

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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**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:

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

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.

The bill provides another category of qualification for self-insurance authority. It allows a subsidiary employer that is owned by a United States or Canadian corporation to file a joint application to self-insure and qualify to self-insure based upon the financial statements of the parent corporation. It requires the parent corporation to step into the shoes of the subsidiary by signing an irrevocable contract of assignment for the purposes of workers' compensation obligations under the Maine Workers' Compensation Act. If the parent corporation is transferred, dissolved or becomes insolvent or bankrupt, a termination plan must be filed.

The bill further amends Title 39-A, section 403, subsection 3 by eliminating the requirement that guarantors of self-insurers automatically file quarterly financial statements. Quarterly financial statements need to be filed only when determined necessary by the Superintendent of Insurance.

The bill amends Title 39-A, section 403, subsection 6 to provide that a self-insurer's authority remains in effect pending review and approval of a self-insurer's renewal application, if the application is filed in a timely manner and is complete.

The bill amends Title 39-A, section 403, subsection 9 by removing confusing and ambiguous language from the investment provisions, by adding language that allows the Superintendent of Insurance to further determine factors to be considered in the investment mix and by adding specifically identifiable investment vehicles that are considered safe, including: direct obligations of the Government National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, the Student Loan Marketing Association and the Federal National Mortgage Association; direct obligations of any state of the United States or any subdivision of any state to which are pledged full faith and credit of a state, the unsecured obligation debt of which is rated "A" or better; and money market funds rated "AAm" or "AAm-G" or better. It also adds a provision that investments must be prudent, and allows investments in corporate bonds in an amount not to exceed 20% of the total portfolio.

The bill also removes language relative to surety bonds and moves language regarding letters of credit to Title 39-A, section 403, subsection 3.

The bill clarifies the authority of the Maine Self-Insurance Guarantee Association to make assessments for the Maine Self-Insurance Guarantee Fund upon notification by the Superintendent of Insurance of the existence of a new member self-insurer.

COMMITTEE AMENDMENT "A" (H-448) does the following.

1. It requires insurers to deny coverage to an employer who owes undisputed premiums or assessments to an approved group self-insurer, a domestic mutual insurance carrier or the workers' compensation residual market.
2. It adds the option for a Maine employer to qualify for self-insurance authority and to qualify for the working capital offset by relying upon a parent corporation domiciled in a foreign country.
3. It corrects drafting errors relating to acceptable investments for trust funds.
4. It requires the Commissioner of Professional and Financial Regulation to convene a group to study the current financial status of the Maine Self-Insurance Guarantee Fund and file a report on or before January 1, 1996.
5. The amendment adds a fiscal note to the bill.