

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
113TH LEGISLATURE  
SECOND REGULAR SESSION



BILL SUMMARY  
JOINT STANDING COMMITTEE  
ON  
BANKING AND INSURANCE

MAY 1988

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Sen. Donald F. Collins

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\* Denotes Chair

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**ONE HUNDRED AND THIRTEENTH LEGISLATURE  
FIRST & SECOND SPECIAL SESSIONS  
SECOND REGULAR SESSION**

**JOINT STANDING COMMITTEE  
BILL SUMMARIES  
MAY 1988**

*This document is a compilation of the bill summaries prepared by this office for the Joint Standing Committees and Joint Select Committees of the Maine Legislature. The summaries are arranged by LD number under each committee.*

*All Adopted Amendments are listed, by paper number (e.g., H-584 or S-222), together with the sponsor for floor amendments. Final action is listed to the right of the title. If final House and Senate action differ, both are listed. Committee Reports and Floor Action are indicated as follows::*

<b>OTP</b>	<b>Ought to Pass</b>
<b>OTP-ND</b>	<b>Ought to Pass in New Draft</b>
<b>OTP-ND-NT</b>	<b>Ought to Pass in New Draft, New Title</b>
<b>OTP-A</b>	<b>Ought to Pass as Amended</b>
<b>ONTP</b>	<b>Ought Not to Pass</b>
<b>LVWD</b>	<b>Leave to Withdraw</b>
<b>INDEF PP</b>	<b>Indefinitely Postponed</b>

*Each individual summary was prepared by the analyst assigned, as noted for each committee. But, this document was produced by the efforts of all the office staff, including Secretaries: Charlene Brann, Janet Jean, Earl Knox, Valarie Parlin; Research Assistant Hartley Palleschi. Finally, Secretary Laurette Knox, Legal Assistant Carolyn Chick, and Research Assistant Robert Dunn had special responsibilities in the preparation of the overall document.*

*Please give us your suggestions and comments on these summaries and tell us of any inaccuracies.*

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COMMITTEE REPORT

AMENDMENTS ADOPTED

SUMMARY

New Draft Of LD 2119

The original bill (LD 2119) amends current law regarding the Maine Insurance Guaranty Association. In addition to current exemptions, it exempts fidelity insurance, surety bonds, ocean marine insurance, financial guaranty insurance, insurance of warranty or service contracts, and transfers of investment or credit risk. It expands the definition of "covered claim" to include entities whose principal place of business is outside the State. "Insolvent insurer" is redefined so that there must be an order of liquidation in addition to a finding of insolvency. It adds a section giving the Association the right to recover against an affiliate of the insolvent insurer whose net worth exceeds \$50 million in the next year after insolvency. Claimants must first exhaust recovery under any governmental program under this bill. The bill narrows the duties of the board and gives them access to records. The new draft establishes qualifications for licensure to write financial guaranty insurance and defines financial guaranty insurance.

The new draft adds title insurance and financial guaranty insurance to the types of insurance covered by the fund. The amount a policyholder may recover for unearned premium is limited in this bill to \$100,000. Current law does not limit the amount of recovery for unearned premium. The new draft gives the guaranty association the right to a copy of any complaint seeking an order of liquidation. It requires that an insured first collect under any government program before going to the financial guaranty association. The new draft also gives the guaranty association the right to obtain any insolvent insurer's records that are needed to carry out its function in covering claims.