

# MAINE STATE LEGISLATURE

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# 116th MAINE LEGISLATURE

## SECOND REGULAR SESSION-1994

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Legislative Document

No. 1614

H.P. 1206

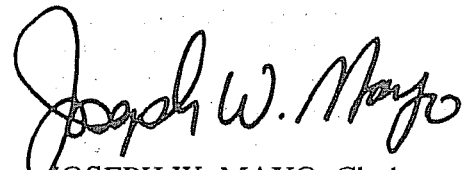
House of Representatives, January 4, 1994

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**An Act to Amend the Workers' Compensation Laws By Allowing  
Guarantors of Self-Insurers to Utilize Approved Letters of Credit.**

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Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 26.  
Received by the Clerk of the House on December 30, 1993. Referred to the Committee on  
Banking and Insurance and 1200 ordered printed pursuant to Joint Rule 14.

  
JOSEPH W. MAYO, Clerk

Presented by Representative AHEARNE of Madawaska.  
Cosponsored by Representative: PINEAU of Jay, Senators: KIEFFER of Aroostook,  
McCORMICK of Kennebec, PARADIS of Aroostook.

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

Sec. 1. 39-A MRSA §403, sub-§3, as enacted by PL 1991, c. 885, Pt. A, §8 and affected by §§9 to 11, is amended by amending the 2nd paragraph and the next to last paragraph to read:

An individual self-insurer, or guarantor of the self-insurer may, with the approval of the superintendent, use a surety bond, an irrevocable standby letter of credit or financial assets, including cash deposits and acceptable securities, singly or in combination to satisfy the self-insurer's responsibility to post security required by the superintendent. An individual self-insurer or guarantor that proposes to use an irrevocable standby letter of credit shall maintain at all times a net worth of not less than \$50,000,000, have a ratio of current assets to current liabilities of at least 1.1 to 1 and have a ratio of long-term debt to tangible net worth not in excess of 1.3 to 1. For purposes of this section, "tangible net worth" means equity less assets that have no physical existence and depend on expected future benefits for their ascribed value.

As a further alternative to the methods described in this subsection, an employer is eligible for approved self-insurance status pursuant to this Act if the employer submits a written guarantee of the obligations incurred pursuant to this Act, the guarantee to be issued by a United States or Canadian corporation that is a member of an affiliated group of which the employer is a member, and which corporation is solvent and demonstrates an ability to pay the compensation and benefits, and the guarantee is in a form acceptable to the superintendent. The guarantor shall provide quarterly financial statements, audited annual financial statements and such other information as the superintendent may require, and the employer or guarantor shall provide a bond security deposit as otherwise required by this Act in an amount not less than \$1,000,000. Any such guarantor is deemed to have submitted to the jurisdiction of the board and the courts of this State for purposes of enforcing any such guarantee. The guarantor, in all respects, is bound by and subject to the orders, findings, decisions or awards rendered against the employer for payment of compensation and any penalties or forfeitures provided under this Act. The superintendent, following hearing, may revoke the self-insured status of the employer if at any time the assets of the guarantor become impaired, encumbered or are otherwise found to be inadequate to support the guarantee.

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#### STATEMENT OF FACT

Under current law, employers who are members of an affiliated group may rely upon the guarantee of another member of

2 the group for purposes of qualifying for self-insurance under the  
workers' compensation laws. While other self-insured employers  
4 are authorized to utilize letters of credit when posting required  
security deposits, employers utilizing a guarantee are limited to  
6 a security bond. Such bonds may be considerably more expensive  
than letters of credit.

8 This bill allows employers who rely upon guarantees for  
purposes of qualifying for self-insurance to utilize letters of  
10 credit when posting security deposits, in the same manner as  
current law allows for other employers. All such security  
12 deposits remain subject to the standards provided by law and  
review by the Superintendent of Insurance.  
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20 This document has not yet been reviewed to determine the  
need for cross-reference, stylistic and other technical  
amendments to conform existing law to current drafting standards.