

MAINE STATE LEGISLATURE

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STATE OF MAINE
116TH LEGISLATURE

FIRST REGULAR SESSION

BILL SUMMARIES
JOINT STANDING COMMITTEE
ON
BANKING AND INSURANCE

JULY 1993

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

**JOINT STANDING COMMITTEE
BILL SUMMARIES**

JULY 1993

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 (e.g., H-584 or S-222), 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:

<i>PUBLIC XXX</i>	<i>Chapter # of enacted Public Law</i>
<i>P&S XXX</i>	<i>Chapter # of enacted Private & Special Law</i>
<i>RESOLVE XXX</i>	<i>Chapter # of enacted Resolve</i>
<i>CON RES XXX</i>	<i>Chapter # of Constitutional Resolution passed by both Houses</i>
<i>EMERGENCY</i>	<i>Enacted law takes effect sooner than 90 days</i>
<i>CARRIED OVER</i>	<i>Bill carried over to Second Session</i>
<i>ONTP</i>	<i>Ought Not to Pass report accepted</i>
<i>ENACTMENT FAILED</i>	<i>Bill failed to get majority vote</i>
<i>INDEF PP</i>	<i>Bill Indefinitely Postponed</i>
<i>FAILED EMERGENCY ENACTMENT</i>	<i>Emergency bill failed to get 2/3 vote</i>
<i>FAILED MANDATE ENACTMENT</i>	<i>Bill imposing local mandate failed to get 2/3 vote</i>
<i>DIED BETWEEN BODIES</i>	<i>House & Senate disagree; bill died</i>
<i>CONF CMTE UNABLE TO AGREE</i>	<i>Committee of Conference formed but unable to agree</i>
<i>VETO SUSTAINED</i>	<i>Legislature failed to override Governor's Veto</i>
<i>UNSIGNED</i>	<i>Not signed by Governor within 10 days</i>
<i>DIED ON ADJOURNMENT</i>	<i>Action incomplete when session ended; bill died</i>

These summaries were 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.

If you have any suggestions or comments on these summaries, please let us know.

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commission to modify the ongoing bidding process to permit it to engage in competitive negotiation for the purpose of establishing rates for point-of-service plans and purchasing point-of-service plans from more than one bidder.

This bill was carried over to the Second Regular Session and the committee agreed to send the State Employee Health Commission a letter asking that quarterly data be collected by the commission and provided to the committee and that the matter be put out to bid in 1994.

LD 1464 **An Act to Establish Minimum Regulatory Standards for Insurers to Permit the Bureau of Insurance to Seek National Accreditation**

**PUBLIC 313
EMERGENCY**

SPONSOR(S)
KIEFFER

COMMITTEE REPORT
OTP-AM

AMENDMENTS ADOPTED
S-275

SUMMARY

This bill enables the Bureau of Insurance to seek national accreditation by establishing regulatory standards for insurers. The accreditation process is coordinated through the National Association of Insurance Commissioners, a voluntary association of the 50 state insurance regulators. The purpose of accreditation, consistent insurer solvency regulation across the country, is achieved by requiring state insurance departments to reach and maintain certain standards of insurance regulation, which are subject to continuous monitoring and improvement.

The bill also allocates funds for the continuation of 2 positions created in the workers' compensation reform package enacted by the Third Special Session of the 115th Legislature, Public Law 1991, chapter 885. The bill also provides funds to permit personnel upgrades in the legal and examination areas to reflect performance of accreditation responsibilities. A change in an examiner position from part-time to full-time is proposed to better ensure insurer compliance with performance regulatory standards.

Committee Amendment "A" (S-275) adds a fiscal note and makes the following changes:

1. It sets standards to be observed by the Superintendent of Insurance in the examination of insurance companies whereby the accounting procedures of the National Association of Insurance Commissioners, or NAIC, actuarial and financial analyses and certified public accountants' or CPA reports must be considered in fixing the timing and scope of these examinations.
2. It permits the Superintendent of Insurance to accept the examination reports of another public insurance regulatory official if that other authority is accredited by the NAIC or if examiners from such an accredited state insurance department participated in the examination.
3. It permits participation of other insurance departments in the examinations of foreign insurers with duties assigned in a manner to satisfy the requirements of the Maine Insurance Code, Maine Revised Statutes, Title 24-A.
4. It requires insurers to file CPA audit reports each June 1st and permits consolidated reporting by insurers when commonly owned insurers pool business results through reinsurance.
5. It defines surplus and unassigned funds of insurers for purposes of determining when such insurers may reasonably pay dividends to policyholders.
6. It deletes sections 8 and 9 of the bill pertaining to reinsurance.

7. It adds further standards which are to be employed by the Superintendent of Insurance when making a determination as to whether an insurer can safely draw from its surplus funds to pay dividends or make other distributions.
8. It defines an extraordinary dividend and limits the amount of payments via dividends an insurer may make to shareowners to the greater of 10% of the insurer's surplus or the insurer's net gain in the year previous to the payment unless the superintendent approves the dividend in another value prior to its payment. Additionally, all dividends taken are to be annually reviewed by the superintendent and restrictions on further dividends imposed if adequate capital is not maintained.
9. It gives powers to a court-appointed receiver of an insurance company in liquidation or rehabilitation to recover certain payments to an insolvent insurer's affiliates, its officers, directors or employees if those payments were made within one year preceding the filing of a petition for liquidation, conservation or rehabilitation. This is analogous to a bankruptcy trustee's power to avoid certain transfers occurring prior to initiation of bankruptcy proceedings.
10. It requires that the superintendent utilize practices and procedures established by the National Association of Insurance Commissioners when conducting an examination of an insurer.
11. It changes the assessment cap on insurers.
12. It requires that annual financial statements of insurers be presented consistent with standards of preparation established by the National Association of Insurance Commissioners as set out in its published accounting practices and procedures manual.
13. It establishes valuation standards to be used by the superintendent in ascribing value to investments held by insurers and authorizes the use of values published or determined by the National Association of Insurance Commissioners or, if such values are not available, by the superintendent.
14. The amendment establishes a consistent standard for investments in subsidiaries by property and casualty and life and health companies. An insurer may invest a total of up to the lesser of 10% of admitted assets or 50% of policyholder surplus in subsidiaries, but must obtain the superintendent's approval for any greater investment. Further, this section establishes limits on an insurer's ability to invest in debt securities that are not of investment grade.
15. It conforms cross references in the insurers' investment chapters of Maine Revised Statutes, Title 24-A to other provisions to be enacted by passage of this bill.
16. It repeals an existing provision of law that limits investment by property and casualty insurers in noninvestment grade securities; this provision is restated elsewhere in this bill.
17. It conforms definitions and investment terms that will apply similarly to both life and health and property and casualty insurers.
18. It establishes a new medium grade of debt investments that are not of investment or high-yield grade and places concentration limits upon all noninvestment grade securities.
19. It makes several modifications to the Maine Liability Risk Retention Act. These modifications provide for consistency with the National Association of Insurance Commissioners Model Liability Risk Retention Act.
20. It permits the Superintendent of Insurance to require risk purchasing groups to file information sufficient to allow a determination of where a purchasing group is located and to determine that appropriate premium tax treatment is accorded.

21. It provides a time requirement for the filing of information relating to changes to a purchasing group registration statement.
22. It prohibits a purchasing group from maintaining uninsured retention amounts.
23. It changes the assessment cap for workers' compensation self-insurers.

LD 1465 An Act to Amend Statutory Provisions Regarding Risk Management Funds

PUBLIC 470

SPONSOR(S)
CARLETON

COMMITTEE REPORT
OTP-AM

AMENDMENTS ADOPTED
H-553
S-374 PEARSON

SUMMARY

This bill will enable the State's risk management funds to continue to provide insurance for state agencies and selected nonstate entities and meet federal Governmental Accounting Standards Board requirements.

Committee Amendment "A" (H-553) clarifies language in the bill. It requires a report to the Banking and Insurance Committee on the availability and cost of insurance for residential child care facilities and specialized children's homes. It adds a fiscal note.

Senate Amendment "A" (S-374) to Committee Amendment "A" adds to the list of entities to which the director will provide services in the state-administered fund the University of Maine System, the Maine Technical College System and the Maine Maritime Academy.

LD 1470 An Act to Establish a Risk-sharing Mechanism for Small Group Health Insurance Plans

PUBLIC 325

SPONSOR(S)
CARLETON

COMMITTEE REPORT
OTP-AM

AMENDMENTS ADOPTED
H-464

SUMMARY

This bill permits health insurers to combine to reinsure claims arising after the implementation of last year's small group health insurance reform, which requires all small group insurers to accept any group that asks for coverage. The bill will prevent any one insurer from being subject to excessive losses as a result of accepting a disproportionate number of high-risk groups.

Committee Amendment "A" (H-464) changes the bill from a requirement that small group health insurers form a reinsurance pool to authorization for them to do so. The amendment eliminates the requirement that the reinsurance pool be prospective only. The amendment adds the requirement that the plan be determined to be in the public interest by the Superintendent of Insurance. The amendment also adds a fiscal note.