

MAINE STATE LEGISLATURE

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STATE OF MAINE
117TH LEGISLATURE

FIRST REGULAR SESSION

BILL SUMMARIES
JOINT STANDING COMMITTEE
ON
BANKING AND INSURANCE

AUGUST 1995

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**Denotes Chair*



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

**SUMMARY OF LEGISLATION BEFORE
THE JOINT STANDING COMMITTEES**

AUGUST 1995

This document is a compilation of the bill summaries prepared by this office for the Joint Standing 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 publication, History and Final Disposition of Legislative Documents, is helpful in determining to which committee any particular bill was referred.

In this document, 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 categories of final action are abbreviated as follows:

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

These summaries were prepared by the analyst or analysts assigned to the committee. If more detailed information is needed on a bill, contact the committee analyst.

5581LHS

SPONSOR(S)
LUMBRACOMMITTEE REPORT
OTP-AMAMENDMENTS ADOPTED
H-422**SUMMARY**

This bill amends the Maine Insurance Code by doing the following:

1. It eliminates the requirement that licensed surplus lines brokers file annual reports with the Superintendent of Insurance. It will leave in the law the requirements for monthly reporting and quarterly reporting and the requirement for payment of taxes on a quarterly basis;
2. It removes an obsolete reference to the Panama Canal Zone as a state;
3. It proposes a 4-word amendment to the assumption reinsurance law enacted this year, reflecting a last-minute change to the NAIC Model Act upon which the State's law was based. The change is consistent with the current law and simply accommodates the needs of insurers who do not invoice, instead collecting premiums through automatic credit card debits; and
4. It removes inconsistent language from the Maine Insurance Code. This language was taken from an early version of a legislative draft and is not consistent with the final statutory language.

Additionally, this bill amends the regulatory standards contained in the Maine Insurance Code to further streamline current processes to provide better service to the industry and the public. Among the changes are the following:

1. It accords to the superintendent authority to require a surety bond of 3rd-party administrators;
2. It eliminates fingerprint, photograph and privately contracted background checks from the application process for licensure;
3. It eliminates the countersignature requirement for business placed by a holder of a nonresident license;
4. It requires prospective applicants for licensure to pass the required examination prior to making application;
5. It creates consistency between the General Lines Advisory Board and the Life and Health Advisory Board;
6. It exempts experienced agents seeking resident status in this State from the requirement of taking any part of the licensing examination, except that which is specific to this State;
7. It provides for expense reimbursement for members of the Continuing Education Advisory Committee;
8. It accords to the superintendent the authority to require a surety bond of 3rd-party administrators; and
9. It increases the minimum bond limit required for surplus lines brokers from \$2,500 to \$50,000.

COMMITTEE AMENDMENT "A" (H-422) changes the minimum bond requirement for surplus lines brokers from \$2,500 to \$20,000. The bill changed the minimum to \$50,000. The amendment also makes the following additions to the original bill.

1. Current law is modified to allow nonresident organizations to establish places of business in the State without having to incorporate in the State and to allow organizations to employ both resident and nonresident agents and brokers.
2. Property and casualty insurers can continue to use approved excess rates without an annual filing requirement, but notification of cancellation or nonrenewal to the Superintendent of Insurance is now required.
3. Clarification is provided to allow the availability of involuntary unemployment credit insurance in the State with the appropriate consumer disclosures and protections.

The amendment also adds a fiscal note to the bill.

LD 1548 An Act to Clarify and Amend Provisions of the Maine Insurance Code and the Workers' Compensation Self-insurance

PUBLIC 398
EMERGENCY

SPONSOR(S)
JACQUES

COMMITTEE REPORT
OTP-AM

AMENDMENTS ADOPTED
H-448

SUMMARY

This bill amends the Maine Insurance Code and the Workers' Compensation self-insurance laws 404 as follows.

The bill adds a requirement that an insurer deny coverage to any employer that owns undisputed premiums for workers' compensation coverage.

The bill amends Title 39-A, section 403, subsection 3. It adds language allowing the Superintendent of Insurance to require security in excess of the amount required by law if the superintendent determines that the self-insurer has experienced a deterioration in financial condition. This language currently appears in Title 39-A, section 403, subsection 8.

Current law requires self-insured employers to meet additional financial standards in order to be able to provide security for workers' compensation claims by way of a letter of credit or by way of an actuarially determined fully funded trust. These standards have been removed. Use of a letter of credit or actuarially determined fully funded trust is available to all individual self-insurers, unless the self-insurer has experienced deteriorating financial condition.

The bill further changes the law to allow a group self-insurer to utilize a letter of credit to fund a certain percentage of its trust fund. It also removes the template for a letter of credit from the law, provides that letters of credit be on forms approved by the Superintendent of Insurance and sets general standards for development of a letter of credit.

Current law requires that actuarially determined trust funds be maintained at the 90% confidence level. Title 39-A, section 403, subsection 3 is further amended to provide that self-insurers that have maintained trust funds for 18 months may reduce funding to the 75% confidence level. The initial funding year must be maintained at the 90% confidence level. It also provides that self-insurers that have been self-insured for 5 years may fund at the 75% confidence level for all years.