

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
117TH LEGISLATURE

SECOND REGULAR SESSION

BILL SUMMARIES  
JOINT STANDING COMMITTEE  
ON  
BANKING AND INSURANCE

JUNE 1996

*MEMBERS:*

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*Sen. Mary E. Small*

*Sen. Dale McCormick*

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*Staff:*

*Colleen McCarthy, Legislative Analyst*

*Office of Policy and Legal Analysis*

*Room 101/107/135, 13 State House Station*

*Augusta, ME 04333*

*(207)287-1670*



**Maine State Legislature  
OFFICE OF POLICY AND LEGAL ANALYSIS**

13 State House Station, Augusta, Maine 04333-0013  
Telephone: (207) 287-1670  
Fax: (207) 287-1275

**ONE HUNDRED SEVENTEENTH LEGISLATURE  
SECOND REGULAR SESSION**

***Summary Of Legislation Before The Joint Standing Committees  
June 1996***

We are pleased to provide this summary of bills that were considered by the 15 Joint Standing Committees of the Maine Legislature staffed by this office. The document is a compilation of bill summaries which describe each bill, committee amendments and other relevant amendments, as well as the final action taken on the bill. Also included are statistical summaries of bill activity this Session for the Legislature and each of its joint standing committees.

The document is organized for convenient reference to information on bills handled by the joint standing committees. It is organized alphabetically by committees and within committees by bill (LD) number. The committee report(s), prime sponsor for each bill and the lead co-sponsor(s), if designated, are listed below each bill title. All adopted amendments are listed by paper number. Two indices, a subject index and a numerical index by LD number are provided for easy reference to bills. They are located at the back of the document. A separate publication, History and Final Disposition of Legislative Documents, may also be helpful in providing information on the disposition of bills.

Final action on each bill is noted to the right of the bill title. The abbreviations used for various categories of final action are 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 &amp; 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&amp;S XXX</i> .....                | <i>Chapter # of enacted Private &amp; Special Law</i>               |
| <i>PUBLIC XXX</i> .....                 | <i>Chapter # of enacted Public Law</i>                              |
| <i>RESOLVE XXX</i> .....                | <i>Chapter # of finally passed 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>               |

Please note the effective date for all non-emergency legislation enacted in the Second Regular Session (unless otherwise specified in a particular law) is July 4, 1996.

### *Enacted law summary*

Public Law 1995, chapter 615 requires all individual and group contracts of nonprofit hospital or medical service organizations, insurers and health maintenance organizations providing benefits for maternity and newborn care to provide coverage for maternity benefits, including coverage for hospital stay, in accordance with the attending physician's or certified nurse midwife's determination in conjunction with the mother that the mother and newborn meet the criteria contained in the "Guidelines for Perinatal Care," published by the American Academy of Pediatrics and the American College of Obstetrics and Gynecology.

**LD 1750**

### **An Act to Implement the Recommendations of the Maine Task Force on Interstate Banking and Branching**

PUBLIC 628

Sponsor(s)  
VIGUE

Committee Report  
OTP-AM

Amendments Adopted  
H-812  
S-580

The report of the Maine Task Force on Interstate Banking and Branching, dated November 30, 1995, recommends action the State should take in response to the federal Riegle-Neal Interstate Banking and Branching Act of 1994 to permit interstate branching in this State. The report contains numerous recommendations for legislation to enact the necessary statutory authority and safeguards. LD 1750 proposed to make the following changes to the Banking Code in accordance with the recommendations of the task force.

1. The bill makes the necessary changes to definitions in the Maine Banking Code to conform to Riegle-Neal and other changes being proposed in this bill.
2. The bill makes the necessary changes to examination and enforcement provisions of the Maine Banking Code to provide for the regulation of the financial industry in an interstate branching environment. Changes include authorizing the Bureau of Banking to engage in joint examinations, exchange of information and contracting with other state or federal regulatory agencies in order to alleviate regulatory burden; expanding cease and desist and officer removal authority to ensure that interstate branch operations comply with state laws; prohibiting the interstate operation of a deposit production office and reporting requirements to monitor compliance; and establishing a 30% limit on deposits that may be acquired through merger or acquisition by a financial institution doing business in the State.
3. The bill authorizes interstate branching through establishment, acquisition or interstate merger, effective January 1, 1997. This permits an interstate merger, with the operation of interstate branches. It also permits the acquisition of a branch only, and de novo establishment of an interstate branch, but only on a reciprocal basis.
4. The bill permits state-chartered banks to act as agent for other financial institutions, which establishes parity with the new powers provided to federally chartered banks by Riegle-Neal.
5. The bill also makes technical changes to Maine banking and bank holding company laws to conform to Riegle-Neal and other changes being proposed in this bill.
6. The bill also makes technical changes to the Maine franchise tax laws to ensure that interstate branches are subject to the franchise tax.

**Committee Amendment "A" (H-812)** proposed to make the following changes to the bill.

1. It sets a cap on the fee that may be assessed to out-of-state financial institutions operating branches in this State.
2. It clarifies use of the words "bank," "savings" and other derivatives of those terms and clarifies that state deposit concentration limits apply only to deposits gathered in the State.
3. It clarifies the provision governing the operation of interstate branches and satellite facilities.
4. It clarifies that loans originating in the State with customer billing addresses outside the State are excluded from the franchise tax if the entity operates a branch in the state of the customer's billing address.
5. It repeals an outdated rule-making requirement in the Maine Banking Code.
6. It adds a nonseverability clause with respect to the reciprocity provision regarding de novo establishment of branches in the State by out-of-state financial institutions.
7. It adds an application clause that pertains to the sections of the bill amending the Maine Revised Statutes, Title 36, section 5206-B, subsections 2 and 4.

The amendment also proposed to add a fiscal note.

**Senate Amendment "A" To Committee Amendment "A" (S-580)** proposed to strike the fiscal note on Committee Amendment "A" and replace it with a new one.

***Enacted law summary***

Public Law 1995, chapter 628 implements the recommendations of Maine Task Force on Interstate Banking and Branching, for State action in response to the federal Riegle-Neal Interstate Banking and Branching Act of 1994. The law provides the necessary statutory authority and safeguards to permit interstate branching in this State and makes the following changes to the Banking Code.

1. Changes definition and other provisions of the banking and bank holding company laws to conform to Riegle-Neal and other changes in federal and state law.
2. Changes the examination and enforcement provisions of the Maine Banking Code to provide for the regulation of the financial industry in an interstate branching environment. Changes include authorizing the Bureau of Banking to engage in joint examinations, exchange of information and contracting with other state or federal regulatory agencies in order to alleviate regulatory burden; setting a cap on the fee assessed to out-of-state financial institutions operating branches in the State; expanding cease and desist and officer removal authority to ensure that interstate branch operations comply with state laws; prohibiting the interstate operation of a deposit production office and reporting requirements to monitor compliance; and establishing a 30% limit on deposits that may be acquired through merger or acquisition by a financial institution doing business in the State.
3. Authorizes interstate branching through establishment, acquisition or interstate merger, effective January 1, 1997. This permits an interstate merger, with the operation of interstate branches. It also permits the acquisition of a branch only, and de novo establishment of an interstate branch, but

only on a reciprocal basis. In addition, there is a nonseverability clause with respect to the reciprocity provision regarding de novo establishment of branches in the State by out-of-state financial institutions.

4. Permits state-chartered banks to act as agent for other financial institutions, which establishes parity with the new powers provided to federally chartered banks by Riegle-Neal.

5. Amends the Maine franchise tax laws to ensure that interstate branches are subject to the franchise tax.

**LD 1753      An Act to Control Health Care Costs and Improve Access to Health Care      DIED BETWEEN BODIES**

| <u>Sponsor(s)</u> | <u>Committee Report</u> | <u>Amendments Adopted</u> |
|-------------------|-------------------------|---------------------------|
|                   | ONTP      MAJ           |                           |
|                   | OTP-AM      MIN         |                           |

LD 1753 was introduced by the Maine Health Care Reform Commission as part of its legislative package, along with LD 1798 and LD 1803. The Maine Health Care Reform Commission was established by the Legislature in 1994 and charged with designing at least three proposals for reforming Maine's present health care system. This bill represented the commission's recommendations for incremental reform of the existing system.

This bill proposed to make the following changes to the health care laws.

1. It establishes the Maine Community Purchasing Alliance, a purchasing alliance through which employers and individuals may unite their bargaining power for purchasing health care coverage. The alliance is a nonstate agency governed by a board of consumers and employers. The alliance may establish no more than 10 health benefit plans that may be offered within the alliance and may negotiate with carriers wishing to sell one or more of those plans to alliance members. The alliance performs other consumer services including collecting and paying premiums, publishing report cards on the quality of services provided by the participating carriers and helping to resolve disputes between enrollees and their carriers. The alliance receives an initial General Fund appropriation and then will be funded by assessments on premiums sold through the alliance.

2. It amends the laws governing the manner in which the State purchases health care coverage on behalf of its employees and Medicaid recipients to allow a state employee to choose between approved carriers in purchasing a health plan and require the State Employee Health Commission to negotiate jointly for the purchase of health care coverage with the Maine Community Purchasing Alliance and explicitly exempts the State Employee Health Commission from the requirement to negotiate publicly. The Department of Human Services is required to consider whether or not to purchase Medicaid services through the cooperative committee.

3. It amends the laws governing community rating, guaranteed issue and continuity of coverage in order to protect the Maine Community Purchasing Alliance from adverse selection. It extends continuity coverage for persons receiving unemployment compensation by making continuity coextensive with eligibility for unemployment compensation. It also requires the Bureau of Insurance to set standards for distinguishing excess insurance from basic insurance, imposes mandatory disclosure requirements on agents and brokers and requires a business to offer health care coverage.