

MAINE STATE LEGISLATURE

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L.D. 750

(Filing No. S- 64)

STATE OF MAINE
SENATE
114TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT " A " to S.P. 286, L.D. 750, Bill, "An Act to Amend the Laws Relating to the Maine Insurance Guaranty Association and the Maine Self-insurance Guarantee Association"

Amend the bill by striking out the title and inserting in its place the following:

'An Act to Amend the Laws Relating to the Maine Insurance Guaranty Association and the Maine Life and Health Insurance Guaranty Association'

Further amend the bill by striking out everything after the enacting clause and before the emergency clause and inserting in its place the following:

'Sec. 1. 24-A MRSA §4433, sub-§2, as amended by PL 1987, c. 707, §§4-6, is further amended to read:

2. ~~Exceptions. Except that this~~ This subchapter shall not apply as to:

- A. Contracts of reinsurance;
- B. Mortgage guaranty insurance;
- C. Credit insurance;
- D. Insurance contracts procured as surplus lines coverage pursuant to chapter 19;
- E. Title insurance; and
- F. Financial guaranty insurance; and
- G. Contracts of workers' compensation excess insurance issued to workers' compensation self-insurers approved under Title 39, section 23 by any insurer after the effective date of this paragraph, or in the case of a contract which

1 automatically renews, not later than one year after the
2 effective date of this paragraph.

3 **Sec. 2. 24-A MRSA §4435, sub-§6,** as amended by PL 1987, c.
4 769, Pt. B, §5, is further amended to read:

5
6 **6. Member insurer.** "Member insurer" means any authorized
7 insurer which writes any kind of insurance to which this
8 subchapter applies. If an insurer is authorized at the time of
9 an insolvency and subsequently is approved to withdraw its
10 license authority for the kinds of insurance covered by any
11 account to which claims relating to the insolvency are allocated,
12 the withdrawn insurer shall continue to be a member of each
13 account solely for purposes of assessments relating to claims
14 resulting from the insolvency until these claims are paid or
15 otherwise extinguished.

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17 **Sec. 3. 24-A MRSA §4435, sub-§7,** as amended by PL 1985, c.
18 279, §2, is further amended to read:

19
20 **7. Net direct written premiums.** "Net direct written
21 premiums" means direct gross premiums written on insurance
22 policies to which this subchapter applies, less return premiums
23 thereon and dividends paid or credited to policyholders on such
24 direct business. "Net direct written premiums" does not include
25 premiums on contracts between insurers or reinsurers or premiums
26 written through the United States Government Flood Insurance
27 Program. For purposes of assessment against insurers pursuant to
28 section 4440-B, "net direct written premium" means the average
29 for the 5 calendar years prior to the year of assessment of
30 premiums written on contracts of excess workers' compensation
31 insurance issued to workers' compensation self-insurers approved
32 under Title 39, section 23.

33
34 **Sec. 4. 24-A MRSA §4435, sub-§§9 and 10** are enacted to read:

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36 **9. Line of credit.** "Line of credit" means an irrevocable
37 stand-by commitment whereby the association or member insurer and
38 a qualified financial institution or group of qualified financial
39 institutions enter into a formal and binding contract in which
40 the qualified financial institution or group of qualified
41 financial institutions agree to lend a certain amount of money
42 within a stated period of time. The terms and conditions of any
43 line of credit shall be established by rules adopted jointly by
44 the Bureau of Banking and the Bureau of Insurance.

45
46 **10. Qualified financial institution.** "Qualified financial
47 institution" means one which is insured by the Federal Deposit
48 Insurance Corporation, Federal Savings and Loan Insurance
49 Corporation or a successor federal deposit insurance agency or
50 agencies, and has an equity capital to assets ratio of 6.5% or
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1 greater, as determined in accordance with generally accepted
2 accounting principles.

3 **Sec. 5. 24-A MRSA §4438, sub-§1, ¶C**, as enacted by PL 1969, c.
4 561, is amended to read:

5 C. Allocate claims paid and expenses incurred among the 3
6 accounts separately; and assess member insurers separately
7 for each account in amounts necessary to pay:

8 (1) The obligations of the association under paragraph
9 A, subsequent to an insolvency, the obligations of the
10 accounts for shortfalls under section 4440-A, and for
11 preinsolvency assessments, if required by section 4440,
12 subsection 3, paragraph B;

13 (2) The expenses of handling covered claims subsequent
14 to an insolvency;

15 (3) The cost of examinations under section 4445; and

16 (4) Other expenses authorized by this subchapter;

17 **Sec. 6. 24-A MRSA §4440, sub-§1**, as amended by PL 1985, c.
18 279, §6, is further amended to read:

19 1. **Proportion.** The assessments of each member insurer
20 provided for under section 4438, shall be in the proportion that
21 the net direct written premiums of the member insurer for the
22 calendar year preceding the assessment on the kinds of insurance
23 in the account bears to the net direct written premiums of all
24 member insurers for the same calendar year on the kinds of
25 insurance in the account, except that assessments to cover a
26 shortfall in any account shall be determined in accordance with
27 section 4440-A. In the case of a withdrawn insurer, the average
28 of its net direct written premium for the 5 calendar years prior
29 to withdrawal shall be used as its assessment base for any year
30 following withdrawal in which the insurer has no net direct
31 written premium.

32 **Sec. 7. 24-A MRSA §4440, sub-§3**, as enacted by PL 1969, c.
33 561, is repealed and the following enacted in its place:

34 **3. Limitation; types of assessments.** Assessments shall be
35 made as follows.

36 A. Each member insurer may be assessed in any calendar year
37 on any account an amount up to 2% of that member insurer's
38 net direct written premiums for the next preceding calendar
39 year on the kinds of insurance in the account for purposes
40 of paying claims and expenses of that account.

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3 B. To the extent that the maximum 2% has not been assessed,
4 an assessment of up to that member's proportionate share of
5 the applicable maximum as set forth in this paragraph shall
6 be assessed when immediately necessary for the payment of
7 claims and expenses. Any amount drawn by the association
8 under any line of credit shall be considered a payment
9 toward the member insurer's obligation provided for in this
10 section. The maximum line of credit or preinsolvency
11 assessment for each account shall be as follows:

<u>Account</u>	<u>Maximum</u>
<u>Workers' compensation</u>	<u>\$2,000,000</u>
<u>Automobile</u>	<u>\$1,700,000</u>
<u>All other</u>	<u>\$1,300,000</u>

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18 (1) The association shall obtain a line of credit for
19 the benefit of each account, in an amount not to exceed
20 the applicable maximum to ensure the immediate
21 availability of funds for purposes of future claims and
22 expenses attributable to an insurer insolvency in that
23 account. The line of credit shall be obtained from
24 qualified financial institutions. At no time may a
25 qualified financial institution participate in the line
26 of credit in excess of 20% of its equity capital. The
27 line of credit shall provide for a 30-day notice of
28 termination or nonrenewal to the superintendent and the
29 association and shall provide funding to the
30 association within one business day of receipt of
31 written notice from the superintendent of an insolvent
32 insurer in that account as defined in section 4435,
33 subsection 5. Each member insurer upon receipt of
34 notice from the association shall make immediate
35 payment for its proportionate share of the amount
36 borrowed based on the premium for the preceding
37 calendar year. The line of credit provided for in this
38 paragraph shall be subject to prior review and approval
39 by the superintendent at the time of origination and
40 any subsequent renewal.

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43 (2) If the association cannot obtain a line of credit,
44 a member insurer may obtain a line of credit from a
45 qualified financial institution or may extend a line of
46 credit itself directly to and for the benefit of the
47 member insurer's account by submitting to the
48 association a duly authorized and executed line of
49 credit agreement providing that the member insurer
50 shall provide funding to the association under the line
51 of credit within one business day of receipt of a
written notice from the superintendent of an insolvent

1 insurer as defined in section 4435, subsection 5, and
2 receipt of a written request from the association for a
3 drawdown under the line of credit. The line of credit
4 agreement shall be subject to prior review and approval
5 by the superintendent at the time of origination and
6 any subsequent renewal. It shall include such
7 commercially reasonable provisions as the association
8 or the superintendent may deem advisable, including a
9 provision that the line of credit is irrevocable or for
10 a stated period of time and provides for a 30-day
11 notice to the association and the superintendent that
12 the line is being terminated or not renewed. Any line
13 of credit issued under this paragraph may be replaced
14 with another line of credit and the existing line of
15 credit shall be released by the association once a
16 substitute line of credit has been provided or the
17 assessment provided for in this paragraph has been paid.

18 (3) If a line of credit is not given as provided for
19 in subparagraph (2), the member insurer shall be
20 responsible for payment of an assessment of up to that
21 member's proportionate share of the applicable maximum
22 as set forth in this paragraph which shall be paid into
23 a preinsolvency assessment fund in each account. Funds
24 in each account shall only be used for the payment of
25 claims and expenses of an insolvent insurer in that
26 account.

27 (4) All materials and information submitted or
28 considered under this paragraph shall be matters of
29 public record.

30 **Sec. 8. 24-A MRSA §§4440-A and 4440-B are enacted to read:**

31 **§4440-A. Special assessment**

32 **1. Special assessment.** If the maximum assessment, together
33 with the other assets of the association in any account, does not
34 provide in any one year in any account an amount sufficient to
35 make all necessary payments from that account, the shortfall
36 shall be assessed as an obligation of the other accounts of the
37 association, with each member insurer's assessment to be in the
38 proportion that its net direct written premiums for the calendar
39 year preceding the assessment on the kinds of insurance in the
40 accounts to be assessed bears to the total net direct written
41 premiums of all member insurers for the same calendar year on the
42 kinds of insurance in those accounts. The total of assessments
43 against a member insurer under this section and section 4440 for
44 any account in any one calendar year shall not exceed 2% of that
45 member's net direct written premium on the kinds of insurance
46 written in that account for the next preceding calendar year.

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2. Limit on assessment. Subject to the 2% limitation, for any member insurer which has surplus of less than \$12,000,000 and either a ratio of total net direct written premium to total surplus greater than 2 or net income of less than \$250,000 for the year preceding the assessment, an assessment made under this section shall not exceed 5% of the average of that member insurer's net income over the 3 years prior to the year in which the assessment is made. For purposes of this subsection, "net income" means the sum of underwriting income and investment income, net of dividends to policyholders and federal and foreign income taxes incurred, as reported on the insurer's annual statement filed with the superintendent. "Total surplus" means surplus as regards policyholders, as reported on the insurer's annual statement filed with the superintendent.

3. Repealer. This section is repealed 91 days after adjournment of the Second Regular Session of the 114th Legislature.

§4440-B. Assessment of excess insurers

For purposes of assessments to pay claims resulting from policies of excess workers' compensation insurance issued to workers' compensation self-insurers, assessments shall include any authorized insurer which, at the time of the insolvency giving rise to those claims, was a member insurer and wrote one or more policies of excess workers' compensation insurance issued to workers' compensation self-insurers. This section is repealed on May 1, 1999.

Sec. 9. 24-A MRSA §4449, as amended by PL 1987, c. 707, §12, is further amended by adding a new paragraph at the end to read:

This section does not authorize a stay of proceedings before the Workers' Compensation Commission, or of proceedings in Superior Court to enforce orders of the Workers' Compensation Commission. A stay of workers' compensation proceedings before the Workers' Compensation Commission or the Superior Court may be granted if otherwise authorized by law, provided that good cause for a stay exists and that reasonable diligence was exhibited by the insurer, the employer, the association and their counsel to proceed with the proceeding prior to the insolvency.

Sec. 10. 24-A MRSA §4605, sub-§6, as enacted by PL 1983, c. 846, is amended to read:

6. Member insurer. "Member insurer" means any person authorized to transact in this State any kind of insurance to which this chapter applies under section 4603. If an insurer is authorized at the time of an insolvency and subsequently is approved to withdraw its license authority for the kinds of

1 insurance covered by any account to which claims relating to the
3 insolvency are allocated, the withdrawn insurer shall continue to
5 be a member of each such account for purposes of claims relating
7 to the insolvency until these claims are paid or otherwise
9 extinguished and shall be subject to Class B, Class C and Class E
11 assessments attributable to these claims. In calculating
13 assessments for any year after withdrawal in which the withdrawn
15 insurer has no premium for any kind of insurance which is to be
17 used as a basis for assessments under the terms of this chapter,
19 the average of the withdrawn insurer's premium for the prior 5
21 calendar years shall be used as its basis for assessment.

23 **Sec. 11. 24-A MRSA §4605, sub-§§11 and 12 are enacted to read:**

25 11. Line of credit. "Line of credit" means an irrevocable
27 stand-by commitment whereby the association or member insurer and
29 a qualified financial institution or group of qualified financial
31 institutions enter into a formal and binding contract in which
33 the qualified financial institution or group of qualified
35 financial institutions agree to lend a certain amount of money
37 within a stated period of time. The terms and conditions of any
39 line of credit shall be established by rules adopted jointly by
41 the Bureau of Banking and the Bureau of Insurance.

43 12. Qualified financial institution. "Qualified financial
45 institution" means one which is insured by the Federal Deposit
47 Insurance Corporation, Federal Savings and Loan Insurance
49 Corporation or a successor federal deposit insurance agency or
51 agencies, and has an equity capital to assets ratio of 6.5% or
greater, as determined in accordance with generally accepted
accounting principles.

Sec. 12. 24-A MRSA §4609, sub-§2, as enacted by PL 1983, c. 846, is amended to read:

2. Classes of assessments. There shall be 3 5 classes of assessments, as follows.

A. Class A assessments shall be made for the purpose of meeting administrative costs and other general expenses not related to a particular impaired insurer.

B. Class B assessments shall be made to the extent necessary to carry out the powers and duties of the association under section 4608 with regard to an impaired domestic insurer.

C. Class C assessments shall be made to the extent necessary to carry out the powers and duties of the association under section 4608 with regard to an impaired foreign or alien insurer.

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D. To the extent that the maximum 2% has not been assessed, an assessment of up to that member's proportionate share of the applicable maximum as set forth in this paragraph shall be assessed when immediately necessary for the payment of claims and expenses. Payment of this assessment shall be assured by one of the means set forth in this paragraph. Any amount drawn by the association under any line of credit shall be considered a payment toward the member insurer's obligation provided for in this paragraph. The maximum line of credit or preinsolvency assessment for each account shall be as follows:

<u>Account</u>	<u>Maximum</u>
<u>Life</u>	<u>\$1,400,000</u>
<u>Health</u>	<u>\$1,500,000</u>
<u>Annuity</u>	<u>\$500,000</u>

(1) The association shall obtain a line of credit for the benefit of each account, in an amount not to exceed the applicable maximum to ensure the immediate availability of funds for purposes of future claims and expenses attributable to an insurer insolvency in that account. That line of credit shall be obtained from a qualified financial institution. At no time may a qualified financial institution participate in a line of credit in excess of 20% of its equity capital. The line of credit shall provide for a 30-day notice of termination or nonrenewal to the superintendent and the association and shall provide funding to the association within one business day of receipt of notice from the superintendent of an impaired insurer in that account as defined in section 4605. Each member insurer upon notice from the association shall make immediate payment for its proportionate share of the amount borrowed based on the premium for the preceding calendar year. The line of credit provided for in this paragraph shall be subject to prior review and approval by the superintendent at the time of origination and at any subsequent renewal.

(2) If the association cannot obtain a line of credit, a member insurer may obtain a line of credit from a qualified financial institution or may extend a line of credit itself directly to and for the benefit of the member insurer's account by submitting to the association a duly authorized and executed line of credit agreement providing that the member insurer shall provide funding to the association under the line of credit within one business day of receipt of a written notice from the superintendent of an

1 impaired insurer as defined in section 4605 and receipt
2 of a written request from the association for a
3 drawdown under the line of credit. The line of credit
4 agreement shall be subject to prior review and approval
5 by the superintendent at the time of origination and at
6 any subsequent renewal. It shall include such
7 commercially reasonable provisions as the association
8 or the superintendent may deem advisable, including a
9 provision that the line of credit is irrevocable or for
10 a stated period of time and provides for a 30-day
11 notice to the association and the superintendent that
12 the line is being terminated or not renewed. Any line
13 of credit issued under this paragraph may be replaced
14 with another line of credit and the existing line of
15 credit shall be released by the association once a
16 substitute line of credit has been provided or the
17 assessment provided for in this paragraph has been paid.

18 (3) If a line of credit is not given as provided for
19 in subparagraph (2), the member insurer shall be
20 responsible for payment of an assessment of up to that
21 member's proportionate share of the applicable maximum
22 as set forth in this paragraph which shall be paid into
23 a preinsolvency assessment fund in each account. Funds
24 in each account shall only be used for the payment of
25 claims and expenses of an insolvent insurer in that
26 account.

27 (4) All materials and information submitted or
28 considered under this paragraph shall be matters of
29 public record.

30 E. Class E assessments shall be made to the extent
31 necessary to carry out the powers and duties of the
32 association under subsection 8.

33 **Sec. 13. 24-A MRSA §4609, sub-§3, ¶A, as enacted by PL 1983,**
34 **c. 846, is amended to read:**

35 **A. The amount of any Class A, Class D or Class E assessment**
36 **for each account shall be determined by the board. The**
37 **amount of any Class B or Class C assessment shall be divided**
38 **among the accounts in the proportion that the present value**
39 **of the liabilities for each account of the impaired insurer**
40 **bears to the total liabilities of the impaired insurer.**
41 **This paragraph shall not be a factor in the determination as**
42 **to whether the protection provided by statutes laws for**
43 **residents of this State by the domiciliary jurisdiction of a**
44 **foreign or alien insurer, is or is not substantially similar**
45 **to the protection provided by this chapter for residents of**
46 **other states.**

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3 **Sec. 14. 24-A MRSA §4609, sub-§§5 and 6**, as enacted by PL 1983,
c. 846, are amended to read:

5 5. Additional assessment for abatements or deferrals. In
6 the event an assessment against a member insurer is abated or
7 deferred, in whole or in part, because of the limitations set
8 forth in subsection 4, the amount by which the assessment is
9 abated or deferred, shall be assessed against the other member
10 insurers in a manner consistent with the basis for assessments
11 set forth in this section. ~~If the maximum assessment, together~~
12 ~~with the other assets of the association in any account, does not~~
13 ~~provide in any one year in that account an amount sufficient to~~
14 ~~carry out the responsibilities of the association, the necessary~~
15 ~~additional funds shall be assessed as soon thereafter as~~
16 ~~permitted by this chapter.~~

17
18 6. Refunds. The board may, subject to the preinsolvency
19 funding requirement of section 4609, subsection 2, paragraph D,
20 by an equitable method as established in the plan of operation,
21 refund to member insurers, in proportion to the contribution of
22 each insurer to that account, the amount by which the assets of
23 the account exceed the amount the board finds is necessary to
24 carry out during the coming year the obligations of the
25 association with regard to that account, including assets
26 accruing from net realized gains and income from investments. A
27 reasonable amount may be retained in any account to provide funds
28 for the continuing expenses of the association and for future
29 losses if refunds are impractical.

31 **Sec. 15. 24-A MRSA §4609, sub-§8** is enacted to read:

32 8. Assessment shortfalls. If the maximum assessment,
33 together with the other assets of the association in any account,
34 does not provide in any one year in any one account an amount
35 sufficient to make all necessary payments from that account, the
36 shortfall shall be assessed as an obligation of the other
37 accounts of the association. Each member insurer's assessment
38 shall be in the proportion that its premium for the calendar year
39 preceding the assessment on the kinds of insurance in the
40 accounts to be assessed bears to the total premium of all member
41 insurers for the same calendar year on the kinds of insurance in
42 those accounts. The total of assessments against a member
43 insurer for shortfalls under this section and section 4440 in any
44 one calendar year shall not exceed 2% of that member insurer's
45 premiums in this State or for policies covered by the account.
46 This section is repealed 91 days after the adjournment of the
47 Second Regular Session of the 114th Legislature.

48
49 **Sec. 16. Legislative Study.** The Joint Standing Committee on
50 Banking and Insurance shall study the current operation of state
51 guarantee funds and make recommendations to change or strengthen

1 the current system. The committee shall study issues such as the
2 feasibility of a circuit breaker on assessments and the
3 appropriate manner of paying claims of insolvent insurers and
self-insurers.

5
6 1. Study methods. In examining these issues, the committee
7 may hold informational sessions and public hearings, determine
8 and summarize legislative actions undertaken in other states,
9 perform a survey of literature to determine alternative methods
10 of assuring payment of insureds' claims, review historical data
11 on assessments and claims payments of the associations and
perform such other study as it deems appropriate.

13
14 2. Findings. The committee shall report its findings,
15 together with any necessary implementing legislation, to the
16 Second Regular Session of the 114th Legislature no later than
17 December 1, 1989.

19 3. Compensation. Committee members shall receive
20 legislative per diem and expenses, as defined in the Maine
21 Revised Statutes, Title 3, section 2, for days of attendance at
committee meetings.

23
24 4. Staff assistance. The committee shall request staffing
25 and clerical assistance from the Legislative Council. The Bureau
26 of Insurance, the Maine Insurance Guaranty Association, the Maine
27 Life and Health Insurance Guaranty Association and the Maine
28 Self-insurance Guarantee Association shall provide information
29 and assistance as needed to the committee.

31 **Sec. 17. Appropriation.** The following funds are appropriated
32 from the General Fund to carry out the purposes of this Act.

33
34 **1988-89**

35 **LEGISLATURE**

36 **Legislature**

39

40	Personal Services	\$4,290
41	All Other	6,500

43 Provides funds for the Joint
44 Standing Committee on Banking
45 and Insurance study of the
46 current operation of state
47 guarantee funds. These funds

1 shall carry forward to June
30, 1990.

3

LEGISLATURE
5 TOTAL

\$10,790'

7 Further amend the bill by inserting before the statement of
fact the following:

9

FISCAL NOTE

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13 The Bureau of Insurance and the Bureau of Banking within the
Department of Professional and Financial Regulation will be able
15 to implement this bill within existing budgeted resources. This
bill also appropriates \$10,790 from the General Fund in fiscal
17 year 1988-89 to conduct a legislative study. These funds will
carry forward to June 30, 1990.'

19

STATEMENT OF FACT

21

23 The amendment makes the following changes in the bill's
provisions relating to the Maine Insurance Guaranty Association
(MIGA), the Maine Life and Health Insurance Guaranty Association
(MLHGA) and the Maine Self-insurance Guarantee Association
(MSIGA):

27

29 1. Removes the mandatory preinsolvency assessment, and
provides instead for lines of credit to be established to
permit immediate access to money when needed to pay claims;

31

33 2. Removes the "second-tier" assessment authority, and
provides for assessments needed over the 2% cap against
member insurers in the accounts which have not reached their
2% cap;

35

37 3. Changes the effective date for removal of excess
workers' compensation policies issued to self-insurers from
protection by the MIGA, deletes the provisions placing
39 excess policies in the MSIGA and provides a method of
assessing excess insurers to pay claims left in the MIGA by
41 excess insurer insolvencies; and

43

45 4. Provides an exemption from the automatic 60-day stay
provision for proceedings before the Workers' Compensation
Commission and for Superior Court proceedings to enforce
commission orders.

47

These provisions are described in more detail below.

49

The purpose of this amendment is to remove the requirement

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1 for each member insurer to participate in a preinsolvency
2 assessment fund in the MIGA or MLHGA. In place of mandatory
3 participation in the fund, each guaranty association is directed
4 to obtain a line of credit. If the line of credit cannot be
5 obtained, each member insurer has the option of providing an
6 immediately accessible line of credit for the benefit of the
7 guaranty association or paying money directly into the
8 preinsolvency assessment fund. Language has been added to define
9 a "line of credit" as an irrevocable stand-by commitment, which
10 may be obtained from a qualified financial institution or a group
11 of qualified financial institutions who participate in the line
12 of credit. At no time may a qualified financial institution
13 participate in the line of credit in excess of 20% of its equity
14 capital. This provision will allow a group of financial
15 institutions to pool resources to meet line of credit requests.
16 Qualified financial institution is defined in this amendment. In
17 addition, the Superintendent of Insurance is given the authority
18 of prior review and approval for the line of credit both at the
19 time of origination and at any renewal.

21 The amendment provides the following method for covering
22 claims exceeding 2% of premium in any account. If more than 2%
23 is needed for any account, the shortfall will be assessed against
24 member insurers of the other 2 accounts, assuming that they have
25 not reached their 2% cap. The amendment provides a circuit
26 breaker to assure that these assessments do not negatively affect
27 the health of insurers. The authority to assess accounts other
28 than the one in which the claim occurs is repealed 91 days after
29 adjournment of the Second Regular Session of the 114th
30 Legislature.

31
32 The amendment deletes the provisions placing excess workers'
33 compensation policies in the Maine Self-insurance Guarantee
34 Association, and changes the effective date for removal of excess
35 workers' compensation policies from coverage by the Maine
36 Insurance Guaranty Association. These provisions apply to excess
37 insurance issued to workers' compensation self-insurers. The
38 bill would have removed MIGA coverage for claims due to
39 insolvencies occurring after the effective date of the bill,
40 regardless of when the policy was issued. The amendment provides
41 that claims due to insolvencies are covered by the MIGA if the
42 policy was issued before the effective date of the bill, even if
43 the insolvency occurs after the effective date of the bill. The
44 effect of the amendment is to subject MIGA to claims from
45 insolvent excess insurers for one year after the effective date
46 of the bill.

47
48 The amendment also specifies that workers' compensation
49 proceedings before the Workers' Compensation Commission and the
Superior Court are not subject to an automatic 60-day stay

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1 provided for proceedings involving an insolvent insurer. If
2 authorized elsewhere in the law, a stay could be granted, but
3 only if good cause exists for the stay, and only if the insolvent
4 insurer, the employer, the association and their counsel have
5 exhibited diligence in working on the proceeding prior to the
6 insolvency.

7

Reported by Senator Bustin for the Committee on Banking
and Insurance. Reproduced and Distributed Pursuant to
Senate Rule 12.

(4/27/89)

(Filing No. S-64)