

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
116TH LEGISLATURE

SECOND REGULAR SESSION

BILL SUMMARIES  
JOINT STANDING COMMITTEE  
ON  
BANKING AND INSURANCE

MAY 1994

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**ONE HUNDRED AND SIXTEENTH LEGISLATURE  
SECOND REGULAR SESSION**

**JOINT STANDING COMMITTEE  
BILL SUMMARIES**

**MAY 1994**

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 volume is organized alphabetically by committee; within each committee, the summaries are arranged by LD number. A subject index is provided at the beginning of each committee's summaries.

The committee report or reports, the prime sponsor for each bill and the lead co-sponsor in each house if one has been designated are listed below each bill title. All adopted amendments are listed, by paper number, together with the sponsor for floor amendments. Final action on each bill is listed to the right of the title. Various types of final action are abbreviated as follows:

*PUBLIC XXX*

*P&S XXX*

*RESOLVE XXX*

*CON RES XXX*

*EMERGENCY*

*ONTP*

*INDEF PP*

*FAILED ENACTMENT*

*FAILED EMERGENCY ENACTMENT*

*FAILED MANDATE ENACTMENT*

*DIED BETWEEN BODIES*

*CONF CMTE UNABLE TO AGREE*

*VETO SUSTAINED*

*UNSIGNED*

*DIED ON ADJOURNMENT*

*Chapter # of enacted Public Law*

*Chapter # of enacted Private & Special Law*

*Chapter # of enacted Resolve*

*Chapter # of Constitutional Resolution passed by both Houses*

*Enacted law takes effect sooner than 90 days*

*Ought Not to Pass report accepted*

*Bill Indefinitely Postponed*

*Bill failed to get majority vote*

*Emergency bill failed to get 2/3 vote*

*Bill imposing local mandate failed to get 2/3 vote*

*House & Senate disagree; bill died*

*Committee of Conference unable to agree; bill died*

*Legislature failed to override Governor's Veto*

*Not signed by Governor within 10 days*

*Action incomplete when session ended; bill died*

These summaries were prepared by the analyst or analysts assigned to the committee. If you have any suggestions or comments on the summaries, please let us know.

5581LHS

**SPONSOR(S)**  
CARLETON**COMMITTEE REPORT**  
OTP-AM**AMENDMENTS ADOPTED**  
H-916**SUMMARY**

This bill requires insurers who propose to transfer insurance contracts to fully disclose to the policy owners the reasons for and the terms and consequences of the proposed transfer. The bill requires the transferring company to obtain a policy owner's written consent before it may transfer any contract. It prohibits discrimination against policy owners who refuse to consent to a transfer. The bill prohibits discrimination against policy owners who refuse to consent to a transfer. Violations of these provisions constitute unfair trade acts under the Maine Insurance Code and, in addition, insurers remain liable on contracts transferred without full compliance.

COMMITTEE AMENDMENT "A" (H-916) replaces the bill and adds a fiscal note.

This amendment defines assuming insurer as an insurer who acquires an insurance obligation or risk from the transferring insurer pursuant to an assumption reinsurance agreement. It defines assumption reinsurance agreement as the contract that transfers insurance obligations or risks and is intended as a novation of the contract. It defines contract of insurance, notice of transfer, policyholder and transferring insurer. It defines home service business as insurance on which the premiums are collected weekly or monthly by an agent of the insurer.

This amendment provides for the regulation of the transfer and novation of contracts of insurance by way of assumption reinsurance. It does not apply to the required substitution of one insurer for another upon the expiration of coverage and new coverage by the new insurer or transfers of contracts upon the merger of 2 insurers as regulated by law. It does not apply to any insurer subject to a judicial order of liquidation of consolidation or agreements.

This amendment requires the transferring insurer to notify the policyholder and the insurer's agents or brokers. The policyholder has the right to consent or reject the transfer and novation. The notice must contain information about the proposed change, how to contact the Bureau of Insurance and financial data on both companies. Prior approval from the Bureau of Insurance is required for assumption reinsurance contracts. The Superintendent of Insurance is required to consider the financial condition of both insurers, the persons in control of the assuming insurer, proposed administrative plans of the assuming insurer, whether the transfer is fair and reasonable to both insurers' policyholders and whether the notice proposed to be given is fair, adequate and not misleading.

The policyholder may reject the transfer and the premium notice must provide for a way to pay and reject and a way to pay and consent. If the transferring company does not receive a response from the policyholder 24 months after the first notice, the insurer sends another notice. Consent is deemed if the policyholder does not reject within one month after the 2nd notice.

If the policyholder consents, or if consent is deemed under the law, there is a novation of the contract subject to the assumption reinsurance contract. The assuming insurer takes all obligations and risks.

Novation of the insurance contract and transfer of risk may occur by order of the Superintendent of Insurance or the insurance regulatory official in a state with laws substantially similar to the laws of Maine.