

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

STATE OF MAINE
116TH LEGISLATURE

SECOND REGULAR SESSION

BILL SUMMARIES
JOINT STANDING COMMITTEE
ON
BANKING AND INSURANCE

MAY 1994

Staff:

Jane Orbeton, Legislative Analyst

*Office of Policy and Legal Analysis
Room 101, State House Station 13
Augusta, ME 04333
(207)287-1670*

MEMBERS:

**Sen. Dale McCormick
Sen. Richard J. Carey
Sen. R. Leo Kieffer*

**Rep. Edward L. Pineau
Rep. Phyllis R. Erwin
Rep. Richard H. C. Tracy
Rep. Ruth Joseph
Rep. Anne M. Rand
Rep. Mona Walker Hale
Rep. Louise Townsend
Rep. Joseph G. Carleton, Jr.
Rep. Leslie Kutasi
Rep. Richard H. Campbell*

**Denotes Chair*

MARTHA E. FREEMAN, DIRECTOR
WILLIAM T. GLIDDEN, JR., PRINCIPAL ANALYST
JULIE S. JONES, PRINCIPAL ANALYST
DAVID C. ELLIOTT, PRINCIPAL ANALYST
MARION HYLAN BARR
JON CLARK
LISA COPENHAVER
DEBORAH C. FRIEDMAN
MICHAEL D. HIGGINS
JILL IPPOLITI



JOHN B. KNOX
ROY W. LENARDSON
PATRICK NORTON
JANE ORBETON
MARGARET J. REINSCH
PAUL J. SAUCIER
JOHN G. KELLEY, RESEARCHER
DARLENE A. SHORES LYNCH, RESEARCHER
CARRIE C. McFADDEN, RESEARCHER

STATE OF MAINE
OFFICE OF POLICY AND LEGAL ANALYSIS
ROOM 101/107/135
STATE HOUSE STATION 13
AUGUSTA, MAINE 04333
TEL: (207) 287-1670
FAX (207) 287-1275

**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

LD 1763 An Act to Provide Enhanced Enforcement Powers in the Maine Banking Laws

PUBLIC 538
EMERGENCY

SPONSOR(S)
CARLETON

COMMITTEE REPORT
OTP-AM

AMENDMENTS ADOPTED
H-790

SUMMARY

This bill repeals the current law that establishes the grounds for removal of an officer or director of a financial institution and replaces it with language that parallels federal law.

COMMITTEE AMENDMENT "A" (H-790) changes the semiannual period for assessments payable to the Bureau of Banking for most financial institutions to a quarterly period in order to smooth the flow of revenue to the bureau and diminish the need for higher cash balances. This amendment establishes an assessment period that coincides with the frequency of reporting financial data.

The amendment also clarifies state law governing insolvency and liquidation of a financial institution and provides the Bureau of Banking with additional flexibility to negotiate with the Federal Deposit Insurance Corporation in the resolution of such a problem.

This amendment also adds a fiscal note to the bill.

LD 1789 An Act to Allow State-chartered Credit Unions to Make Loans to Service Corporations and to Share Branch Offices

ONTP

SPONSOR(S)
CONLEY

COMMITTEE REPORT
ONTP

AMENDMENTS ADOPTED

SUMMARY

This bill authorizes state-chartered credit unions to make loans to credit union service corporations, to share branch offices and to establish service corporations to facilitate the sharing of branch offices. Federally chartered credit unions are authorized under federal law and regulations to make such loans, to share branch offices and to establish service corporations to facilitate the sharing of branch offices. This bill would maintain competitive equality between state-chartered and federally chartered credit unions.

LD 1899 An Act to Require Risk-based Capital Standards and Standard Valuation to Ensure Continued Accreditation for the Bureau of Insurance

PUBLIC 634

SPONSOR(S)
KIEFFER

COMMITTEE REPORT
OTP-AM

AMENDMENTS ADOPTED
S-464

SUMMARY

The purpose of Part A of this bill is to create a regulatory tool that allows the Bureau of Insurance to differentiate the financial conditions of insurers. This regulatory tool is intended to provide adequate surplus for unexpected increases in liabilities, unexpected decreases in asset values, inadequate rates, cash-flow timing problems and catastrophes.

An insurer's risk-based capital is calculated by applying factors to various assets and premium and reserve items, where the factor is higher for those items with greater underlying risk and lower for less risky items. A weighted average is achieved that works in conjunction with provisions in the bill that calls for mandatory regulatory action when surplus drops below mandatory levels.

The Standard Valuation Law was enacted in all 50 states to specify the level of reserves life insurers are required to hold to provide for future benefits. The National Association of Insurance Commissioners recently amended the model law to require an actuarial certification as to the appropriateness of the assets backing up the reserves. Part B of this bill amends the State's Standard Valuation Law to conform to the new model.

COMMITTEE AMENDMENT "A" (S-464) maintains the original bill as written. It also changes the licensing requirements for certified public accountants as they apply to applicants whose experience is as examiners engaged in financial examinations for the Bureau of Insurance. This amendment also adds a fiscal note. This amendment also conforms existing law to current drafting standards.

**LD 1914 An Act to Clarify the Opportunity for Small Employers to
Purchase Health Insurance**

**PUBLIC 588
EMERGENCY**

SPONSOR(S)
RYDELL

COMMITTEE REPORT
OTP-AM

AMENDMENTS ADOPTED
H-904

SUMMARY

This bill adds part-time employees who work at least 10 hours per week and retirees to the employees eligible for coverage under the small employer health insurance laws. It changes the number in the eligible group from fewer than 25 employees to from 2 to 24 employees. It allows a health maintenance organization in its 2 standardized group health plans to impose penalties through its utilization review procedures that apply per admission or per encounter. The penalties must be consistent with the normal requirements applicable to benefits in that health maintenance organization.

COMMITTEE AMENDMENT "A" (H-904) clarifies that an employer may elect to treat a number of employees who work part-time and who retire as eligible employees for the purpose of the small group health insurance.

**LD 1924 An Act to Improve Licensing Procedures at the Bureau of
Insurance**

**PUBLIC 637
EMERGENCY**

SPONSOR(S)
CARLETON

COMMITTEE REPORT
OTP-AM

AMENDMENTS ADOPTED
H-884
H-931 PINEAU

SUMMARY

This bill amends parts of the Maine Insurance Code to improve and streamline licensing and application procedures and changes some of the fee schedule. The bill repeals several sections of law that require tracking of information that was backlogging the Bureau of Insurance. The bill adds a simpler requirement to replace those repealed sections of law.

The bill changes certain scheduled insurance fees from a staggered renewal system to a more consistent system. Some fees are raised to compensate for the elimination of other fees and for some fees that have never been raised. The bill addresses the application procedures of the Maine Insurance Code and amends the code to reduce the workload of the Bureau of Insurance and cut back on incoming applications. The bill amends the code on the requirements for becoming a broker and eliminates distinctions between adjustors; this reduces excess record keeping.

Lastly, this bill amends the Maine Insurance Code to allow the Superintendent of Insurance to contract with outside services for continuing education courses. It removes a requirement that the superintendent maintain and update an attorneys' list for all licensed insurers.