

# MAINE STATE LEGISLATURE

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BANKING AND INSURANCE

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STATE OF MAINE
SENATE
120TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 268, L.D. 915, Bill, "An Act to Amend the Maine Insurance Guaranty Association Act"

Amend the bill in section 5 in subsection 4 in the 5th line from the end (page 2, line 26 in L.D.) by striking out the following: "\$10,000,000" and inserting in its place the following: '\$25,000,000'

Further amend the bill in section 8 in paragraph A in subparagraph (2) in the first line (page 3, line 21 in L.D.) by striking out the following: "\$10,000" and inserting in its place the following: '\$25,000'

Further amend the bill in section 8 in paragraph A in the 4th line from the end (page 3, line 35 in L.D.) by striking out the following: "18" and inserting in its place the following: '24'

Further amend the bill in section 8 in paragraph A in the last line (page 3, line 38 in L.D.) by inserting after the following: "insurer" the following: 'The association, in its discretion, may accept a late filed claim as a covered claim when the claimant demonstrates good cause. The demonstration of good cause by a claimant includes showing that the existence of the claim was not known to the claimant prior to the bar date and that the claimant filed the claim within 60 days of learning of the claim'

Further amend the bill in section 11 in paragraph A by inserting at the end the following new sentence: 'Any notification given under this paragraph must prominently display the date by which all claims must be filed with the association.'

COMMITTEE AMENDMENT

2 Further amend the bill in section 12 in the part designated  
3 "~~§4447.~~" by striking out all of subsection 1 (page 4, lines 30 to  
4 43 in L.D.) and inserting in its place the following:

6 '1. Premium tax offset permitted. For deficiency  
7 assessments made against member insurers pursuant to section  
8 4440-A, each member insurer paying an assessment under section  
9 4440-A may offset 100% of the amount of such assessment against  
10 its premium tax liability to the State. This offset must be  
11 taken over a period of the 5 successive tax years following the  
12 year of payment of the assessment at the rate of 20% per year of  
13 the assessment paid to the association. If the offset is less  
14 than 20% in any year, any unused balance may be carried over to  
15 any succeeding year until such time as the offset is fully used.  
16 Each member insurer that offsets assessments paid to the  
17 association from its premium tax liability to the State shall pay  
18 to the State 100% of any sums that are acquired by refund from  
19 the association pursuant to section 4438, subsection 1, paragraph  
20 F. The association shall notify the superintendent that such  
21 refunds have been made.'

22  
23 Further amend the bill in section 13 in the last line (page  
24 5, line 3 in L.D.) by inserting after the following: "Act" the  
25 following: ', except that the first party exclusion contained in  
26 Title 24-A, section 4435, subsection 4; the unearned premium cap  
27 and the bar date contained in Title 24-A, section 4438,  
28 subsection 1, paragraph A; and the right of intervention  
29 contained in Title 24-A, section 4438, subsection 2, paragraph C  
30 apply only to new insolvencies occurring on or after the  
31 effective date of this Act'

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

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37 **'FISCAL NOTE**

38  
39 The bill authorizes a 100% offset against the insurance  
40 premiums tax for deficiency assessments made against member  
41 insurers of the Maine Insurance Guaranty Association. Current  
42 assets of the Maine Insurance Guaranty Association appear to be  
43 sufficient to avoid any deficiency assessments for at least the  
44 2002-2003 biennium. Based on the projected spillover and absent  
45 these available assets, the decrease of General Fund revenue  
46 would be estimated at \$623,280 in fiscal year 2001-02 and  
47 \$1,513,680 in fiscal year 2002-03. The estimated future revenue  
48 decreases in fiscal years 2003-04 and 2004-05 will be  
49 approximately \$2,404,080 and \$3,294,480, respectively. It can  
50 not be determined at this time if assets of the Maine Insurance

2 Guaranty Association will be sufficient to avoid these future  
General Fund revenue losses.

4 The Bureau of Revenue Services within the Department of  
Administrative and Financial Services will incur some minor  
6 additional costs to administer the new provisions. These costs  
can be absorbed within the bureau's existing budgeted resources.'

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## SUMMARY

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This amendment makes the following changes to the bill.

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1. It excludes from the definition of covered claims any  
first party claims of an insured whose net worth exceeds  
16 \$25,000,000.

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2. It changes the cap on unearned premium to \$25,000.

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3. It establishes a bar date for filing covered claims of  
the earlier of 24 months after the order of liquidation or the  
22 final date set by a court and allows the association to accept  
the late filed claims as covered claims for good cause.

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4. It requires that notification of an insolvency to  
26 insureds and other interested parties by the association include  
prominent notice of the date by which a claim must be filed with  
the association.

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5. It clarifies that the premium offset applies to  
deficiency assessments under Maine Revised Statutes, Title 24-A,  
32 Section 4440-A.

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6. It clarifies the applicability provision.

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7. The amendment also adds a fiscal note to the bill.