

# MAINE STATE LEGISLATURE

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**STATE OF MAINE  
114TH LEGISLATURE  
SECOND REGULAR SESSION**



**BILL SUMMARIES  
JOINT STANDING COMMITTEE  
ON  
BANKING AND INSURANCE**

**JUNE 1990**

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**One Hundred and Fourteenth Legislature  
Second Regular Session**

**Joint Standing Committee  
Bill Summaries**

**June 1990**

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. Committee Reports and Floor Action are abbreviated as follows:

OTP  
OTP-ND  
OTP-ND-NT  
OTP-A  
ONTP  
LVWD  
INDEF PP

Ought to Pass  
Ought to Pass in New Draft  
Ought to Pass in New Draft, New Title  
Ought to Pass as Amended  
Ought Not to Pass  
Leave to Withdraw  
Indefinitely Postponed

Each individual summary was prepared by the analyst or analysts assigned to the committee. But, this document was produced by the efforts of all the office staff, including secretaries: Charlene Raymond, 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.

## Joint Standing Committee on Banking and Insurance

**LD 1320**      **An Act to Create a State Fund to Provide Workers' Compensation Insurance Coverage to Employers**      **LV/WD**

<b>SPONSOR(S)</b>	<b>COMMITTEE REPORT</b>	<b>AMENDMENTS ADOPTED</b>
MARTIN J MCHENRY RYDELL DUTREMBLE D	LV/WD	

### **SUMMARY**

This bill, carried over from the 1st Regular Session, would have created a competitive state fund to provide workers' compensation insurance to Maine employers. During the interim between the 1st and 2nd Regular Sessions, a subcommittee of the Banking & Insurance Committee studied the feasibility of creating a state fund to insure workers' compensation, and produced a second bill creating a state fund, LD 2203. LD1320 was given leave to withdraw, and the committee used LD 2203 as a vehicle for discussing the formation of a state fund. •

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

<b>SPONSOR(S)</b>	<b>COMMITTEE REPORT</b>	<b>AMENDMENTS ADOPTED</b>
NADEAU G G	LV/WD	

### **SUMMARY**

Carried over from the First Regular Session. Current law prohibits mortgage lenders from requiring borrowers to use particular insurers, but allows nondiscriminatory criteria, such as solvency and ability to provide service.

The Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Association (Freddie Mac), and the Maine State Housing Authority require that any loans which they purchase be insured by insurers which meet the "B-III" standards of the A.M. Best Company. The Superintendent of Insurance found this to be discriminatory. The bill would authorize use of a nationally recognized rating service such as A.M.Best.

The bill was withdrawn after the Superior Court vacated the Superintendent's decision and Freddie Mac agreed to accept insurers rated "A" by another rating service.

**LD 1743**      **An Act to Modernize the Merger Provisions Relating to Domestic Stock Insurers**      **PUBLIC 611 EMERGENCY**

<b>SPONSOR(S)</b>	<b>COMMITTEE REPORT</b>	<b>AMENDMENTS ADOPTED</b>
HOBBS	OTP-AM	S-470

### **SUMMARY**

With the Committee Amendment (S-470) the bill clarifies that a domestic stock insurer may merge with another insurer whether or not they are actually authorized to transact insurance, if they have the necessary capital and surplus. It also establishes regulatory requirements for insurers following a merger or consolidation.

The original bill would have permitted domestic insurance companies to issue stock other than common stock, such as convertible preferred stock, but this provision was deleted.

**LD 1820 An Act Requiring the Availability of Insurance Loss Information**

**PUBLIC 696**

**SPONSOR(S)**  
TARDY

**COMMITTEE REPORT**  
OTP-AM

**AMENDMENTS ADOPTED**  
H-800

**SUMMARY**

The bill would require insurance companies to respond within 15 days to a written request for loss information from an insured.

The Committee Amendment (H-800) replaces the bill, requires property and casualty insurers to provide loss information to an insured upon request within 30 days of receipt of the request; and prohibits cancellation of a policy for nonpayment of premium until that loss information has been supplied. The amendment also deletes any reference to health insurance.

**LD 1832 Resolve, to Investigate the Formation of an Interstate Insurance Compact**

**LV/WD**

**SPONSOR(S)**  
PRAY  
THERIAULT  
BUSTIN  
ALLEN

**COMMITTEE REPORT**  
LV/WD

**AMENDMENTS ADOPTED**

**SUMMARY**

The resolve would have required the Commission on Interstate Cooperation to investigate whether Maine should join with other states to form an interstate insurance compact. The purpose of the compact would have been to reduce insurance costs and assure availability of certain kinds of insurance.

**LD 1843 An Act to Require the Superintendent of Insurance to Review the Requirements for a Certificate of Authority for Certain Captive Medical Malpractice Insurers**

**P & S 128  
EMERGENCY**

**SPONSOR(S)**  
PRAY  
BALDACCI  
PEDERSON  
STEVENS P

**COMMITTEE REPORT**  
ONTP MAJ  
OTP MIN

**AMENDMENTS ADOPTED**  
S-689 CONF COMM AMEND

**SUMMARY**

LD 1843 would exempt non-United States "captive" insurers from the requirement to obtain a certificate of authority to transact insurance in Maine, but only to the extent that the captive insures the medical malpractice risks of its parent or affiliates.

A Senate Amendment that was not adopted (S-625) would have permitted a domestic captive insurer to obtain a limited certificate of authority to transact certain medical malpractice insurance in Maine, without having to comply with capital and other requirements imposed on insurers. The amendment would only apply to a domestic insurer wholly owned by a domestic hospital or hospital holding company with net worth of \$50,000,000, and only if all risk assumed by the captive insurer is fully reinsured by domestic or