

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)

2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
40
42
44

L.D. 1592

DATE: 2/8/94

(Filing No. S- 394)

BANKING & INSURANCE

Reported by: Senator McCormick of Kennebec

Reproduced and distributed under the direction of the Secretary of the Senate.

**STATE OF MAINE
SENATE
116TH LEGISLATURE
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT "A" to S.P. 556, L.D. 1592, Bill, "An Act to Amend the Maine Self-Insurance Guarantee Association Assessment Base"

Amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

Sec. 1. 39-A MRSA §403, sub-§8, ¶A, as corrected by RR 1993, c. 1, §141, is amended to read:

A. The bond or security deposit required of an individual self-insurer must be at least an amount determined by the following formula or \$50,000, whichever is larger. The bond or security deposit must be in an amount equal to the loss and loss adjustment expense portion of the annual standard premium for the prospective fiscal coverage period or the outstanding loss reserves minus recoveries from all excess carriers and subrogation reduced to net collections plus 25% of annual standard premiums for the prospective fiscal coverage period, whichever is larger. The percentage factor used to determine the portion of annual standard premium allocated for loss and loss adjustment expenses must be acceptable to the Superintendent of Insurance. For the purposes of this paragraph, "annual standard premium" means ~~the annual premium produced by applying the manual rates, rating rules, excluding any premium discount, and the~~

COMMITTEE AMENDMENT

R.O.S.

2 ~~experience-rating-procedure-approved-by-the-superintendent~~
3 ~~for-the-Safety-Pool-of-the-residual-market-mechanism--as~~
4 ~~described-in-Title-24-A,-section-2386,-to-the-exposure-and~~
5 ~~experience-of-the-individual-self-insurer~~ is as defined in
6 section 404, subsection 4.

7 For individual self-insurers who have a net worth equal to
8 or in excess of \$10,000,000; who have had positive net
9 earnings demonstrated by certified statements of financial
10 condition audited by a certified public accountant for at
11 least 3 of the 5 latest fiscal years, including one of the 2
12 most recent years; and whose mean annual earnings for the 5
13 latest fiscal years are at least equal to the normal annual
14 premium for the prospective fiscal coverage period, the
15 minimum security deposit or bond must be an amount
16 determined by the formula in this paragraph or as adjusted
17 for applicable levels of working capital funds.

18 An employer meeting the standards of this paragraph may
19 deduct from the penal value of its surety bond or from the
20 market value of securities deposited an amount not exceeding
21 demonstrated working capital in such current statement of
22 financial condition; the bond or deposit must be at least
23 \$100,000.

24 Self-insurers that are unable to meet the preceding
25 standards shall deposit acceptable funds or a surety bond in
26 that amount produced by the formula described in this
27 paragraph written by a corporate surety that meets the
28 qualifications prescribed by rules adopted by the
29 superintendent.

30 Within 30 days after notice by the superintendent, the
31 self-insurer shall post the deposit indicated. This deadline
32 may be extended by the superintendent for good cause, but in
33 no event may exceed one year from the deadline for
34 compliance as stated in the notice given to the self-insurer.

35 A bond or security deposit in excess of the amount
36 prescribed by this subsection may be required if the
37 superintendent determines that the self-insurer has
38 experienced a deterioration in financial condition that
39 adversely affects the self-insurer's ability to pay expected
40 losses.

41 No judgment creditor other than claimants for benefits under
42 this Act has a right to levy upon the self-insurer's assets
43 held in deposit pursuant to this paragraph.

R. d. S.

COMMITTEE AMENDMENT "A" to S.P. 556, L.D. 1592

2 Sec. 2. 39-A MRSA §404, sub-§4, ¶¶E and F, as enacted by PL
3 1991, c. 885, Pt. A, §8 and affected by §§9 to 11, are amended to
4 read:

6 E. For the purposes of this subsection, "annual standard
7 premium for an individual self-insurer" means the annual
8 premium produced by applying the manual-rates advisory loss
9 costs multiplied by 1.2, rating rules, excluding any premium
10 discount, and experience rating procedure approved by the
11 Superintendent of Insurance for the ~~Safety--Pool--of--the~~
12 ~~residual-market-mechanism-described-in~~ designated workers'
13 compensation advisory organization pursuant to Title 24-A,
14 section 2386 2382-B, to the exposure and experience of the
15 individual self-insurer.

16 F. For the purposes of this subsection, "annual standard
17 premium for a group self-insurer" means the total annual
18 premium that would have been paid by all members of that
19 group using the manual-rates advisory loss costs multiplied
20 by 1.2, rating rules, excluding any premium discount, and
21 experience rating procedure approved by the Superintendent
22 of Insurance for ~~that-self-insurer~~ the designated workers'
23 compensation advisory organization pursuant to Title 24-A,
24 section 2382-B, to the exposure and experience of the
25 self-insurance group members.

26 Sec. 3. Report. The Bureau of Insurance shall report to the
27 joint standing committee of the Legislature having jurisdiction
28 over banking and insurance matters on the formula for calculating
29 annual standard premium pursuant to the Maine Revised Statutes,
30 Title 39-A, section 404, subsection 4 on or before November 1,
31 1995.

34 FISCAL NOTE

36 The Bureau of Insurance will incur some minor additional
37 costs to comply with the reporting requirement to the
38 Legislature. These costs can be absorbed within the bureau's
39 existing budgeted resources.'

42 STATEMENT OF FACT

44 This amendment clarifies the language of the original bill
45 in the Maine Revised Statutes, Title 24-A, section 404,
46 subsection 4, paragraphs E and F. It also adds an amendment to
47 Title 24-A, section 403, subsection 8, paragraph A, making a
48 similar correction to the definition of "annual standard premium"
49 for self-insurers in the workers' compensation market. The
50

COMMITTEE AMENDMENT "A" to S.P. 556, L.D. 1592

2 amendment adds a report from the Bureau of Insurance on the
assessment formula for the Maine Self-Insurance Guarantee
4 Association on or before November 1, 1995. It also adds a fiscal
note.