

# MAINE STATE LEGISLATURE

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BANKING AND INSURANCE

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
118TH LEGISLATURE
FIRST SPECIAL SESSION

COMMITTEE AMENDMENT "A" to H.P. 1260, L.D. 1787, Bill, "An Act to Authorize Captive Insurance Companies"

Amend the bill in section 1 in that part designated "§6716." in subsection 1 in paragraph C in subparagraph (1) (page 13, line 7 in L.D.) by inserting after the following: "redomestication" the following: 'including the filing fee as provided by either Title 13-A, section 1401, subsection 16 or Title 13-B, section 1401, subsection 13 and this information required by a new domestic or domestic nonprofit corporation on a form prescribed by the Secretary of State'

Further amend the bill in section 1 in that part designated "§6717." in subsection 3 in the 3rd line (page 14, line 50 in L.D.) by inserting after the following: "fee" the following: 'of either \$35 in the case of a company governed by Title 13-A or \$5 in the case of a company governed by Title 13-B'

Further amend the bill in section 2 in that part designated "§2513-B." in subsection 2 by striking out the first sentence (page 16, lines 5 to 9 in L.D.) and inserting in its place the following: 'A captive insurance company shall pay to the State Tax Assessor a tax at the rate of .225 of 1% on the first \$20,000,000 of assumed reinsurance premium, .150 of 1% on the next \$20,000,000, .50 of 1% on the next \$20,000,000 and .25 of 1% of each \$1 thereafter.'

Further amend the bill by inserting after section 5 the following:

'Sec. 6. Allocation. The following funds are allocated from Other Special Revenue to carry out the purposes of this Act.

COMMITTEE AMENDMENT

R.S.

2		<b>1997-98</b>	<b>1998-99</b>
4	<b>PROFESSIONAL AND FINANCIAL</b>		
6	<b>REGULATION, DEPARTMENT OF</b>		
8	<b>Bureau of Insurance</b>		
10	Positions - Legislative Count	(1,000)	(1,000)
12	Personal Services	\$42,795	\$54,150
14	All Other	4,150	5,000
16	Capital Expenditures	3,000	
18		<hr/>	<hr/>
20	TOTAL	\$49,945	\$59,150

18 Allocates funds for one  
 20 additional Managing Insurance  
 22 Examiner position and  
 24 operating costs necessary to  
 administer regulatory  
 requirements for captive  
 insurance companies.'

26 Further amend the bill by inserting at the end before the  
 28 summary the following:

30 **FISCAL NOTE**

32		<b>1997-98</b>	<b>1998-99</b>
34	<b>APPROPRIATIONS/ALLOCATIONS</b>		
36	Other Funds	\$49,945	\$59,150

38  
 40 The Bureau of Insurance within the Department of  
 42 Professional and Financial Regulation will require additional  
 44 Other Special Revenue Fund allocations of \$49,945 and \$59,150 in  
 46 fiscal years 1997-98 and 1998-99, respectively, for one  
 48 additional Managing Insurance Examiner position and operating  
 costs necessary to administer regulatory requirements for captive  
 insurance companies. The bureau has adequate financial resources  
 to cover this additional expense. The collection of additional  
 license fees will increase dedicated revenue to the Bureau of  
 Insurance by \$6,000 annually beginning in fiscal year 1997-98.

# COMMITTEE AMENDMENT

2 The net new insurance premiums written as a result of this  
bill will increase General Fund revenue. The amounts will depend  
4 on the amount of net new insurance premiums collected which can  
not be estimated at this time.

6 This bill will result in a minor increase in General Fund  
revenue from the additional collection of filing fees by the  
8 Department of the Secretary of State.

10 This bill may also increase the number of civil suits filed  
in the court system. The additional workload and administrative  
12 costs associated with the minimal number of new cases filed can  
be absorbed within the budgeted resources of the Judicial  
14 Department. The collection of additional filing fees may also  
increase General Fund revenue by minor amounts.'

16  
18 **SUMMARY**

20 This amendment clarifies that captive insurers required to  
file documents with the Secretary of State's office must transmit  
22 the appropriate filing fee to the Secretary of State along with  
the documents.

24 The amendment also corrects a numerical error in the  
26 taxation provisions of the bill which generally tax captive  
insurers at a rate of .375 of 1% on the first \$20,000,000 of  
28 direct premiums collected or contracted for regardless of where  
the risk is located. These rates decline incrementally on  
30 additional amounts of premium. The taxation rates on reinsurance  
premiums are lower.

32 The amendment also adds an allocation section and a fiscal  
34 note to the bill.