

MAINE STATE LEGISLATURE

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BANKING & INSURANCE

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**STATE OF MAINE
HOUSE OF REPRESENTATIVES
116TH LEGISLATURE
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT "A" to H.P. 1206, L.D. 1614, Bill, "An Act to Amend the Workers' Compensation Laws By Allowing Guarantors of Self-Insurers to Utilize Approved Letters of Credit"

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

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, individual self-insurers, with the approval of the Superintendent of Insurance, have a range of options to satisfy the self-insurer's responsibility to post the security required by the superintendent; and

Whereas, there are employers that qualify for self-insurance with the assistance of a parent guarantor; and

Whereas, the cost of workers' compensation remains a significant cost of doing business; and

COMMITTEE AMENDMENT

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COMMITTEE AMENDMENT "A" to H.P. 1206, L.D. 1614

2 Whereas, the cost of providing workers' compensation
3 coverage could be substantially lower if the same security
4 options available to individual self-insurers were available to
5 employers that utilize guarantees of a parent corporation; and

6 Whereas, these options should be available to employers
7 renewing their self-insurer status prior to the expiration of the
8 90-day period; and

10 Whereas, in the judgment of the Legislature, these facts
11 create an emergency within the meaning of the Constitution of
12 Maine and require the following legislation as immediately
13 necessary for the preservation of the public peace, health and
14 safety; now, therefore,

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

16 **Sec. 1. 39-A MRSA §403, sub-§3**, as enacted by PL 1991, c. 885,
17 Pt. A, §8 and affected by §§9 to 11, is amended by amending the
18 next to the last paragraph to read:
19

20
21 As a further alternative to the methods described in this
22 subsection, an employer is eligible for approved self-insurance
23 status pursuant to this Act if the employer submits a written
24 guarantee of the obligations incurred pursuant to this Act, the
25 guarantee to be issued by a United States or Canadian corporation
26 that is a member of an affiliated group of which the employer is
27 a member, and which corporation is solvent and demonstrates an
28 ability to pay the compensation and benefits, and the guarantee
29 is in a form acceptable to the superintendent. The guarantor
30 shall provide quarterly financial statements, audited annual
31 financial statements and such other information as the
32 superintendent may require, and the employer shall provide a cash
33 deposit, satisfactory securities, irrevocable standby letters of
34 credit issued by a qualified financial institution, or a surety
35 bond as otherwise required by this Act in an amount not less than
36 \$1,000,000 \$100,000. Any such guarantor is deemed to have
37 submitted to the jurisdiction of the board and the courts of this
38 State for purposes of enforcing any such guarantee. The
39 guarantor, in all respects, is bound by and subject to the
40 orders, findings, decisions or awards rendered against the
41 employer for payment of compensation and any penalties or
42 forfeitures provided under this Act. The superintendent,
43 following hearing, may revoke the self-insured status of the
44 employer if at any time the assets of the guarantor become
45 impaired, encumbered or are otherwise found to be inadequate to
46 support the guarantee.
47

48 **Sec. 2. 39-A MRSA §403, sub-§7**, as enacted by PL 1991, c. 885,
49 Pt. A, §8 and affected by §§9 to 11, is amended to read:
50

2 7. **Self-insurance.** "Self-insurance," as used in this
4 section, means the system of securing compensation as provided in
subsections 2 3 to 16.

6 **Emergency clause.** In view of the emergency cited in the
8 preamble, this Act takes effect when approved.

10 **FISCAL NOTE**

12 The Bureau of Insurance will incur some minor additional
14 costs to adopt rules pertaining to certain requirements for those
16 employers who are self-insured for workers' compensation. These
costs can be absorbed within the bureau's existing budgeted
resources.'

18 **STATEMENT OF FACT**

20 This amendment lowers the minimum amount of security needed
22 for employers utilizing guarantees to qualify for self-insurance
24 authority from \$1,000,000 to \$100,000. It allows the
26 Superintendent of Insurance to establish the required security
amounts by using the same formula used to calculate required
28 security for an employer that qualifies for self-insurance by a
means other than an affiliate guarantee. The amendment also
corrects a cross-reference in the Maine Revised Statutes, Title
39-A, section 403, subsection 7.