

MAINE STATE LEGISLATURE

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L.D. 953

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
117TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 695, L.D. 953, Bill, "An Act to Amend the Workers' Compensation Board's Annual Assessment"

Amend the bill by inserting after the enacting clause and before section 1 the following:

'Sec. 1. 39-A MRSA §154, sub-§3, as repealed and replaced by PL 1993, c. 619, §2, is amended to read:

3. Assessment on workers' compensation insurance. The following provisions apply regarding the Workers' Compensation Board assessment on workers' compensation insurance.

A. Every insurance company or association that writes workers' compensation insurance in the State and that does business or collects premiums or assessments in the State, including newly licensed insurance companies and associations, shall pay to the board the assessment determined pursuant to this section for the purpose of providing partial support and maintenance of the board.

B. The assessment must be stated as a percentage of gross ~~direct--premiums--written,--whether--in--cash--or--in--notes absolutely-payable-on-contracts-written-on-risks-located-or resident-in-the-State-for-workers'-compensation-insurance, less-the-amount-of-the-direct-return-premiums-on-the-gross direct--premiums--written--and--all--dividends--paid--to policyholders-on-direct-workers'-compensation-premiums~~ each

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2 employer's premium base. In determining the assessment
percentage, consideration must be given to the balance in
the Workers' Compensation Board Administrative Fund.

4
6 B-1. An employer's premium base for assessment purposes is
defined as payroll times the filed manual rate applicable to
the employer times the employer's current experience
modification factor, if applicable. The calculation may not
include any deductible credit, other than credits for the
\$1,000 and \$5,000 indemnity deductibles and the \$250 and
\$500 medical deductibles established pursuant to Title 24-A,
sections 2385 and 2385-A. For policies written using
retrospective rating, the premium base must be calculated in
accordance with this paragraph regardless of the actual
retrospective premium calculation.

16
18 The employer's premium base is subject to the final audit
requirements of the Bureau of Insurance Rule, Chapter 470.
If the audit results in a change in premium base, the amount
of the assessment must be adjusted accordingly.

22
24 C. The For each fiscal year, the initial assessment
percentage must be determined by the board by May 1st of
each the prior fiscal year. Insurance companies or
associations must begin collecting the initial assessment
from all employers on July 1st of each year. In
establishing the assessment percentage, the board shall
estimate the expected premium base for the upcoming fiscal
year based on the returns filed under paragraph D and
anticipated trends in the insurance marketplace. The board
shall consult with the Bureau of Insurance and other
knowledgeable sources to help determine the trends. The
board may adjust the assessment percentage at any time but
shall provide written notice to the affected companies and
associations at least 45 days prior to the effective date of
the adjustment. The board may not adjust the assessment
percentage more than 3 times in a fiscal year. The adjusted
assessment percentage must be applied prospectively on
policies with an effective date on or after the effective
date of the adjustment.

42
44 D. Every insurance company or association subject to the
assessment imposed by this section with an annual-assessment
of ~~over \$5,000~~ must estimated annual payment of \$50,000 or
more based on previous assessment returns may make payments
quarterly. Each insurance company or association electing
quarterly payments must on or before the last day of each
January, each April, the 25th day of each June and the last
day of each October file with the board on forms prescribed
by the board a return for the quarter ending the last day of
the preceding month, except the month of June, which is for

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2 the quarter ending June 30th and remit payment of the
3 assessment based upon the results for the quarter reported.
4 A final reconciled annual return must be filed on or before
5 September 15th covering the prior fiscal year in which the
6 previous assessment was levied. The final return must be
7 certified by the company's or association's chief financial
8 officer. Insurance companies or associations with an annual
9 assessment estimate of under \$5,000 \$50,000 shall pay the
10 assessment on or before June 1st and shall also file a
11 quarterly and an annual return on forms prescribed by the
12 board. Affiliated insurers may aggregate their collection
13 volume in order to meet the \$50,000 assessment threshold as
14 long as the affiliation is consistent with the standards
15 defined in Title 24-A, section 222. Those qualifying
16 insurance companies or associations that opt to consolidate
17 their quarterly payments and reports may do so only if each
18 individually licensed company or association is individually
19 reported within each consolidated return.

20 **Sec. 2. 39-A MRS §154, sub-§4**, as enacted by PL 1991, c. 885,
21 Pt. A, §8 and affected by §§9 to 11, is amended to read:

22 **4. Assessment on self-insured employers.** Every
23 self-insured employer approved pursuant to section 403 shall, for
24 the purpose of providing partial support and maintenance of the
25 board, pay an assessment on aggregate benefits paid by each
26 member pursuant to section 404, subsection 4. This assessment
27 must be a dollar amount.'

30 Further amend the bill by inserting after section 1 the
31 following:

32 **'Sec. 2. 39-A MRS §154, sub-§6**, as amended by PL 1993, c.
33 619, §3, is further amended to read:

36 **6. Assessment levied.** The assessments levied under this
37 section may not be designed to produce more than \$6,000,000 in
38 revenues annually beginning in the 1993-94 1995-96 fiscal year.
39 Assessments collected that exceed \$6,000,000 by a margin of more
40 than 10% must be refunded to those who paid the assessment. Any
41 amount collected above the board's allocated budget and within
42 the 10% margin must be used to create a reserve of up to 1/4 of
43 the board's annual budget. Any collected amounts or savings
44 above the allowed reserve must be used to reduce the assessment
45 for the following fiscal year. The board shall determine the
46 assessments prior to May 1st and shall assess each insurance
47 company or association and self-insured employer its pro rata
48 share for expenditures during the fiscal year beginning July
1st. Each self-insured employer shall pay the assessment on or

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2 before June 1st. Each insurance company or association shall pay
the assessment in accordance with subsection 3.

4 **Sec. 3. 39-A MRSA §154, sub-§7**, as enacted by PL 1991, c. 885,
Pt. A, §8 and affected by §§9 to 11, is amended to read:

6
7. **Insurance company or association collections.** Insurance
8 companies or associations shall bill and collect assessments
under this section on insured employers. ~~Such~~ The assessments
10 must be separately stated amounts on all premium notices and may
not be reported as premiums for any tax or regulatory purpose or
12 for the purpose of any other law. All collected payments must be
submitted to the board with the next quarterly payment. The
14 Bureau of Insurance shall report to the board all newly
authorized workers' compensation carriers in order to facilitate
16 notification to the new carrier of its obligations under this
section.

18
Sec. 4. 39-A MRSA §154, sub-§11, as enacted by PL 1993, c.
20 145, §5, is repealed.

22 **Sec. 5. 39-A MRSA §154, sub-§12** is enacted to read:

24 12. Audit. In consultation with the Bureau of Insurance,
the board may audit all returns and investigate any issues
26 relevant to the collection and payment of any assessment under
this section.'

28 Further amend the bill by relettering or renumbering any
30 nonconsecutive Part letter or section number to read
consecutively.

32 Further amend the bill by inserting at the end before the
34 statement of fact the following:

36 **FISCAL NOTE**

38 Allowing the Workers' Compensation Board to collect an
annual assessment of up to 10% in excess of \$6,000,000 may
40 increase dedicated revenue collected by the board. Any revenue
collected over \$6,000,000, but within the allowable 10% limit,
42 beginning in fiscal year 1995-96, must be used to create a
reserve fund. Once reserve requirements are met, these
44 additional revenues must be used to lower future assessments.

46 The Bureau of Insurance will incur some minor additional
costs to administer certain responsibilities in the annual
48 assessment used to collect revenue for the Workers' Compensation
Board. These costs can be absorbed within the board's existing
50 budgeted resources.'

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STATEMENT OF FACT

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6 This amendment provides that the assessment imposed on an
insured employer for support of the costs of the Workers'
8 Compensation Board is a percentage rate of that insured
employer's premium. The initial assessment must be based on
10 estimates of the premium base for the upcoming fiscal year,
determined in consultation with the Bureau of Insurance and other
12 sources. The board may adjust the assessment percentage during
the year to ensure that receipts are high enough to cover the
board's budget allocation. The board is required to return
14 assessment payments that exceed projected receipts by more than
10% and may create a reserve with funds received within that
16 margin. The amendment also permits insurers with estimated
annual payments of over \$50,000 to make quarterly payments
18 instead of annual payments. Affiliated insurers are permitted to
consolidate their payments in order to meet this threshold
20 requirement for quarterly payments. The amendment also adds a
fiscal note to the bill.