

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 346

H.P. 255

House of Representatives, February 5, 1991

Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 24.

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 HASTINGS of Fryeburg.

Cosponsored by Representative RAND of Portland, Senator BRAWN of Knox and Senator THERIAULT of Aroostook.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-ONE

An Act to Amend Qualifying Standards Applicable to Reinsurance Transactions.

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

24-A MRSA §731-B, sub-§1, ¶C, as enacted by PL 1989, c. 846,
Pt. E, §2 and as affected by §4, is amended to read:

C. Maintains a trust fund in a qualified United States financial institution for the payment of the valid claims of its United States policyholders and ceding insurers, their assigns and successors in interest.

(1) The assuming insurer shall report annually to the superintendent information substantially the same as that required to be reported on the National Association of Insurance Commissioners Annual Statement form by licensed insurers to enable the superintendent to determine the sufficiency of the trust fund.

(2) In the case of a single assuming insurer, the trust must consist of a trustee account representing the assuming insurer's liabilities attributable to business written in the United States and, in addition, include a trustee surplus of at least \$20,000,000.

(3) In the case of a group of incorporated insurers under common administration that is under the supervision of the Department of Trade and Industry of the United Kingdom, the group must have aggregate policyholders' surplus of \$10,000,000,000 and the trust must be in an amount equal to the group's several liabilities attributable to business written in the United States. In addition, the group shall maintain a joint trustee surplus of which \$100,000,000 is held jointly for the benefit of the United States ceding insurers of any member of the group. Each member of the group shall make available to the superintendent an annual certification of the member's solvency by that member's domiciliary regulator and the member's independent public accountant. Each group member shall comply with the filing requirements of subparagraph 1, submit to the State's authority to examine the member's books and records, and bear the expense of the examination.

~~(3)~~ (4) In the case of a group of individuals that constitutes a syndicate of unincorporated alien underwriters, the trust must consist of a trustee account representing the group's liabilities attributable to business written in the United States and, in addition, include a trustee surplus of at least \$100,000,000, which must be held jointly for the benefit of United States ceding insurers of any member of the group. The group shall make available to the

2 superintendent an annual certification by the group's
domiciliary regulator and ~~its~~ the member's independent
4 public accountants of the solvency of each underwriter.

6 {4} (5) The trust must be established in a form
approved by the superintendent. The trust instrument
8 must provide that contested claims are valid and
enforceable upon the final order of any court of
10 competent jurisdiction in the United States. The trust
must vest legal title to its assets in the trustees of
12 the trust for its United States policyholders and
ceding insurers, their assigns and successors in
14 interest. The trust and the assuming insurer are
subject to examination as determined by the
16 superintendent. The trust must remain in effect for as
long as the assuming insurer has outstanding
18 obligations due under the reinsurance agreements
subject to the trust.

20 {5} (6) The trustees of the trust shall report to the
superintendent in writing by February 28th of each
22 year, setting forth the balance of the trust and
listing the trust's investments at the end of the
24 preceding year and certifying the date of termination
of the trust, if so planned, or certifying that the
26 trust does not expire before December 31st of the
current year.

28 {6} (7) The corpus of the trust is to be valued as any
30 other admitted asset or assets; or

32 STATEMENT OF FACT

34 A newly instituted plan for expanded reinsurance markets has
36 been made viable by the establishment of very significant deposit
standards for trustee assets to be located in the United States
38 by London reinsurers offering such markets. This bill addresses
issues of safety and soundness by establishing requirements
40 designed to reasonably ensure performance upon policy obligations
undertaken by such business ventures.