

LD 984, An Act To Allow Procurement of Surplus Lines Insurance for Commercial Forestry and Construction Equipment

SUMMARY:

This bill allows insurance producers with surplus lines authority to procure insurance on commercial forestry and construction equipment from eligible surplus lines insurers without adherence to the procedures set forth in the Maine Revised Statutes, Title 24-A, section 2004.

CURRENT LAW:

Insurance producers must comply with the requirements set forth in [24-A MRSA §2004](#) before procuring coverage through surplus lines insurers:

1. The coverage cannot be procured from an authorized insurer;
2. The insurance must be procured through a licensed producer with surplus lines authority;
3. The desired coverage is necessary for the adequate protection of a risk in the State;
4. The insurance may be written under the laws of this State by an authorized insurer; and
5. The insurance is not available after diligent effort has been made to place the coverage with authorized insurers.

The Bureau of Insurance has also issued [Bulletin 439](#) to explain the conditions under which a risk may be placed in the surplus lines market.

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TESTIMONY: Written testimony can be found at this [link](#)

ISSUES FOR CONSIDERATION:

1. Is coverage available in the admitted market? What are the limitations of any available coverage?
2. Consider differences between coverage in admitted market and surplus lines? What is impact on insured because coverage not subject to same guaranty fund protection, financial standards or consumer protections as coverage in admitted market?
3. Could this lead to surplus lines coverage becoming default option for logging equipment? As currently written in law, surplus lines is designed to provide coverage as a last resort.
4. As drafted, bill's language states that exemption would apply to "commercial forestry and construction equipment." While it does not appear to be the intent, this could be interpreted to also apply to other commercial construction equipment not used in logging operations. If move forward, Bureau of Insurance suggested amending language to say instead "commercial and construction equipment used in forestry operations."
5. Legislation was enacted in 129th Legislature to add disability coverage to lines permitted to be provided through surplus lines in accordance with existing statutory requirements outlined in Bulletin 439. [See Public Law 2019, chapter 20.](#)

FISCAL INFORMATION:

Not yet determined