

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

No. 554

S.P. 197

In Senate, February 25, 1987

Reference to the Committee on Banking and Insurance suggested and ordered printed.

JOY J. O'BRIEN, Secretary of the Senate
Presented by President PRAY of Penobscot.

Cosponsored by Senator THERIAULT of Aroostook,
Representative RYDELL of Brunswick, Speaker MARTIN of Eagle
Lake.

STATE OF MAINE

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

1 Resolve, to Establish a Study of the
2 Feasibility of an Interstate
3 Insurance Compact, Joint Reinsurance
4 Programs and Experience-based Rating
5 in Maine.
6

7 Preamble. Due to the high cost or unavailability
8 of general liability insurance, this State does not
9 have sufficient financial ability to furnish reinsur-
10 ance coverage capable of increasing the availability
11 of insurance at rates which are not excessive; and

12 Whereas, interstate compacts permit states to
13 jointly form one insurance market for specific lines
14 of insurance or for the creation of joint underwrit-
15 ing associations for hard-to-obtain lines of insur-
16 ance; and

1 Whereas, the purpose of an interstate compact is
2 to establish that, as a condition of writing insur-
3 ance in any of the member states, an insurer would
4 have to agree to insure a certain percentage of the
5 risks in each state; now, therefore, be it

6 Study. Resolved: That the Joint Standing Com-
7 mittee on Banking and Insurance study the feasibility
8 of establishing an interstate joint underwriting as-
9 sociation, together with 2 or 3 larger New England
10 states, which are to be determined by the committee;
11 and be it further

12 Develop guidelines. Resolved: That the commit-
13 tee shall study the feasibility of establishing joint
14 reinsurance programs. The committee may include in
15 its study guidelines to be used as a condition of do-
16 ing business in any compact-member state, as well as
17 the feasibility of utilizing experience-based rating
18 in Maine, including experience rating plans, schedule
19 rating plans, individual risk premium modification
20 plans, expense reduction plans and other plans de-
21 signed to modify rates in the development of premiums
22 for individual risks insured in the Maine market; and
23 be it further

24 Report to the Legislature. Resolved: That the
25 committee present its report together with any imple-
26 menting legislation to the 113th Legislature.

27 STATEMENT OF FACT

28 Due to the high cost or unavailability of general
29 liability insurance, Maine does not have sufficient
30 financial ability to furnish reinsurance coverage ca-
31 pable of increasing the availability of insurance at
32 rates which are not excessive. It is incumbent upon
33 the State to study whether a group of states may co-
34 operatively join together to require insurers to
35 write insurance and whether it is feasible for states
36 cooperatively to provide an acceptable and efficient
37 reinsurance program to meet the needs of the insureds
38 and insurers within the member states. The Joint
39 Standing Committee on Banking and Insurance should be
40 directed to study the feasibility of development of

1 an interstate compact and report to the Second Regu-
2 lar Session of the 113th Legislature by January 15,
3 1988.

4 The study will investigate the feasibility of
5 initiating experience-based rating systems for gener-
6 al liability insurers in Maine.

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