 ceives and the amount applied to stock purchase
10 equals 100% of his equity share in the company. Un-
11 der current law, a policyholder who elects to cash
12 out his interest loses a significant portion of his
13 equity in the company.

14 Section 2 provides that the costs incurred by the
15 Superintendent of Insurance in reviewing a plan of
16 demutualization, including both staff and outside
17 consultant costs, are to be assessed against the in-
18 surer filing the plan.

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