

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

SECOND REGULAR SESSION - 1990

Legislative Document

No. 2357

H.P. 1708

House of Representatives, February 23, 1990

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

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

Presented by Representative GARLAND of Bangor.

Cosponsored by Senator THERIAULT of Aroostook, Representative ERWIN of Rumford and Senator COLLINS of Aroostook.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY

An Act to Amend the Laws Applicable to Medicare Supplement Insurance Policies.



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

2
4 Sec. 1. 24-A MRSA §5003, sub-§1, as enacted by PL 1981, c. 234, §4, is amended to read:

6 1. Issuance of rules. The superintendent shall issue reasonable rules to establish minimum standards for benefits,
8 claims payments, marketing practices, compensation arrangements
10 and reporting practices under Medicare supplement policies and contracts.

12 Sec. 2. 24-A MRSA §5004, sub-§3, as enacted by PL 1989, c. 27, §4, is repealed and the following enacted in its place:

14 3. An insurer or other entity may provide commission or other compensation to an agent or other representative for the sale of a Medicare supplement policy or certificate only if the first year commission or other first year compensation is no more than 200% of the commission or other compensation paid for selling or servicing the policy or certificate in the 2nd year or period.

22 Sec. 3. 24-A MRSA §5004, sub-§§4 to 6 are enacted to read:

24 4. The commission or other compensation provided in subsequent renewal years must be the same as the commission or other compensation provided in the 2nd year or period and must be provided for a reasonable number of renewal years.

30 5. An entity may not provide compensation to its agents or other producers and an agent or producer is not entitled to compensation greater than the renewal compensation payable by the replacing insurer on a renewal policy or certificate if an existing policy or certificate is replaced unless benefits of the new policy or certificate are clearly and substantially greater than the benefits under the replaced policy.

38 6. For the purposes of this section, "compensation" means pecuniary or nonpecuniary remuneration of any kind relating to the sale or renewal of the policy or certificate including, but not limited to, bonuses, gifts, prizes, awards and finders fees.

44
46 **STATEMENT OF FACT**

48 The federal Medicare Catastrophic Coverage Repeal Act of 1989 requires certain amendments to state law in order for the state Medicare supplement regulatory program to remain in place. The changes must be made prior to December 1990 in order to avoid federal preemption. Commencing in 1990, certain consumer protection amendments become part of the criteria for federal

2 certification of the state Medicare supplement insurance
3 regulatory program by the federal Supplemental Health Insurance
4 Panel. The bill follows the language developed by the National
5 Association of Insurance Commissioners, or NAIC.

6 Section 1 of the bill clarifies the rule-making authority of
7 the Superintendent of Insurance by specifying areas in which
8 minimum standards may be established.

10 Sections 2 and 3 of the bill are required consumer
11 protection measures designed to level commissions and limit the
12 differential between commissions paid on new and renewal business.