

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)



115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 1946

H.P. 1354

House of Representatives, June 11, 1991

Reported by the Majority from the Joint Standing Committee on Banking and Insurance pursuant to Joint Order H.P. 1348 and printed under Joint Rule 2.

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-ONE

An Act to Allow the Risk Management Division to Provide Insurance Services for Elementary and Secondary Schools in the State.



Be it enacted by the People of the State of Maine as follows:

2
3 Sec. 1. 5 MRSA §1728-A, sub-§1, as amended by PL 1989, c. 94,
4 is further amended by amending the first paragraph to read:

6 1. **Duties.** The director shall provide insurance advice and
7 services for the State Government and any department or agency
8 thereof of State Government for all forms of insurance, except
9 for those departments or agencies and those types of insurance
10 otherwise provided for by law. ~~The--director--shall--provide~~
11 ~~insurance advice and services for family foster homes, as defined~~
12 ~~in Title 22, section 8101, subsection 3; respite care providers,~~
13 ~~as defined in Title 34-B, section 6201, subsection 2-A; and the~~
14 ~~Casco Bay Island Transit District created by Private and Special~~
15 ~~Law 1981, chapter 22.~~ The director shall ~~be~~ is responsible for
16 the acquisition and administration of all insurance purchased by
17 the State, including the authority to purchase, on a competitive
18 bid basis, insurance for the State for automobile, fire,
19 liability and any other type of coverage which that may be
20 necessary to protect the State from financial loss. The director
21 may enter into contracts for various types of claims management
22 services in order to ~~insure~~ ensure the most economically
23 advantageous insurance protection in the operation of the State's
24 insurance coverage program. In these regards, the director has
25 the following duties:

26
27 Sec. 2. 5 MRSA §1728-A, sub-§1-A is enacted to read:

28
29 1-A. Additional duties. The director shall provide
30 insurance advice and services for all lines of property and
31 casualty insurance for school administrative units and for
32 private schools approved for tuition purposes more than 60% of
33 whose students are publicly funded. The director shall provide
34 insurance advice and services for family foster homes, as defined
35 in Title 22, section 8101, subsection 3; respite care providers,
36 as defined in Title 34-B, section 6201, subsection 2-A; and the
37 Casco Bay Island Transit District created by Private and Special
38 Law 1981, chapter 22. When the director provides property and
39 casualty insurance to school administrative units and schools or
40 other insurance to foster homes, respite care providers and the
41 Casco Bay Island Transit District, the terms and conditions under
42 which that insurance is offered must be pursuant to contracts
43 entered into between the director and the insured entities.
44 Premiums collected by the director pursuant to these contracts
45 must be placed in a separate reserve fund, called the "nonstate
46 fund," to be maintained by the director to indemnify the insured
47 entities for losses insured by the director and related loss
48 adjustment expenses. The director may also utilize up to 5% of
49 the nonstate fund for loss prevention programs. The nonstate
50 fund must be administered by the commissioner who shall deposit
the nonstate fund with the Treasurer of State for investment.

2 All proceeds of such investment accrue to the nonstate fund. All
4 liabilities over \$300,000 per occurrence must be reinsured by the
6 director, with the insured entity paying the cost of that
8 reinsurance. In performing the functions authorized by this
10 subsection the director is not subject to the provisions of Title
12 24-A.

8 **Sec. 3. 5 MRSA §1728-A, sub-§5 is enacted to read:**

10 **5. Actuarial services.** The director shall retain the
12 services of a nationally recognized actuarial firm each fiscal
14 year to provide advice in the development of insurance premiums
16 charged for the succeeding fiscal year by the division and make
18 recommendations to the commissioner and the director regarding
20 the level of premium and reserves necessary to protect the funds
22 and the division's clients. Within 60 days of receiving the
24 recommendations from the actuarial firm, the director shall
26 report to the joint standing committee of the Legislature having
28 jurisdiction over banking and insurance matters stating the
30 recommended levels of premium and reserves, the director's
32 intention to implement those levels and any reasons for
34 deviations from the recommendations.

24 **Sec. 4. Effective date.** This Act takes effect on January 1,
26 1992.

28 **FISCAL NOTE**

30 This bill authorizes the Department of Administration, Risk
32 Management Division, to provide insurance advice and services to
34 school administrative units. Schools that choose to self-insure
36 through the Risk Management Division could realize savings in
insurance expenditures, which could reduce future expenses to the
Department of Education, General Purpose Aid to Local Schools
account.

38 The bill requires that a separate "nonstate" reserve fund be
40 established for schools, foster care and respite care providers
42 and the Casco Bay Island Transit District. Since initial
44 balances in this fund may be insufficient to adequately cover a
46 major insurance award, significant premium increases may result.
The Department of Mental Health and Mental Retardation and the
Department of Human Services, who pay the premiums for respite
and foster care provider insurance, would require General Fund
appropriations for any increased premium costs.

48 The bill further requires the Risk Management Division to
50 contract for annual actuarial services, the cost of which will be
absorbed within existing resources.

2
4
6
8
10
12
14

STATEMENT OF FACT

This bill allows the Risk Management Division to provide insurance advice and services to the elementary and secondary schools of the State. It separates the funds for this insurance and insurance for family foster homes, respite care providers and the Casco Bay Island Transit District into a separate reserve fund. It requires the purchase of reinsurance for liabilities over \$300,000 per occurrence, payment to be made by the insured entity. The bill requires annual actuarial advice in the development of premiums and reserves as necessary to protect the funds and the clients.