

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE
ONE HUNDRED AND ELEVENTH LEGISLATURE

SECOND SPECIAL SESSION

November 18, 1983

AND AT THE

SECOND REGULAR SESSION

January 4, 1984 to April 25, 1984

AND AT THE

THIRD SPECIAL SESSION

September 4, 1984 to September 11, 1984

PUBLISHED BY THE DIRECTOR OF LEGISLATIVE RESEARCH
IN ACCORDANCE WITH MAINE REVISED STATUTES
ANNOTATED, TITLE 3, SECTION 164, SUBSECTION 6.

J.S. McCarthy Co., Inc.
Augusta, Maine
1986

PUBLIC LAWS
OF THE
STATE OF MAINE

AS PASSED AT THE
SECOND REGULAR SESSION
of the
ONE HUNDRED AND ELEVENTH LEGISLATURE
JANUARY 4, 1984 TO APRIL 25, 1984

Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect when approved.

Effective April 6, 1984.

CHAPTER 709

H.P. 1803 - L.D. 2377

AN ACT to Increase Capital and Surplus Requirements of Insurers in Order to Hold a Certificate of Authority to Write Insurance.

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

Sec. 1. 24-A MRSA §410, sub-§1, as amended by PL 1973, c. 625, §134, is repealed and the following enacted in its place:

1. To qualify for authority to transact any one kind of insurance, as defined in chapter 9, or combination of kinds of insurance as shown below, an insurer shall possess and thereafter maintain unimpaired paid-in capital stock, if a stock insurer, or unimpaired basic surplus, if a foreign mutual or a reciprocal insurer, and when first so authorized shall possess initial free surplus, all in amounts not less than as determined from the following table.

A health, life and health or multiple line (as described in section 710) insurer may qualify for a certificate of authority to transact a legal services insurance business, as described in chapter 38, if it is otherwise qualified therefor and possesses and thereafter maintains, in addition to the amounts described in the following table, an additional amount of unimpaired paid-in capital stock, if a stock insurer, or unimpaired basic surplus, if a foreign mutual or reciprocal insurer, of not less than \$500,000.

<u>Kind or Kinds of Insurance</u>	<u>Stock Insurers</u>		<u>Foreign mutual, Reciprocal Insurers</u>	
	<u>Minimum Required Capital Stock</u>	<u>Initial Free Surplus</u>	<u>Minimum Required Basic Surplus</u>	<u>Initial Free Surplus</u>
<u>Life</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>\$1,500,000*</u>	<u>\$1,500,000*</u>
<u>Health</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
<u>Life and Health</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000*</u>	<u>2,500,000*</u>
<u>Casualty</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
<u>Marine and Transportation</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
<u>Property</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
<u>Surety</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
<u>Title</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<u>Multiple line (as defined in section 710)</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
<u>Life, and any one or more of Property, Ca- sualty, Sure- ty, Marine and Transportation</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000*</u>	<u>5,000,000*</u>

* Does not apply as to a reciprocal insurer.

Except:

A. An insurer holding a valid certificate of authority to transact insurance in this State on January 1, 1970, may, if otherwise qualified therefor until January 1, 1989, continue to be so authorized while possessing paid-in capital stock, if a stock insurer, or surplus, if a mutual or reciprocal insurer, as required for such authority immediately prior to January 1, 1970.

B. Prior to January 1, 1989, the superintendent shall not authorize such an insurer to transact any other kinds of insurance unless it complies

with the requirements as to capital stock, if a stock insurer, or basic surplus, if a mutual or reciprocal insurer, as applied to all kinds of insurance it proposes to transact, as provided in the table contained in this paragraph.

A health, life and health or multiple line (as described in section 710) insurer may qualify for a certificate of authority to transact a legal services insurance business, as described in chapter 38, if it is otherwise qualified therefor and possesses and thereafter maintains, in addition to the amounts described in the following table, an additional amount of unimpaired paid-in capital stock, if a stock insurer, or unimpaired basic surplus, if a foreign mutual or reciprocal insurer, of not less than \$500,000.

<u>Kind or Kinds of Insurance</u>	<u>Stock Insurers</u>		<u>Foreign mutual, Reciprocal Insurers</u>	
	<u>Minimum Required Capital Stock</u>	<u>Initial Free Surplus</u>	<u>Minimum Required Basic Surplus</u>	<u>Initial Free Surplus</u>
<u>Life</u>	<u>\$500,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000*</u>	<u>\$1,000,000*</u>
<u>Health</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
<u>Life and Health</u>	<u>500,000</u>	<u>1,000,000</u>	<u>1,000,000*</u>	<u>1,000,000*</u>
<u>Casualty</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<u>Marine and Transportation</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<u>Property</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<u>Surety</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<u>Title</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
<u>Multiple line (as defined in section 710)</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
<u>Life, and any one or more of Property, Casu- alty, Surety, Marine and Transportation</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000*</u>	<u>2,000,000*</u>

* Does not apply as to a reciprocal insurer.

C. Until January 1, 1989, a domestic mutual insurer formed prior to January 1, 1968, and while possessing surplus of not less than \$200,000 may be authorized to transact additional kinds of insurance authorized by its charter; subject to those minimum required basic surplus amounts applicable as to foreign mutual insurers as contained in the table in paragraph B, if the insurer is to transact life insurance together with any one or more of property, casualty, surety or marine and transportation insurances.

D. Domestic mutual insurers holding a certificate of authority upon January 1, 1989, if otherwise qualified therefor, and possessed of basic surplus in minimum required amounts as contained in the table in this paragraph may continue to be so authorized, provided those insurers continue to possess and maintain unimpaired basic surplus funds as determined herein and applicable to those lines or kinds of insurance permitted by its certificate of authority immediately prior to January 1, 1989. Upon application by any such insurer and written approval by the superintendent, the insurer's certificate of authority may be extended to permit the writing of other kinds or lines of insurance if the insurer is qualified therefor and possessed of basic surplus funds in amounts contained in the table in this paragraph.

A health, life and health or multiple line (as described in section 710) insurer may qualify for a certificate of authority to transact a legal services insurance business, as described in chapter 38, if it is otherwise qualified therefor and possesses and thereafter maintains, in addition to the amounts described in the following table, an additional amount of unimpaired paid-in capital stock, if a stock insurer, or unimpaired basic surplus, if a foreign mutual or reciprocal insurer, of not less than \$500,000.

<u>Kind or Kinds of Insurance</u>	<u>Domestic Mutual Insurers</u>
<u>Life</u>	\$1,000,000
<u>Health</u>	500,000
<u>Life and Health</u>	1,250,000
<u>Casualty</u>	750,000
<u>Marine and Transportation</u>	1,000,000
<u>Property</u>	500,000
<u>Surety</u>	1,000,000
<u>Title</u>	350,000

<u>Multiple Line (as defined in section 710)</u>	<u>1,250,000</u>
<u>Life, and any one or more of Property, Casualty, Surety, Marine and Transportation</u>	<u>2,500,000</u>

E. An insurer which otherwise possesses funds as required under this subsection shall at all times maintain policyholders' surplus, combined paid-in capital stock, if any, and surplus, reasonable in amount, as determined by the superintendent, in relation to the kinds and amount of insurance it has in force, or being written and retained by it, net of applicable reinsurance. In making any such determination, the superintendent shall give due consideration to any applicable standards approved or adopted by the National Association of Insurance Commissioners and to the desirability of substantial uniformity as to such requirements among the respective states.

Sec. 2. 24-A MRSA §3352, sub-§2, as amended by PL 1969, c. 177, §57, is repealed and the following enacted in its place:

2. When applying for an original certificate of authority, the insurer must be otherwise qualified therefor under this Title, and must have received and accepted bona fide applications as to substantial insurable subjects for insurance coverage of a substantial character of the kind of insurance proposed to be transacted, must have collected in cash the full premium therefor at a rate not less than that usually charged by other insurers for comparable coverages, must have surplus funds on hand and deposited as of the date such insurance coverages are to become effective, or, in lieu of such applications, premiums and surplus, may deposit and thereafter maintain surplus, all in accordance with that part of the following schedule which applies to each kind of insurance the insurer proposes to transact:

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Kind of Ins.	Min. No. of Apps. Accepted	Min. No. Subjects Covered	Minimum Premium Collected	Minimum Amount Ins. Ea. Subject	Maximum Amount Ins. Ea. Subject (5)	Deposit Minimum Surplus Fund (6)	Deposit Surplus in Lieu (7)
<u>Life(1)</u>	<u>500</u>	<u>500</u>	<u>Annual</u>	<u>\$ 2,500</u>	<u>\$50,000</u>	<u>\$1,000,000</u>	<u>\$1,250,000</u>

<u>Health</u> <u>(2)</u>	<u>500</u>	<u>500</u>	<u>Quarterly</u>	<u>100</u> <u>(wkly.</u> <u>indem.)</u>	<u>300</u> <u>(wkly.</u> <u>indem.)</u>	<u>500,000</u>	<u>750,000</u>
<u>Prop-</u> <u>erty(3)</u>	<u>100</u>	<u>250</u>	<u>Annual</u>	<u>10,000</u>	<u>100,000</u>	<u>500,000</u>	<u>750,000</u>
<u>Casu-</u> <u>alty(4)</u>	<u>250</u>	<u>500</u>	<u>Annual</u>	<u>25,000</u>	<u>100,000</u>	<u>750,000</u>	<u>1,000,000</u>

The following provisions are respectively applicable to the foregoing schedule and provisions as indicated by like numerals appearing in such schedule.

(1) No group insurance or term policies for terms of less than 10 years may be included.

(2) No group, blanket or family plans of insurance may be included. In lieu of weekly indemnity, a like premium value in medical, surgical and hospital benefits may be provided. Any accidental death or dismemberment benefit provided shall not exceed \$15,000.

(3) Only insurance of the owner's interest in real property may be included.

(4) Such insurance must include coverage of legal liability for bodily injury and property damage, to which the maximum and minimum insured amounts apply.

(5) The maximums provided for in column (F) are net of applicable reinsurance.

(6) The deposit of surplus in the amount specified in columns (G) and (H) must thereafter be maintained unimpaired. The deposit is subject to chapter 15 (administration of deposits).

(7) Deposit surplus, when utilized, in lieu of the alternative procedure of accepting deposit application funds shall be in those amounts enumerated for each identified kind of insurance.

Expendable surplus: In addition to surplus deposited and thereafter to be maintained as shown in columns (G) or (H), the insurer when first authorized must have on hand surplus funds, which it can thereafter expend in the conduct of its business, in amount not less than 50% of the applicable deposited and main-

tained surplus required of it under the schedule set up in this subsection.

Sec. 3. 24-A MRSA §3352, sub-§4 is enacted to read:

4. Domestic mutual insurers, possessing a certificate of authority to conduct business solely on an assessment plan upon the effective date of this subsection, and newly organized assessment plan mutual insurers authorized after the effective date of this subsection shall be governed as to surplus funds requirements by the provisions of chapter 51.

Sec. 4. 24-A MRSA §3415, sub-§1, as amended by PL 1973, c. 585, §12, is repealed and the following enacted in its place:

1. A domestic stock or mutual insurer may borrow money to defray the expenses of its organization, provide it with surplus funds or for any purpose of its business, upon a written agreement that such money is required to be repaid only out of the insurer's surplus in excess of that stipulated in the agreement. The agreement may provide for interest not exceeding, per annum, a rate of 5 percentage points in excess of the then current discount rate of the Federal Reserve Bank, Boston, which interest shall or shall not constitute a liability of the insurer as to its funds other than such excess of surplus as stipulated in the agreement. No commission or promotion expense may be paid in connection with any such loan, except that if sale is made of the loan securities through established securities brokers or by public offering, the insurer may pay the reasonable costs thereof approved by the superintendent.

Effective July 25, 1984.

CHAPTER 710

H.P. 1579 - L.D. 2090

AN ACT Concerning Desecration and
Vandalism of Religious and other Institutions.

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