

MAINE STATE LEGISLATURE

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STATE OF MAINE
113TH LEGISLATURE
SECOND REGULAR SESSION

Feasibility of Establishing a
3-member Insurance Commission
to Perform the Functions of
the Superintendent of
Insurance
Report of a Study by the
Joint Standing Committee
on Banking and Insurance

January, 1988

MEMBERS:

Sen. Raynold Theriault, Chair
Sen. Beverly Miner Bustin
Sen. Donald Collins
Rep. Charlene Rydell, Chair
Rep. Carol Allen
Rep. Phyllis Erwin
Rep. Herbert Clark
Rep. P. Kelley Simpson
Rep. Richard Tracy
Rep. John Bott
Rep. Mary Webster
Rep. Philip Curran
Rep. Joseph Garland

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INTRODUCTION

LD 1556 An Act to Establish an Insurance Commission was introduced in the First Regular Session of the 113th Legislature. The Joint Standing Committee on Banking and Insurance voted to carry the bill over to the 2nd Regular Session of the 113th Legislature in order to study the issue. The Committee requested and was granted a study from the Legislative Council. A subcommittee of 5 was formed to study the issue. Senator Raynold Theriault and Representatives Charlene Rydell, Phyllis Erwin, Joseph Garland, and Robert Tardy were selected to serve with Senator Theriault serving as chairman.

In order to determine the feasibility of establishing a 3-member commission, the subcommittee decided to look at the current structure of the Bureau of Insurance, anticipated changes in the Bureau, and any examples of commissions operating in other states and in Maine. The subcommittee met 3 times from August through December, 1987. Joseph Edwards, Superintendent of Insurance outlined the current structure of the Bureau including problem areas and anticipated changes during two of the meetings. The subcommittee also heard from Joseph Donahue, Public Utilities Commission, regarding the structure and functioning of that commission. The subcommittee studied the structure of the Bureau of Insurance in Texas which has a 3-member commission structure.

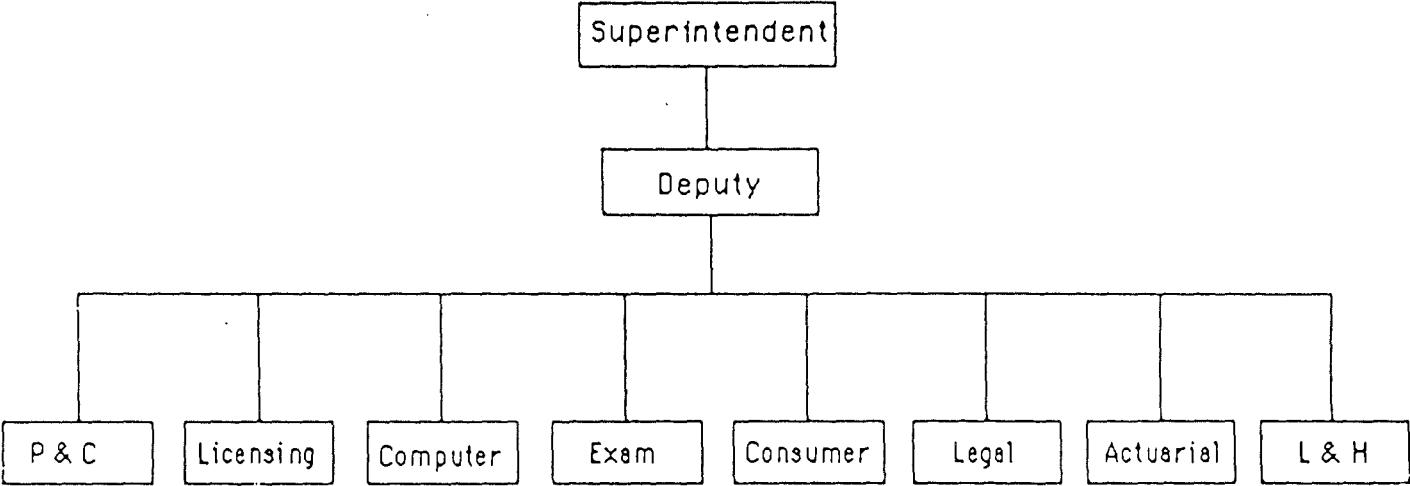
BACKGROUND INFORMATION

I. Structure of the Maine Bureau of Insurance

The Bureau of Insurance is currently understaffed. There are 47 positions authorized of which two-thirds are filled. Overcrowded conditions and poor facilities are two major reasons that the Bureau cannot attract more staff. Salaries are also a problem in hiring qualified people for some positions. The Superintendent believes that the facilities need to be upgraded before effective major recruiting efforts can take place.

Currently there is one Deputy Superintendent who is the immediate supervisor of the 8 departments and reports to the Superintendent. The heavy workload of the one deputy has created a management imbalance. The licensing division which licenses agents and brokers, is functioning well. Most of the other departments need more staff in order to function at an optimal level.

Bureau of Insurance (Current)



II. Anticipated changes in the Bureau

Superintendent Joseph Edwards outlined anticipated changes in four areas at the third meeting on December 17, 1987:

1. Facilities

As of December 17, 1987, the Department of Professional and Financial Regulation was still looking for new facilities. A decision as to a new location is anticipated early in 1988. The facility will probably have double the amount of space of the current facility. The Department is expecting to move sometime in April, 1988.

2. Staff

The Bureau is now interviewing qualified candidates for authorized positions. Three new people have been hired recently. The Governor will probably recommend adding new positions to those already authorized as part of a major reorganization of the structure of the Bureau.

3. Auditing Teams

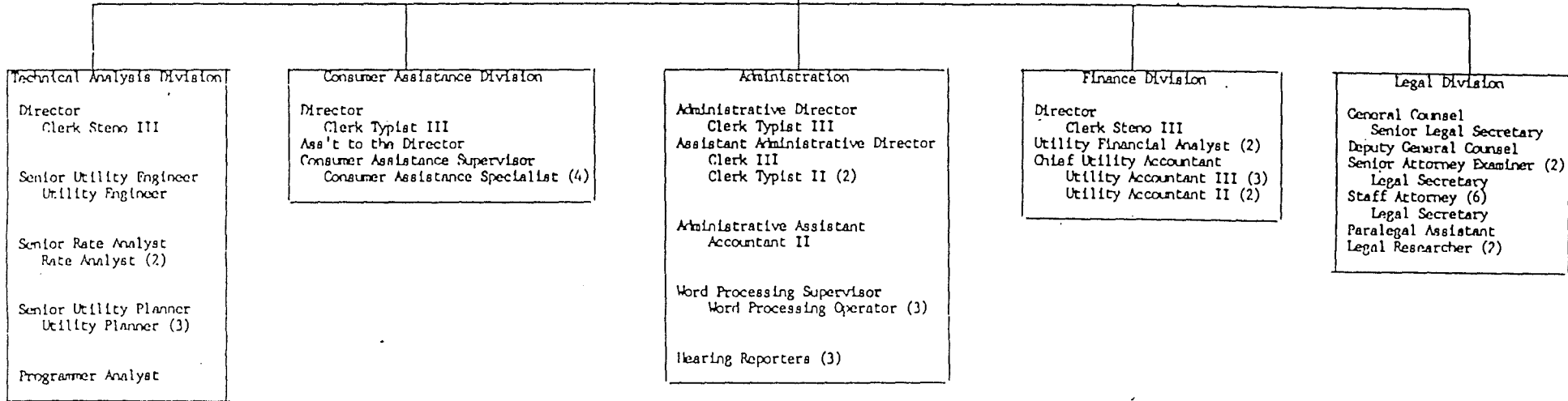
Currently there is only one auditing team that travels around the State to audit insurance companies. A single audit may take several weeks and involve long days and long-distance driving. There is some "burnout" when the same team performs all the audits in the State. The Superintendent is proposing that the Bureau maintain two full teams with only one team "on the road" at a time.

4. Consumer Relations

Currently there are only two people handling all consumer complaints and issues. More staff or better computers are needed to handle complaints. The Superintendent is recommending that a full-time person be hired in the consumer division to concentrate on community relations. He is also recommending that a market conduct department be established.

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

COMMISSION
Chairman
Administrative Secretary
Commissioners (2)
Clerk Steno III



III. The Maine Public Utilities Commission

Most utilities are monopolies. The basic goal of the commission is to assure that public utilities provide a safe product at a reasonable rate on a nondiscriminatory basis. The Public Utilities Commission restricts entry into the market to protect the monopoly if this is in the best interest of the public or allows entry into the market if competition better serves the public.

The PUC also sets rates by using a formula that allows for expenses and a reasonable opportunity for a rate of return on a level with other businesses with similar risk.

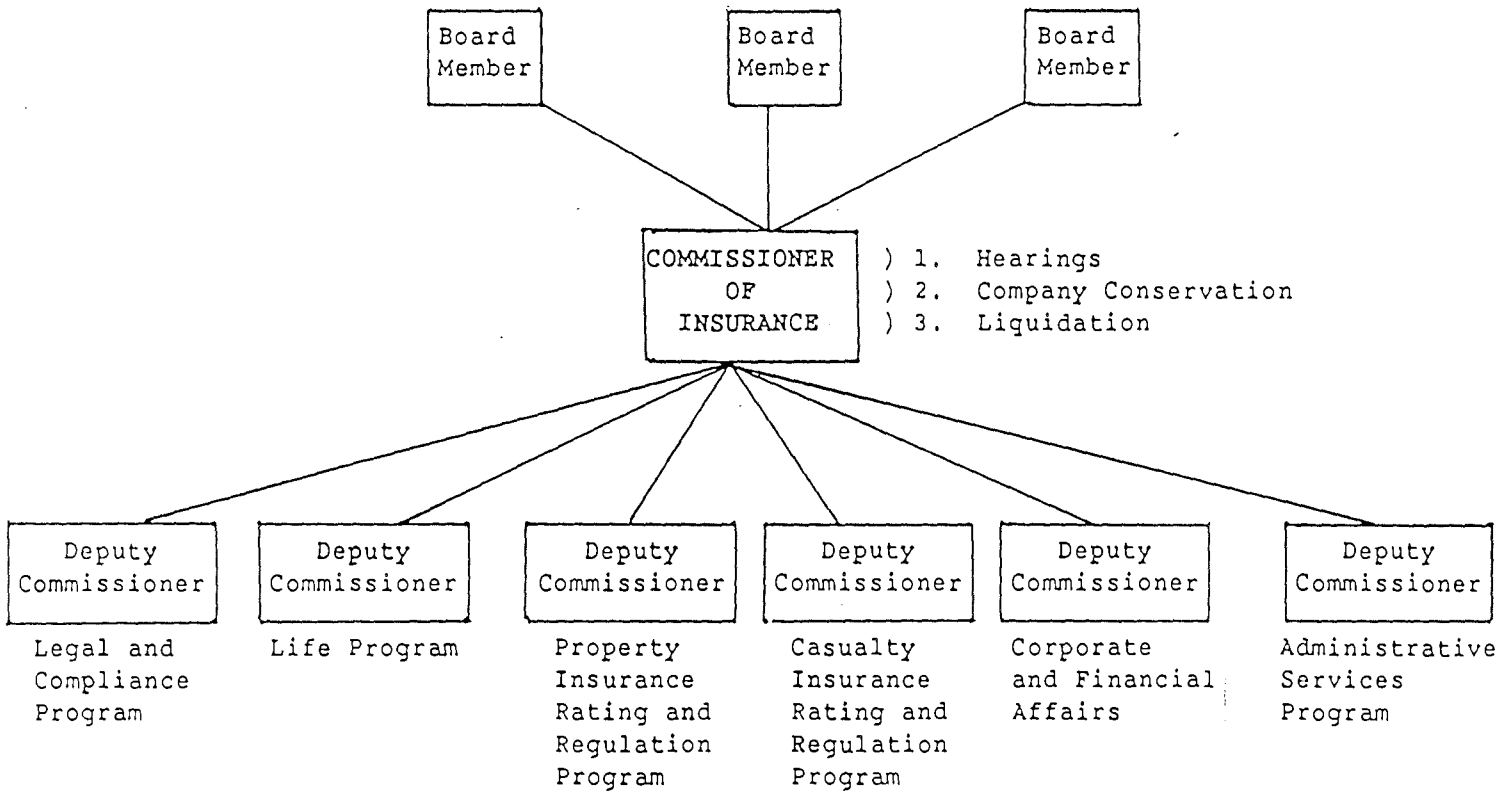
There are three full time commissioners and 5 divisions. Many of the positions were declassified by the Legislature in order to be able to hire quality staff. In rate making cases some staff serve as advisors to the commission, and some staff act as parties to the proceedings.

IV. The Texas Commission

Texas is the only State whose Bureau of Insurance is structured on a commission model. The three board members are appointed by the Governor. The Board sets insurance rates and determines policy for the agency. The Board appoints a Commissioner of Insurance who is the chief executive and administrative officer having the primary responsibility of administering and enforcing the provisions of the Insurance Code under the supervision of the Board. There are six deputy commissioners, six divisions, a staff of 1700, and a budget of \$62 million.

In a legislative report dated January 22, 1987 to the Texas Legislature, it was reported that the liability situation in Texas was worse compared to the national market. Insurance rates in Texas are similar to those in the rest of the country. Texas requires prior approval in property/casualty lines.

STRUCTURE OF THE TEXAS STATE BOARD OF INSURANCE



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CONCLUSIONS

During the Second Special Session of the 113th Legislature held in October and November, 1987, John Martin, Speaker of the House, and Charles Pray, President of the Senate, used LD 1556 with amendments as a vehicle to propose legislation for workers' compensation. The Committee concluded that a Commission approach is expensive and does not appear to have an effect on rates.

The subcommittee thereafter noted that because the Committee discussed the feasibility of establishing a 3-member Commission and rejected it that they would also recommend that LD 1556 be given leave to withdraw. The full Committee voted again in January, 1988 during the 2nd Regular Session of the 113th Legislature to give the sponsors of LD 1556 leave to withdraw the bill.

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