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**TESTIMONY OF ERIC A. CIOPPA
SUPERINTENDENT OF INSURANCE
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DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION**

In opposition to L.D. 1063

**“An Act To Allow a Qualifying Religious Organization To Self-insure for
Automobile Insurance”**

Presented by Representative Steven Foster

**Before the Joint Standing Committee on Health Coverage, Insurance &
Financial Services**

April 1, 2021 at 1:30 p.m.

Senator Sanborn, Representative Tepler, and members of the Committee, I am Superintendent of Insurance Eric Cioppa. I am here today to testify in opposition to L.D. 1063. Although it does not amend the Insurance Code, it would allow organizations to conduct insurance-like activities while avoiding the insurance regulations that protect the public from financial harm.

L.D. 1063 addresses the dilemma of those Mainers who have religious objections to the purchase of insurance but who are subject to the state’s financial



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responsibility law. We understand that some religious communities would prefer to share legal liabilities among their members on an informal basis rather than using formal insurance contracts. L.D. 1063 would change current law to accommodate such arrangements.

Although we are sensitive to these beliefs, we are concerned that the proposal would allow religious organizations to act like insurers without the oversight that is necessary to protect the financial interests of members and others, especially anyone whom a member has injured. Although the bill uses the term “self-insurance,” religious organizations would actually, like insurers, be entrusted with covering the liabilities of other individuals. Unlike insurers, however, they would not need to meet the strong solvency requirements that insurers must meet in order to ensure that they have sufficient reserves to cover anticipated losses. The proposal does not include an adequate substitute for these solvency regulations, such as the standards that employers must meet to self-insure their workers’ compensation liabilities.¹ If a religious organization could not pay claims against its members, then third parties could find themselves unable to recover for damages caused by a member.

¹ See 39-A M.R.S.A. chapter 9.

Similar problems could arise from the lack of regulations governing other elements of these “self-insurance” arrangements. Laws governing how insurance policies are marketed, sold, written, and interpreted would not apply. Without contracts clearly defining the parties’ rights and obligations, claims administration would presumably be done on an ad hoc basis.

Additionally, although the proposal imposes some minimum liability limits, it is unclear how those limits would operate in the absence of an insurance contract. The bill does not specify coverage for between one and four vehicles, and sets overall coverage for between five and 25 vehicles at \$175,000 combined single limit and for more than 25 an increase of \$1,000 per additional vehicle up to \$250,000. On a per vehicle basis, this is significantly lower than what the Financial Responsibility law now requires of policies. These deficiencies could have serious consequences for organization members and injured third parties alike.

Although L.D. 1063 attempts to make a narrow exception for a limited number of clearly defined religious communities, determining which organizations “hold a common belief in mutual financial assistance in time of need”² would be difficult. Regulators saw a similar problem in the health insurance sector, where

² Proposed 29-A M.R.S. § 1613(1)(C).

laws meant to allow members of religious groups to pool their healthcare expenses in an informal way has been used by large interstate organizations to sell cheap quasi-insurance that does not always meet consumer expectations.³ We are concerned that L.D. 1063 could create similar problems.

Thank you, I would be glad to answer any questions now or at the work session.

³ Bookman, T. (2019, Nov. 25). “Regulators Allege Christian-Based Health Care Provider Broke State, Federal Rules,” National Public Radio, *available at* <https://www.npr.org/2019/11/25/780612410/regulators-allege-christian-based-health-care-provider-broke-state-federal-rules>.