

# MAINE STATE LEGISLATURE

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L.D. 1928

DATE: February 10, 1998

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**BANKING AND INSURANCE**

Reported by:

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**STATE OF MAINE  
SENATE  
118TH LEGISLATURE  
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT " A " to S.P. 693, L.D. 1928, Bill, "An Act Relating to Reciprocal Insurers and Captive Insurance Companies"

Amend the bill by striking out the title and substituting the following:

**'An Act Relating to Captive Insurance Companies'**

Further amend the bill by striking out all of sections 1 to 7.

Further amend the bill by striking out all of sections 9 and 10.

Further amend the bill by striking out all of section 11 and inserting in its place the following:

**'Sec. 11. 24-A MRSA §6702, sub-§6, ¶¶G and H, as enacted by PL 1997, c. 435, §1, are amended to read:**

G. Title insurance as defined by section 709; and

H. Credit Reinsurance of credit life insurance and credit health insurance, as defined by section 2853, ~~relating to specific loans or other credit transactions between its parent or affiliated companies and any of their directors,~~

2 ~~officers-and-employees.~~ to the extent provided in section 6711;

4 Further amend the bill by striking out all of section 12 and inserting in its place the following:

6 **'Sec. 12. 24-A MRSA §6702, sub-§6, ¶¶I and J** are enacted to read:

10 I. Reinsurance of life insurance as defined by section 702, annuities as defined by section 703 and health insurance as defined by section 704 written in connection with the employee benefit plan or plans of the single or association parent of a captive insurer to the extent provided in section 6711; and

16 J. Financial guaranty insurance as defined in section 709-A.

18 Further amend the bill by striking out all of sections 13 to 20 16.

22 Further amend the bill in section 17 in that part designated **"§6707."** in subsection 2 in the 2nd line (page 5, line 30 in 24 L.D.) by inserting after the following: ~~"risk-retention"~~ the following: 'industrial insured'

26 Further amend the bill by striking out all of sections 19 28 and 20.

30 Further amend the bill by striking out all of section 21 and inserting in its place the following:

32 **'Sec. 21. 36 MRSA §2513-B, sub-§2,** as enacted by PL 1997, c. 34 435, §2, is amended to read:

36 **2. Reinsurance.** A captive insurance company shall pay to the State Tax Assessor a tax at the rate of .225 of 1% on the 38 first \$20,000,000 of assumed reinsurance premium, .150 of 1% on the next \$20,000,000, ~~+.50~~ .050 of 1% on the next \$20,000,000 and 40 ~~+.25~~ .025 of 1% of each \$1 thereafter. However, no reinsurance tax applies to premiums for risks or portions of risks that are 42 subject to taxation on a direct basis pursuant to subsection 1. No reinsurance premium tax is payable in connection with the 44 receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer under common ownership 46 and control if that transaction is part of a plan to discontinue the operations of another insurer and if part of the intent of 48 the parties to that transaction is to renew or maintain that business with the captive insurance company.'

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COMMITTEE AMENDMENT "A " to S.P. 693, L.D. 1928

2 Further amend the bill by striking out all of section 22.

4 Further amend the bill by renumbering the sections to read  
consecutively.

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

8 **FISCAL NOTE**

10 The Bureau of Insurance within the Department of  
12 Professional and Financial Regulation will incur some minor  
14 additional costs to administer certain regulatory changes  
pertaining to captive insurance companies. These costs can be  
16 absorbed within the bureau's existing budgeted resources.'

18 **SUMMARY**

20 This amendment removes the provisions of the bill relating  
to reciprocal insurers. It clarifies that a captive insurer may  
22 reinsure annuities and life and health insurance written in  
connection with employee benefit plans of a captive insurer's  
24 single parent corporation or association parent. It also allows  
a captive insurer to reinsure credit health insurance and credit  
26 life insurance and to write financial guaranty insurance.

28 The amendment removes the proposed changes in the tax rate  
for captive insurers but retains the correction of decimal point  
30 errors. The amendment also adds a fiscal note to the bill.