

MAINE STATE LEGISLATURE

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INSURANCE AND FINANCIAL SERVICES

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STATE OF MAINE

SENATE

124TH LEGISLATURE

FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 520, L.D. 1436, Bill, "An Act To Create Economic Development in the State by Modernizing the State's Captive Insurance Laws"

Amend the bill in section 2 in subsection 4 in the 3rd line (page 1, line 18 in L.D.) by striking out the following: "or;" and inserting the following: 'or'

Amend the bill in section 8 by striking out all of subsection 11 (page 2, lines 13 to 18 in L.D.) and inserting the following:

'11. Pure captive insurance company. "Pure captive insurance company" means any company that insures risks of its parent, and affiliated companies or controlled unaffiliated businesses, but does not include those insurers that otherwise qualify for and elect to hold a certificate of authority as an insurer under section 414. "Pure captive insurance company" includes, with respect to operations in this State unless otherwise restricted by the superintendent, a branch captive insurance company.'

Amend the bill in section 10 in §6704 by striking out all of subsection 1 (page 5, lines 2 to 16 in L.D.) and inserting the following:

'1. Minimum capital and surplus. A pure captive insurance company, an association captive insurance company incorporated as a stock insurer or an industrial insured captive insurance company incorporated as a stock insurer may not be issued a license unless the company has and maintains unimpaired paid-in capital and surplus of:

A. In the case of a pure captive insurance company, not less than \$100,000 \$250,000;

B. In the case of an association captive insurance company incorporated as a stock insurer, not less than \$400,000 \$750,000; and

C. In the case of an industrial insured captive insurance company incorporated as a stock insurer, not less than \$200,000. \$500,000;

D. In the case of a sponsored captive insurance company, not less than \$500,000; and

COMMITTEE AMENDMENT

1 E. In the case of a risk retention group, not less than \$1,000,000.

2 The superintendent may prescribe additional capital based upon the type, volume and
3 nature of insurance business transacted.'

4 Amend the bill in section 12 in §6706 by striking out all of subsection 1 (page 5, lines
5 33 to 36 and page 6, lines 1 to 4 in L.D.) and inserting the following:

6 '**1. Pure captive insurance company.** A pure captive insurance company must be
7 incorporated:

8 A. As Incorporated as a stock insurer with capital divided into shares and held by the
9 stockholders; ~~or~~

10 B. As Incorporated as a nonprofit corporation whose votes of membership interest
11 are held by a parent organization formed under a nonprofit law or by such nonprofit
12 parent and its affiliated companies; corporation with one or more members; or

13 C. Organized as a manager-managed limited liability company.'

14 Amend the bill in section 12 in §6706 in subsection 2 in paragraph B in the first line
15 (page 6, line 9 in L.D.) by striking out the following: "As" and inserting the following:
16 'As Incorporated as'

17 Amend the bill in section 12 in §6706 in subsection 4 in paragraph C in the last line
18 (page 6, line 30 in L.D.) by inserting after the following: "members" the following: 'or a
19 limited liability company'

20 Amend the bill in section 12 in §6706 by striking out all of subsection 6 (page 6, lines
21 34 to 38 in L.D.) and inserting the following:

22 '**6. Board of directors.** At If formed as a corporation, then at least one of the
23 members of the board of directors of a captive insurance company incorporated in this
24 State must be a resident of this State. If formed as a reciprocal insurer, then at least one
25 of the members of the subscriber's advisory committee must be a resident of this State. If
26 organized as a limited liability company, then at least one manager must be a resident of
27 this State.'

28 Amend the bill in section 16 in §6710 by striking out all of the first paragraph (page
29 7, lines 36 to 39 and page 8, lines 1 to 9 in L.D.) and inserting the following:

30 'A pure captive insurance company is not subject to the any restrictions on allowable
31 investments including those provided under chapter 13 and chapter 13-A, except that a
32 pure captive insurance company may petition the superintendent for approval of
33 investments that are not specified in this Title may prohibit or limit any investment that
34 threatens the solvency or liquidity of such insurance company. A pure captive insurance
35 company may not make a loan to or investments in its parent or affiliated companies
36 without the prior written approval of the superintendent. A loan of any minimum capital
37 and surplus funds required by section 6704 is prohibited. Except as otherwise authorized
38 by the superintendent, association captive insurance companies and industrial insured
39 captive insurance companies are subject to the restrictions on allowable investments
40 applicable to admitted insurers transacting the same type of business. With respect to
41 investments of association captive insurance companies, the superintendent may approve
42 the use of alternative methods of valuation and rating.'

1 Amend the bill by inserting after section 19 the following:

2 'Sec. 20. 24-A MRSA §6714, as enacted by PL 1997, c. 435, §1, is amended to
3 read:

4 **§6714. Delinquent captive insurers**

5 The provisions of chapter ~~47~~ 57 apply to captive insurers.'

6 Amend the bill by striking out all of section 22 (page 10, lines 9 to 13 in L.D.)

7 Amend the bill in section 24 in §6725 by striking out all of subsection 7 (page 16,
8 lines 14 to 16 in L.D.)

9 Amend the bill by relettering or renumbering any nonconsecutive Part letter or
10 section number to read consecutively.

11 **SUMMARY**

12 The amendment makes technical changes to the bill.

FISCAL NOTE REQUIRED
(See attached)



Approved: 05/24/09 *MAC*

124th MAINE LEGISLATURE

LD 1436

LR 1763(02)

An Act To Create Economic Development in the State by Modernizing the State's Captive Insurance Laws

Fiscal Note for Bill as Amended by Committee Amendment "A"
Committee: Insurance and Financial Services
Fiscal Note Required: Yes

Fiscal Note

Minor cost increase - Other Special Revenue

Fiscal Detail and Notes

Additional costs to the Bureau of Insurance in the Department of Professional and Financial Regulation can be absorbed by the bureau utilizing existing budgeted resources.