

# MAINE STATE LEGISLATURE

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# 129th MAINE LEGISLATURE

## SECOND REGULAR SESSION-2020

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Legislative Document

No. 2026

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S.P. 716

In Senate, January 14, 2020

### **An Act To Revise Certain Financial Regulatory Provisions of the Maine Insurance Code**

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Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 203.

Reference to the Committee on Health Coverage, Insurance and Financial Services suggested and ordered printed.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT  
Secretary of the Senate

Presented by Senator SANBORN, H. of Cumberland.

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

2 **Sec. 1. 24-A MRSA §221, sub-§3**, as amended by PL 1991, c. 828, §2, is  
3 repealed.

4 **Sec. 2. 24-A MRSA §221, sub-§3-A**, as enacted by PL 1993, c. 313, §3, is  
5 amended to read:

6 **3-A.** ~~On or after January 1, 1994 the~~ The superintendent may accept a full  
7 examination report by the insurance regulatory authority of the insurance company's state  
8 of domicile or port-of-entry state for any foreign or alien insurer licensed in this State in  
9 lieu of an examination by the superintendent if, at the time of the examination, that  
10 regulatory authority was accredited under the National Association of Insurance  
11 Commissioners' Financial Regulation Standards and Accreditation Program or if the  
12 examination was performed under the supervision of an accredited insurance regulatory  
13 authority or with the participation of one or more examiners who are employed by an  
14 accredited insurance regulatory authority and who, after a review of the examination  
15 workpapers and report, state under oath that the examination was performed in a manner  
16 consistent with the standards and procedures required by the regulatory authority.

17 **Sec. 3. 24-A MRSA §222, sub-§7, ¶A**, as amended by PL 2013, c. 238, Pt. A,  
18 §14 and affected by §34, is further amended to read:

19 A. The superintendent shall hold a hearing in accordance with the procedures set  
20 forth in section 231 and the Maine Administrative Procedure Act, Title 5, chapter  
21 375, subchapter 4, within 30 days after the application required by subsection 4-C has  
22 been filed with the superintendent. The superintendent shall make a determination  
23 within 30 days after the conclusion of that hearing. The superintendent shall approve  
24 any purchase, exchange, merger or other change of control referred to in subsection  
25 4-C unless the superintendent finds that:

26 (1) After the change of control, the domestic insurer could not satisfy the  
27 requirements for the issuance of a certificate of authority according to  
28 requirements in force at the time of the issuance or last renewal or continuation of  
29 its certificate of authority to do the insurance business that it intends to transact in  
30 this State;

31 (2) The effect of the purchases, exchanges, merger of a controlling person of the  
32 insurer or other changes of control may be substantially to lessen competition in  
33 insurance in this State or tend to create a monopoly in this State or would violate  
34 the laws of this State or of the United States relating to monopolies or restraints  
35 of trade;

36 (3) The financial condition of an acquiring person would jeopardize the financial  
37 stability of the insurer or prejudice the interest of its policyholders;

38 (4) The plans or proposals that the acquiring or divesting person has to liquidate  
39 the insurer, to sell its assets or to merge it with any person, or to make any other  
40 major change in its business or corporate structure or management, are unfair or  
41 prejudicial to policyholders;

1 (5) The competence, experience and integrity of those persons who would  
2 control the operation of the insurer indicate that it would not be in the interest of  
3 policyholders or the public to permit them to do so;

4 (6) Any merger of a domestic insurer does not comply with section 3474; or

5 (7) The change of control would tend to affect adversely the contractual  
6 obligations of the domestic insurer or its ability and tendency to render service in  
7 the future to its policyholders and the public.

8 **Sec. 4. 24-A MRSA §222, sub-§7-A, ¶D,** as enacted by PL 2013, c. 238, Pt. A,  
9 §15 and affected by §34, is amended by amending subparagraph (3) to read:

10 (3) The proceeding is public to the same extent as a proceeding conducted under  
11 subsection 7, except that deliberations of a decision-making panel are not public  
12 proceedings and communications in the course of those deliberations among  
13 panel members and their advisers, other than the decision itself, are not public  
14 records.

15 **Sec. 5. 24-A MRSA §222, sub-§8, ¶B-3,** as enacted by PL 2013, c. 238, Pt. A,  
16 §18 and affected by §34, is amended to read:

17 B-3. A domestic insurer that is subject to registration, and has annual premium of  
18 \$500,000,000 or more or is a member of an insurance holding company system with  
19 annual premium of \$1,000,000,000 or more, shall conduct an own risk and solvency  
20 assessment in accordance with the requirements of this paragraph and the ORSA  
21 guidance manual at least annually, and also at any time when there are significant  
22 changes to the risk profile of the insurer or its insurance holding company system,  
23 except as otherwise provided in subparagraph (1). For purposes of this paragraph,  
24 "premium" means direct written and unaffiliated assumed premium, including  
25 international direct and assumed premium but excluding premiums reinsured with the  
26 Federal Crop Insurance Corporation within the United States Department of  
27 Agriculture, Risk Management Agency and with the National Flood Insurance  
28 Program within the United States Department of Homeland Security, Federal  
29 Emergency Management Agency.

30 (1) This paragraph does not apply if:

31 (a) The insurer is an agency, authority or instrumentality of the United States,  
32 its possessions and territories, the Commonwealth of Puerto Rico, the District  
33 of Columbia or a state or political subdivision of a state;

34 (b) The insurer and its insurance holding company system did not meet  
35 either of the minimum premium criteria of this paragraph in the financial  
36 statements immediately preceding their most recent financial statements and  
37 the superintendent has not required compliance with this paragraph under  
38 subparagraph (2); or

39 (c) The superintendent has granted a waiver from the requirements of this  
40 paragraph based upon unique circumstances. In deciding whether to grant a  
41 waiver, the superintendent may consider the type and volume of business  
42 written by the insurer, the ownership and organizational structure of the

1 insurer and its insurance holding company system and any other factor the  
2 superintendent considers relevant to the insurer or the insurer's insurance  
3 holding company system. If the insurer's insurance holding company system  
4 includes insurers domiciled in more than one state, the superintendent shall  
5 coordinate with the lead regulator and with other domiciliary regulators in  
6 considering whether to grant the insurer's request for a waiver.

7 (2) The superintendent may require an insurer that does not meet either of the  
8 minimum premium criteria of this paragraph to comply with the requirements of  
9 this paragraph if:

10 (a) The superintendent determines that the insurer should be subject to this  
11 paragraph due to unique circumstances, including, but not limited to, the type  
12 and volume of business written by the insurer, the ownership and  
13 organizational structure of the insurer and its insurance holding company  
14 system, federal agency requests and international supervisor requests;

15 (b) The insurer is subject to a corrective order or required to adopt a risk-  
16 based capital plan under sections 6453 to 6456;

17 (c) The superintendent has determined in accordance with rules adopted by  
18 the superintendent that the insurer is in hazardous financial condition; or

19 (d) The superintendent has determined that the insurer otherwise exhibits  
20 qualities of a troubled insurer.

21 (3) If an insurer's insurance holding company system has annual premium of  
22 \$1,000,000,000 or more, the assessment and reporting required by this paragraph  
23 must be conducted for each insurer within the insurance holding company  
24 system, either on a systemwide basis or separately for insurers or combinations of  
25 insurers within the insurance holding company system.

26 (4) An insurer subject to this paragraph shall maintain a risk management  
27 framework to assist the insurer with identifying, assessing, monitoring, managing  
28 and reporting on its material and relevant risks. An insurer may satisfy this  
29 requirement by participating in an applicable risk management framework  
30 maintained by the insurance holding company system of which the insurer is a  
31 member.

32 (5) An insurer subject to this paragraph shall prepare and submit regular ORSA  
33 summary reports that satisfy the requirements of this subparagraph and shall  
34 provide additional information to the superintendent upon request.

35 (a) Beginning no later than 2015, the ORSA summary report must be  
36 prepared at least annually, on a timetable consistent with the insurer's internal  
37 strategic planning processes, and submitted to the lead regulator of the  
38 insurer's insurance holding company system, as determined by the procedures  
39 within a financial analysis handbook adopted by the National Association of  
40 Insurance Commissioners. If the superintendent is not the lead regulator, the  
41 insurer shall submit the insurer's or insurance holding company system's most  
42 recent ORSA summary report to the superintendent on request.

1 (b) The ORSA summary report must be prepared consistent with the ORSA  
2 guidance manual. Documentation and supporting information must be  
3 maintained and made available upon examination by or upon request of the  
4 superintendent.

5 (c) The insurer's or insurance holding company system's chief risk officer, or  
6 other executive having responsibility for the oversight of the insurer's  
7 enterprise risk management process, shall sign the ORSA summary report  
8 attesting to the best of the signer's belief and knowledge that the insurer  
9 applies the enterprise risk management process described in the ORSA  
10 summary report and that a copy of the report has been provided to the  
11 insurer's board of directors or the appropriate committee of the board.

12 (d) An insurer may comply with this paragraph by providing the most recent  
13 ORSA summary report and a report or reports that are substantially similar to  
14 the ORSA summary report that are provided by the insurer or another  
15 member of its insurance holding company system to the insurance  
16 commissioner of another state or to an insurance supervisor or regulator of a  
17 foreign jurisdiction if that report provides information that is comparable to  
18 the information described in the ORSA guidance manual. Any report in a  
19 language other than English must be accompanied by an English translation.

20 (6) The superintendent's review of the ORSA summary report, and any  
21 additional requests for information, must be consistent with accepted regulatory  
22 procedures for the analysis and examination of multistate or global insurers and  
23 insurance groups.

24 **Sec. 6. 24-A MRSA §731-B, sub-§1**, as amended by PL 2017, c. 169, Pt. C, §1,  
25 is further amended to read:

26 **1.** ~~Credit~~ Except to the extent that the liabilities ceded are secured in accordance  
27 with subsection 3, credit for reinsurance is allowed a domestic ceding insurer as either an  
28 asset or a deduction from liability on account of reinsurance ceded only when the  
29 reinsurance is ceded to a solvent assuming insurer that:

30 A. Is licensed to transact insurance or reinsurance in this State, provided the  
31 assuming insurer maintains surplus as regards policyholders in an amount not less  
32 than the sum of paid-in capital stock, if any, and surplus as otherwise required for a  
33 certificate of authority for the kinds and amount of insurance and assumed  
34 reinsurance the insurer has in force net of any applicable ceded reinsurance. If the  
35 assuming insurer is licensed as a special purpose reinsurance vehicle pursuant to  
36 section 782 and maintains capital and surplus in accordance with the requirements of  
37 section 787, credit for reinsurance under a special purpose reinsurance vehicle  
38 contract, as defined in section 781, subsection 15, is allowed only to the extent that:

39 (1) The fair value of the assets held by or for the benefit of the ceding insurer  
40 equals or exceeds the obligations due and payable to the ceding insurer by the  
41 special purpose reinsurance vehicle under the special purpose reinsurance vehicle  
42 contract;

43 (2) The assets are held in accordance with the requirements in subchapter 6;

1 (3) The assets are administered in the manner and pursuant to arrangements  
2 under subchapter 6;

3 (4) The assets are held or invested in one or more of the forms allowed in section  
4 795; and

5 (5) The contract complies with all other relevant requirements of subchapter 6;

6 B. Is domiciled and licensed in a state that employs standards regarding credit for  
7 reinsurance substantially similar to those applicable under this section, if the insurer:

8 (1) Submits to the authority of this State to examine its books and records; and

9 (2) Except where reinsurance is ceded and assumed pursuant to pooling  
10 arrangements among insurers in the same holding company system, maintains a  
11 surplus regarding policyholders in an amount not less than \$20,000,000;

12 B-1. Is accredited as a reinsurer in this State, in accordance with the following  
13 standards.

14 (1) To apply for accreditation, a reinsurer shall file with the superintendent a  
15 written application on a form prescribed by the superintendent, accompanied by  
16 the fee prescribed in section 601, subsection 26 and an agreement to submit to the  
17 jurisdiction of the courts of this State and to the authority of the superintendent to  
18 examine the reinsurer's books and records.

19 (2) An accredited reinsurer must be licensed to transact insurance or reinsurance  
20 in at least one state, or in the case of a United States branch of an alien reinsurer,  
21 that reinsurer must be entered through and licensed to transact insurance or  
22 reinsurance in at least one state.

23 (3) An accredited reinsurer shall file with the superintendent, as part of its  
24 application and annually thereafter, a copy of its annual statement filed with the  
25 insurance department of its state of domicile or United States port of entry and a  
26 copy of its most recent audited financial statement.

27 (4) A reinsurer applying for accreditation that maintains a surplus as regards to  
28 policyholders in an amount not less than \$20,000,000 is deemed to be accredited  
29 if the reinsurer's application is not denied by the superintendent within 90 days  
30 after submission of the application. The superintendent has the discretion to  
31 grant accreditation to an applicant with a surplus less than \$20,000,000 subject to  
32 such terms and conditions as the superintendent determines to be necessary and  
33 appropriate for the protection of domestic ceding insurers and their  
34 policyholders;

35 B-2. Is certified as a reinsurer in this State and secures its obligations in accordance  
36 with this paragraph.

37 (1) To be eligible for certification, the assuming insurer must meet the following  
38 requirements:

39 (a) The assuming insurer must be domiciled and licensed to transact  
40 insurance or reinsurance in a jurisdiction determined by the superintendent to  
41 be a qualified jurisdiction pursuant to subparagraph (3);

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(b) The assuming insurer must maintain minimum capital and surplus, or its equivalent, in an amount to be determined by the superintendent pursuant to rules adopted under subsection 7;

(c) The assuming insurer must maintain financial strength ratings from 2 or more rating agencies determined by the superintendent to be acceptable pursuant to rules adopted under subsection 7;

(d) The assuming insurer must agree to submit to the jurisdiction of this State and to appoint an agent for service of process in the same manner as provided for authorized insurers under section 421 and agree to provide security for 100% of the assuming insurer's liabilities attributable to reinsurance ceded by United States ceding insurers if the assuming insurer resists enforcement of a final United States judgment;

(e) The assuming insurer must agree to meet applicable information filing requirements as determined by the superintendent, both with respect to an initial application for certification and on an ongoing basis. Documents filed with the superintendent by the assuming insurer are not public records if the documents are confidential under the laws of the assuming insurer's domiciliary jurisdiction;

(f) The assuming insurer must pay the application fee prescribed in section 601, subsection 26-A and, to the extent provided in rules adopted under subsection 7, must agree to pay reasonable costs of review; and

(g) The assuming insurer must satisfy any other requirements for certification established by the superintendent.

(2) An association including incorporated and individual unincorporated underwriters may be a certified reinsurer. In order to be eligible for certification, in addition to satisfying the requirements of subparagraph (1):

(a) The association may satisfy its minimum capital and surplus requirements through the capital and surplus equivalents, net of liabilities, of the association and its members, which must include a joint central fund that may be applied to any unsatisfied obligation of the association or any of its members, in an amount determined by the superintendent to provide adequate protection;

(b) The incorporated members of the association may not be engaged in any business other than underwriting as a member of the association and must be subject to the same level of regulation and solvency control by the association's domiciliary regulator as are the unincorporated members; and

(c) Within 90 days after its financial statements are due to be filed with the association's domiciliary regulator, the association shall provide to the superintendent an annual certification by the association's domiciliary regulator of the solvency of each underwriter member of the association or, if a certification is unavailable, financial statements, prepared by independent public accountants, of each underwriter member of the association.



1 (3) The superintendent shall create and publish a list of jurisdictions that are  
2 qualified to serve as the domiciliary regulators of certified reinsurers.

3 (a) In order to determine whether the domiciliary jurisdiction of an alien  
4 assuming insurer is eligible to be recognized as a qualified jurisdiction, the  
5 superintendent shall evaluate the appropriateness and effectiveness of the  
6 reinsurance supervisory system of the jurisdiction, both initially and on an  
7 ongoing basis, and consider the rights, benefits and the extent of reciprocal  
8 recognition afforded by the jurisdiction to reinsurers licensed and domiciled  
9 in the United States. To be recognized as qualified, a jurisdiction must agree  
10 to share information and cooperate with the superintendent with respect to all  
11 certified reinsurers domiciled within that jurisdiction. A jurisdiction may not  
12 be recognized as a qualified jurisdiction if the superintendent has determined  
13 that the jurisdiction does not adequately and promptly enforce final United  
14 States judgments and arbitration awards. The superintendent may consider  
15 additional factors.

16 (b) If the National Association of Insurance Commissioners has published a  
17 list of recommended qualified jurisdictions, the superintendent shall consider  
18 that list in determining qualified jurisdictions. If the superintendent  
19 recognizes a jurisdiction as qualified that does not appear on the list  
20 published by the National Association of Insurance Commissioners, the  
21 superintendent shall make detailed findings of fact supporting the recognition  
22 in accordance with criteria to be developed in rules adopted under subsection  
23 7.

24 (c) United States jurisdictions that are accredited by the National Association  
25 of Insurance Commissioners must be recognized as qualified jurisdictions.

26 (d) If a certified reinsurer's domiciliary jurisdiction ceases to be a qualified  
27 jurisdiction, the superintendent may suspend the reinsurer's certification  
28 indefinitely, in lieu of revocation.

29 (4) The superintendent shall assign a rating to each certified reinsurer, giving due  
30 consideration to the financial strength ratings that have been assigned by rating  
31 agencies determined to be acceptable pursuant to rules adopted under subsection  
32 7. The superintendent shall publish a list of all certified reinsurers and their  
33 ratings.

34 (5) A certified reinsurer shall secure all obligations assumed from United States  
35 ceding insurers under this subsection, and under comparable laws of other states,  
36 at a level consistent with its rating and in a form acceptable to the superintendent,  
37 in compliance with rules adopted under subsection 7.

38 (a) If the security is insufficient, the superintendent shall reduce the  
39 allowable credit by an amount proportionate to the deficiency and may  
40 impose further reductions in allowable credit upon finding that there is a  
41 material risk that the certified reinsurer's obligations will not be paid in full  
42 when due.

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(b) The reinsurer may secure its obligations as a certified reinsurer through a multibeneficiary trust that meets the requirements of paragraph C and subsection 2-A, with the following modifications.

(i) The maximum credit allowable may exceed the value of the qualifying security to the extent provided in this subparagraph.

(ii) The minimum trusteed surplus is \$10,000,000, rather than the amount specified in paragraph C.

(iii) If the certified reinsurer also maintains a multibeneficiary trust for obligations required to be fully secured under paragraph C or comparable laws of other states, the certified reinsurer shall maintain separate trust accounts for its obligations incurred under reinsurance agreements issued or renewed with reduced security as permitted by this paragraph or comparable laws of other United States jurisdictions and for its obligations that are required to be fully secured. The trust accounts may not be approved as qualifying security unless the reinsurer has bound itself, by the language of the trust and by agreement with the insurance regulator with principal oversight of each such trust account, to apply, upon termination of any such trust account, the remaining surplus of that trust to the extent necessary to fund any deficiency of any other such trust account.

(c) If a certified reinsurer does not secure its obligations through a qualifying multibeneficiary trust, it must secure its obligations to the ceding insurer consistent with the requirements of subsection 3, except that the maximum credit allowable may exceed the value of the qualifying security to the extent provided in this subparagraph.

(d) For purposes of this subparagraph, a certified reinsurer whose certification has been terminated for any reason must be treated as a certified reinsurer required to secure 100% of its obligations, unless the superintendent has continued to assign a higher rating, as permitted by other provisions of this section, to a certified reinsurer in inactive status or to a reinsurer whose certification has been suspended.

(6) If an applicant for certification has been certified as a reinsurer in a jurisdiction accredited by the National Association of Insurance Commissioners, the superintendent may defer to that jurisdiction's certification to grant certification in this State and may defer to the rating assigned by that jurisdiction.

(7) A certified reinsurer that ceases to assume new business in this State may request to maintain its certification in inactive status in order to continue to qualify for a reduction in security for its in-force business. An inactive certified reinsurer shall continue to comply with all applicable requirements of this subsection, and the superintendent shall assign a rating that takes into account, if relevant, the reasons why the reinsurer is not assuming new business;

B-3. Meets each of the conditions established in subparagraphs (2) to (8).

1                   (1) For purposes of this paragraph, the following terms have the following  
2                   meanings.

3                   (a) "Covered agreement" means an agreement, entered into pursuant to the  
4                   federal Dodd-Frank Wall Street Reform and Consumer Protection Act, 31  
5                   United States Code, Sections 313 and 314, that is in effect or in a period of  
6                   provisional application and addresses the elimination, under specified  
7                   conditions, of collateral requirements as a condition for entering into any  
8                   reinsurance agreement with a ceding insurer domiciled in this State or for  
9                   allowing the ceding insurer to recognize credit for reinsurance.

10                  (b) "Reciprocal jurisdiction" means a jurisdiction that is:

11                   (i) A non-United States jurisdiction that is subject to an in-force covered  
12                   agreement with the United States, as long as each agreeing jurisdiction is  
13                   within its legal authority to enter the agreement, or, in the case of a  
14                   covered agreement between the United States and the European Union, a  
15                   member state of the European Union;

16                   (ii) A United States jurisdiction that meets the requirements for  
17                   accreditation under the financial regulation standards and accreditation  
18                   program of the National Association of Insurance Commissioners; or

19                   (iii) A qualified jurisdiction, as determined by the superintendent  
20                   pursuant to paragraph B-2, subparagraph (3), that meets certain  
21                   additional requirements, consistent with the terms and conditions of  
22                   covered agreements, as specified by the superintendent by rule.

23                  (2) The assuming insurer must have its domicile or head office in, and be  
24                  licensed in, a reciprocal jurisdiction.

25                  (3) The assuming insurer must have and maintain on an ongoing basis minimum  
26                  capital and surplus, or its equivalent, calculated according to the methodology  
27                  applicable in its domiciliary jurisdiction, in an amount established by rule. If the  
28                  assuming insurer is an association that includes incorporated and individual  
29                  unincorporated underwriters, it must have and maintain on an ongoing basis  
30                  minimum capital and surplus equivalents, net of liabilities, calculated according  
31                  to the methodology applicable in its domiciliary jurisdiction, and a central fund  
32                  containing a balance in amounts established by rule.

33                  (4) The assuming insurer must have and maintain on an ongoing basis a  
34                  minimum solvency or capital ratio, as applicable, as established by rule. If the  
35                  assuming insurer is an association that includes incorporated and individual  
36                  unincorporated underwriters, it must have and maintain on an ongoing basis a  
37                  minimum solvency or capital ratio, as applicable, in the jurisdiction where the  
38                  assuming insurer has its head office or is domiciled, as applicable.

39                  (5) The assuming insurer must agree, and provide adequate assurance to the  
40                  superintendent in a form specified by the superintendent by rule, as follows:

41                   (a) The assuming insurer must provide prompt written notice and  
42                   explanation to the superintendent if it fails to meet the minimum

1 requirements set forth in subparagraph (3) or (4) or if any regulatory action is  
2 taken against it for serious noncompliance with applicable law;

3 (b) The assuming insurer must consent in writing to the jurisdiction of the  
4 courts of this State and to the appointment of the superintendent as agent for  
5 service of process. The superintendent may require the assuming insurer to  
6 include such consent in each reinsurance agreement for which credit is taken  
7 under this paragraph. This division does not limit or in any way alter the  
8 capacity of parties to a reinsurance agreement to agree to alternative dispute  
9 resolution mechanisms, except to the extent that such agreements are  
10 unenforceable under applicable insolvency or delinquency laws;

11 (c) The assuming insurer must consent in writing to pay all final judgments,  
12 wherever enforcement is sought, that are obtained by a ceding insurer or its  
13 legal successor and that have been declared enforceable in the jurisdiction  
14 where the judgment was obtained;

15 (d) Each reinsurance agreement for which credit is taken under this  
16 paragraph must include a provision requiring the assuming insurer to provide  
17 security for the full amount of the assuming insurer's liabilities attributable to  
18 reinsurance ceded pursuant to that agreement if the assuming insurer resists  
19 enforcement of a final judgment that is enforceable under the law of the  
20 jurisdiction where the final judgment was obtained or resists enforcement of  
21 a properly enforceable arbitration award, whether the judgment or award is  
22 obtained by the ceding insurer or by its legal successor on behalf of its  
23 resolution estate. As used in this division, "resolution estate" means the  
24 estate of an insurer or reinsurer that has been placed into a receivership or  
25 comparable legal status; and

26 (e) The assuming insurer must confirm that it is not participating in any  
27 solvent scheme of arrangement that involves this State's ceding insurers and  
28 must agree to notify the ceding insurer and the superintendent and to provide  
29 security for the full amount of the assuming insurer's liabilities to the ceding  
30 insurer should the assuming insurer enter into such a solvent scheme of  
31 arrangement. Such security must be in a form consistent with the provisions  
32 of paragraph B-2 and subsection 3 and as specified by the superintendent by  
33 rule.

34 (6) The assuming insurer or its legal successor must provide, on behalf of itself  
35 and any legal predecessors, certain documentation to the superintendent as  
36 specified by the superintendent by rule, if requested by the superintendent.

37 (7) The assuming insurer must maintain a practice of prompt payment of claims  
38 under reinsurance agreements, pursuant to criteria established by rule.

39 (8) The supervisory authority for insurance for the jurisdiction of the assuming  
40 insurer must confirm to the superintendent on an annual basis that, as of the  
41 preceding December 31st or the annual date specified in statute for reporting to  
42 that supervisory authority in the assuming insurer's jurisdiction, the assuming  
43 insurer complies with the requirements of subparagraphs (3) and (4).

1           (9) The assuming insurer may provide additional information on a voluntary  
2           basis.

3           (10) The superintendent shall promptly create, publish and administer a list of  
4           reciprocal jurisdictions as described in this subparagraph.

5                   (a) The superintendent shall include all reciprocal jurisdictions identified in  
6                   subparagraph (1), division (b), subdivisions (i) and (ii) in the list maintained  
7                   pursuant to this subparagraph.

8                   (b) If the National Association of Insurance Commissioners has published a  
9                   list of recommended reciprocal jurisdictions, the superintendent shall  
10                  consider that list and may defer to that list in determining whether a  
11                  jurisdiction qualifies as a reciprocal jurisdiction pursuant to subparagraph (1),  
12                  division (b), subdivision (iii). The superintendent may determine that a  
13                  jurisdiction that does not appear on the recommended list is a reciprocal  
14                  jurisdiction in accordance with criteria established in rules adopted by the  
15                  superintendent.

16                  (c) If a jurisdiction has been determined to be a reciprocal jurisdiction  
17                  pursuant to subparagraph (1), division (b), subdivision (iii), the  
18                  superintendent, in accordance with a process established by rule by the  
19                  superintendent, may determine that the jurisdiction is no longer a reciprocal  
20                  jurisdiction and remove it from the list of reciprocal jurisdictions upon a  
21                  determination that the jurisdiction no longer meets the conditions of this  
22                  paragraph. Upon removal of a reciprocal jurisdiction from the list, credit for  
23                  reinsurance ceded to an assuming insurer that has its head office or is  
24                  domiciled in that jurisdiction is allowed only as otherwise allowed pursuant  
25                  to this section.

26           (11) The superintendent shall promptly create, publish and administer a list of  
27           assuming insurers that have satisfied the conditions set forth in subparagraphs (2)  
28           to (8) for recognition for credit for reinsurance. The superintendent may add an  
29           assuming insurer to the list if it has been listed under a substantially similar law  
30           by a jurisdiction accredited by the National Association of Insurance  
31           Commissioners or if, upon a request for recognition of eligibility, the assuming  
32           insurer submits the information to the superintendent as required under  
33           subparagraph (5) and complies with any additional requirements that the  
34           superintendent may impose by rule, except to the extent that those requirements  
35           conflict with an applicable covered agreement.

36           (12) If the superintendent determines that an assuming insurer no longer meets  
37           one or more of the conditions of this paragraph, the superintendent may suspend  
38           or revoke the recognition of the assuming insurer for credit for reinsurance under  
39           this paragraph in accordance with procedures established by rule.

40                   (a) While an assuming insurer's recognition for credit is suspended, a  
41                   reinsurance agreement issued, amended or renewed after the effective date of  
42                   the suspension does not qualify for credit under this paragraph. Credit may  
43                   be granted only to the extent that the assuming insurer's obligations under the

1 contract are secured in accordance with other provisions of this subsection or  
2 with subsection 3.

3 (b) If an assuming insurer's recognition for credit is revoked, credit for  
4 reinsurance may not be granted after the effective date of the revocation with  
5 respect to any reinsurance agreements entered into by the assuming insurer,  
6 including reinsurance agreements entered into before the date of revocation,  
7 except to the extent that the assuming insurer's obligations under the contract  
8 are secured in a form acceptable to the superintendent and consistent with  
9 other provisions of this subsection or with subsection 3.

10 (13) If a ceding insurer that has been granted credit under this paragraph is  
11 subject to a legal process of rehabilitation, liquidation or conservation, the ceding  
12 insurer or its representative may seek and, if determined appropriate by the court  
13 in which the proceedings are pending, may obtain an order requiring the  
14 assuming insurer to post security for all outstanding ceded liabilities.

15 (14) This paragraph does not limit or in any way alter the capacity of parties to a  
16 reinsurance agreement to agree on requirements for security or other terms in that  
17 reinsurance agreement, except as expressly prohibited by this section or other  
18 applicable law or rule.

19 (15) Credit under this paragraph may be taken only for reinsurance pursuant to  
20 reinsurance agreements entered into, renewed or amended on or after the  
21 effective date of this paragraph and only with respect to losses incurred or  
22 reserves reported on or after the date on which the assuming insurer has met all  
23 eligibility requirements pursuant to subparagraphs (2) to (8) or the effective date  
24 of the new reinsurance agreement, amendment or renewal, whichever is later.

25 This subparagraph does not alter or impair a ceding insurer's right to take credit  
26 for reinsurance, to the extent that credit is not available under this paragraph, as  
27 long as the reinsurance qualifies for credit under any other applicable provision  
28 of this section.

29 (16) Nothing in this paragraph:

30 (a) Authorizes an assuming insurer to withdraw or reduce the security  
31 provided under any reinsurance agreement except as permitted by the terms  
32 of the agreement; or

33 (b) Limits, or in any way alters, the capacity of parties to any reinsurance  
34 agreement to renegotiate the agreement;

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

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

1 (2) In the case of a single assuming insurer, the trust must consist of a trustee  
2 account representing the assuming insurer's liabilities attributable to reinsurance  
3 ceded by United States ceding insurers and, in addition, unless the assuming  
4 insurer has permanently discontinued underwriting new business secured by the  
5 trust for at least 3 full years, must include a trustee surplus of at least  
6 \$20,000,000. The trust must provide that after the assuming insurer has  
7 permanently discontinued underwriting new business secured by the trust for at  
8 least 3 full years, the insurance regulator with principal oversight of the trust may  
9 authorize a reduction in the required trustee surplus, but only after a finding,  
10 based on an assessment of the risk, that the new required surplus level is adequate  
11 for the protection of United States ceding insurers, policyholders and claimants in  
12 light of reasonably foreseeable adverse loss development. The risk assessment  
13 may involve an actuarial review, including an independent analysis of reserves  
14 and cash flows, and must consider all material risk factors, including when  
15 applicable the lines of business involved, the stability of the incurred loss  
16 estimates and the effect of the surplus requirements on the assuming insurer's  
17 liquidity or solvency. The minimum required trustee surplus may not be  
18 reduced to an amount less than 30% of the assuming insurer's liabilities  
19 attributable to reinsurance ceded by United States ceding insurers covered by the  
20 trust.

21 (3-A) A group including incorporated and individual unincorporated  
22 underwriters may secure its obligations with funds held in trust in compliance  
23 with the following standards.

24 (a) For reinsurance ceded under reinsurance agreements with an inception,  
25 amendment or renewal date on or after January 1, 1993, the trust must consist  
26 of a trustee account in an amount at least equal to the respective  
27 underwriters' several liabilities attributable to reinsurance ceded by United  
28 States domiciled ceding insurers to any underwriter that is a member of the  
29 group.

30 (b) Notwithstanding the other provisions of this section, for reinsurance  
31 ceded under reinsurance agreements with an inception date on or before  
32 December 31, 1992 and not amended or renewed after that date, the trust  
33 must consist of a trustee account in an amount not less than the respective  
34 underwriters' several insurance and reinsurance liabilities attributable to  
35 business written in the United States.

36 (c) In addition, the group shall maintain a trustee surplus of at least  
37 \$100,000,000 held jointly for the benefit of the United States domiciled  
38 ceding insurers of any member of the group for all years of account.

39 An incorporated member of the group may not be engaged in any business other  
40 than underwriting as a member of the group and is subject to the same level of  
41 solvency regulation and control by the group's domiciliary regulator as are the  
42 unincorporated members. Within 90 days after its financial statements are due to  
43 be filed with the group's domiciliary regulator, the group shall provide to the  
44 superintendent an annual certification by the group's domiciliary regulator of the

1 solvency of each underwriter member of the group or, if a certification is  
2 unavailable, financial statements prepared by independent public accountants.

3 (4-A) The superintendent in rules adopted pursuant to subsection 7 may establish  
4 alternative criteria for approval of a reinsurance trust if the superintendent  
5 determines that the criteria provide adequate protection to policyholders of  
6 United States ceding insurers and are in substantial conformance with standards  
7 approved by the National Association of Insurance Commissioners.

8 (5) The trust must be established in a form approved by the superintendent and  
9 consistent with any rules adopted by the superintendent pursuant to this section.  
10 The form of the trust and any amendments to the trust must also have been  
11 approved by the insurance regulatory official of the state where the trust is  
12 domiciled or of another state that, pursuant to the terms of the trust instrument,  
13 has accepted principal regulatory oversight of the trust. The trust instrument  
14 must provide that contested claims are valid and enforceable upon the final order  
15 of any court of competent jurisdiction in the United States. The trust must vest  
16 legal title to its assets in the trustees of the trust for the benefit of the assuming  
17 insurer's United States ceding insurers, their assigns and successors in interest.  
18 The trust and the assuming insurer are subject to examination, as determined by  
19 the superintendent, at the assuming insurer's expense. The trust must remain in  
20 effect for as long as the assuming insurer has outstanding obligations due under  
21 the reinsurance agreements subject to the trust.

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

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

29 D. Does not meet the requirements of paragraph A, B, B-1, B-2, B-3 or C, but only  
30 with respect to risks located in a jurisdiction where that reinsurance is required by  
31 law. The superintendent may waive the requirements of subsections 2 and 5 to the  
32 extent that compliance with those requirements is not feasible for compulsory  
33 reinsurance subject to this paragraph. The superintendent for good cause after notice  
34 and opportunity for hearing may disallow or reduce the credit otherwise permitted  
35 under this paragraph.

36 **Sec. 7. 24-A MRSA §731-B, sub-§2-B, ¶E**, as enacted by PL 2017, c. 169, Pt.  
37 C, §2, is amended to read:

38 E. This subsection does not apply to cessions to an assuming insurer that:

39 (1) Is certified in this State pursuant to subsection 1, paragraph B-2; ~~or~~

40 (2) Maintains at least \$250,000,000 in capital and surplus as determined in  
41 accordance with section 901-A, excluding the impact of any permitted or  
42 prescribed practices; ~~and is:~~



- 1 (a) Licensed in at least 26 states; or  
2 (b) Licensed in at least 10 states and licensed or accredited in a total of at  
3 least 35 states; or  
4 (3) Is eligible for credit for assumed reinsurance by reciprocity pursuant to  
5 subsection 1, paragraph B-3.

6 **Sec. 8. 24-A MRSA §1151-A, sub-§41**, as enacted by PL 1999, c. 715, §8, is  
7 amended to read:

8 **41. Repurchase transaction.** "Repurchase transaction" means a transaction in  
9 which an insurer ~~purchases securities from a counter-party that is obligated to repurchase~~  
10 ~~the purchased securities or equivalent securities from the insurer~~ sells securities to a  
11 qualified bank or a qualified business entity or to a bank or a business entity whose  
12 obligations with respect to the transaction are guaranteed by a qualified bank or a  
13 qualified business entity and the insurer is obligated to repurchase the sold securities or  
14 equivalent securities from the bank or business entity at a specified price, either within a  
15 specified period of time or upon demand.

16 **Sec. 9. 24-A MRSA §1151-A, sub-§42**, as enacted by PL 1999, c. 715, §8, is  
17 amended to read:

18 **42. Reverse repurchase transaction.** "Reverse repurchase transaction" means a  
19 transaction in which an insurer ~~sells securities to a qualified bank or a qualified business~~  
20 ~~entity or a bank or a business entity whose obligations with respect to such transaction are~~  
21 ~~guaranteed by a qualified bank or a qualified business entity and the insurer is obligated~~  
22 ~~to repurchase the sold securities or equivalent securities from the bank or business entity~~  
23 purchases securities from a counter-party that is obligated to repurchase the purchased  
24 securities or equivalent securities from the insurer at a specified price, either within a  
25 specified period of time or upon demand.

26 **Sec. 10. 24-A MRSA §4215, sub-§1**, as enacted by PL 1975, c. 503, is amended  
27 to read:

28 **1.** The superintendent may make an examination of the affairs of any health  
29 maintenance organization as often as ~~he deems the superintendent considers~~ it necessary  
30 for the protection of the interests of the people of this State, but not less frequently than  
31 once every 3 years. The superintendent may defer making an examination for no more  
32 than 2 additional years. In lieu of the superintendent's making an examination of a  
33 foreign or alien health maintenance organization, the superintendent may accept a full  
34 report of the most recent examination certified by the chief regulatory official of another  
35 state with responsibility for the financial oversight of health maintenance organizations.

36 **Sec. 11. 24-A MRSA §4353, sub-§6**, as amended by PL 1973, c. 585, §12, is  
37 further amended to read:

38 **6.** "Reciprocal state" means any state other than this State in which there is in force,  
39 in substance and effect, a law substantially similar to the uniform insurers liquidation act,  
40 as defined in section 4363, is in force Uniform Insurers Liquidation Act or another law

1 determined by the superintendent to establish adequate procedures for the conduct and  
2 interstate coordination of the rehabilitation and liquidation of delinquent insurers,  
3 including provisions requiring that the ~~Insurance Superintendent~~ insurance superintendent  
4 or equivalent insurance supervisory official be the receiver of a delinquent insurer, and in  
5 which effective provisions exist for avoidance of fraudulent conveyances and unlawful  
6 preferential transfers.

7 **Sec. 12. 24-A MRSA §4367, sub-§3** is enacted to read:

8 3. The courts of this State shall give full faith and credit to any stay of or injunction  
9 barring new actions against an insurer or its receiver, or the continuation of existing  
10 actions against an insurer or its receiver, when the stay or injunction is pursuant to an  
11 order to liquidate or rehabilitate an insurer issued in accordance with the delinquency  
12 laws of a reciprocal state.

### 13 SUMMARY

14 This bill updates several provisions of the Maine Insurance Code by incorporating  
15 recent amendments to model laws adopted by the National Association of Insurance  
16 Commissioners, or NAIC, and making related technical changes.

17 It corrects a conflict in the law governing examination of insurers by the  
18 Superintendent of Insurance and eliminates obsolete transition language.

19 It clarifies that adjudicatory proceedings conducted under the Maine Revised  
20 Statutes, Title 24-A, section 222 to review changes of control of domestic insurers are  
21 governed by the same procedural requirements as other Department of Professional and  
22 Financial Regulation, Bureau of Insurance adjudicatory proceedings and that multistate  
23 proceedings conducted under Maine law are considered public proceedings to the same  
24 extent as single-state proceedings subject only to the exceptions expressly enumerated in  
25 Title 24-A, section 222, subsection 7-A, paragraph D.

26 It clarifies that when an insurer or insurance group is required to conduct an own risk  
27 and solvency assessment, the assessment must be conducted in compliance with the  
28 NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual, as well as include  
29 the summary report as required under current law.

30 It corrects a conflict between Title 24-A, section 731-B, subsections 1 and 3,  
31 clarifying that subsection 1 is not the exclusive mechanism by which credit for  
32 reinsurance may be granted.

33 It provides that documents that a certified reinsurer is required to file are not public  
34 records if they are confidential under the laws of the reinsurer's domiciliary jurisdiction.

35 It brings Maine into compliance with the bilateral agreements entered into by the  
36 United States with the European Union and the United Kingdom by enacting the 2019  
37 amendments to the NAIC Credit for Reinsurance Model Law, which provide a  
38 mechanism for large, financially strong non-United States reinsurers to qualify for

1 eligibility by reciprocity to assume reinsurance from domestic insurers without posting  
2 security.

3 It corrects a NAIC drafting error from 2000 that inadvertently transposed the content  
4 of the definitions of "repurchase transaction" and "reverse repurchase transaction."

5 It corrects an inconsistency between Title 24-A, section 4215, subsection 1, which  
6 requires health maintenance organizations, or HMOs, to be examined by the  
7 Superintendent of Insurance at least every 3 years, and Title 24-A, section 221, which  
8 applies to HMOs pursuant to Title 24-A, section 4222-B, subsection 5 and which permits  
9 the examination period to be extended to 5 years. It also authorizes the superintendent to  
10 accept the domiciliary chief regulatory official's examination in satisfaction of Maine's  
11 requirement when a company is domiciled outside Maine. The purpose of these  
12 amendments is to allow Maine to participate in coordinated examinations with  
13 synchronized schedules for HMOs that are members of insurance groups.

14 It amends the reciprocity provisions of Maine's receivership laws by recognizing as  
15 reciprocal states those states with laws determined by the superintendent to be adequate  
16 or substantially similar to the NAIC's model insolvency laws, and brings Maine into  
17 conformity with the NAIC's guidelines for interstate recognition of stays and injunctions  
18 in receivership.