

MAINE STATE LEGISLATURE

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STATE OF MAINE
114TH LEGISLATURE
FIRST REGULAR SESSION



BILL SUMMARY
JOINT STANDING COMMITTEE
ON
BANKING AND INSURANCE

JULY 1989

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ONE HUNDRED AND FOURTEENTH LEGISLATURE
FIRST REGULAR SESSION

JOINT STANDING COMMITTEE
BILL SUMMARIES
AUGUST 1989

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 for 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 abbreviated as follows:

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

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 Research Assistant Barbara McGinn, and secretaries: Charlene Brann, and Valarie Parlin, and especially Laurette Knox who coordinated preparation of the overall document.

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

LD 1741 An Act to Authorize Mortgagees to Require Property Insurance
Provided by Insurers Which Meet Standards Established by
Federal Mortgage Loan Corporations

CARRIED OVER
BANK/INS COMM

SPONSOR(S)
NADEAU G G

COMMITTEE REPORT

AMENDMENTS ADOPTED

SUMMARY

Current law prohibits mortgage lenders from requiring borrowers to use particular insurers or insurance brokers or agents. A mortgage lender is allowed to approve the borrower's insurer based on nondiscriminatory criteria, which may include the insurer's solvency and ability to service the policy.

The Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Association (Freddie Mac), and the Maine State Housing Authority require that any loan which these organizations purchase be insured by insurers which meet the "B-III" standards of the A.M. Best Company. A recent decision of the Superintendent of Insurance has found this to be discriminatory. This bill would amend the statute to allow mortgagees to use a nationally recognized rating service (such as A.M. Best) as a basis for approving the insurer selected by the borrower.

A lawsuit has been filed challenging the Superintendent's decision, and the court has stayed enforcement until September 1, 1989, when a decision is expected.

The Committee expects that the interested parties will attempt to resolve the issue by the end of the summer, so it may be possible to consider the bill during a Special Session.

LD 1743 An Act to Modernize the Capital Structure of Domestic Stock
Insurers

CARRIED OVER
BANK/INS COMM

SPONSOR(S)
HOBBINS

COMMITTEE REPORT

AMENDMENTS ADOPTED

SUMMARY

This bill eliminates current limitations on the kinds of stock which could be issued by domestic stock insurers, thus providing greater flexibility in raising capital. The bill permits domestic insurance companies to issue stock other than common stock, such as convertible preferred stock. One company was especially interested in this, and discussions will proceed between them and the Bureau of Insurance in the interim.

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