

MAINE STATE LEGISLATURE

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1008

L.D. 1548

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BANKING AND INSURANCE

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12 the House.

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

16

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18 COMMITTEE AMENDMENT "A" to H.P. 1101, L.D. 1548, Bill, "An
20 Act to Clarify and Amend Provisions of the Maine Insurance Code
and the Workers' Compensation Self-insurance"

22

22 Amend the bill by striking out all of section 1 and
24 inserting in its place the following:

26

'Sec. 1. 24-A MRSA §2385-F is enacted to read:

28

§2385-F. Coverage denial

30

30 Workers' compensation coverage may not be issued to an
32 employer until the employer pays any undisputed premiums or
assessments to a previous workers' compensation insurer,
34 including a domestic mutual insurer established pursuant to
section 3703, a group self-insurer approved pursuant to Title
36 39-A, section 403, subsection 4, or the workers' compensation
residual market mechanism.'

38

38 Further amend the bill in section 2 in subsection 3 in
40 paragraph B in the 13th line (page 4, line 51 in L.D.) by
striking out the following: "board have been made or until the
42 board" and inserting in its place the following: 'bond have been
made or until the bond'

44

44 Further amend the bill in section 2 in subsection 3 in
46 paragraph G in the 4th line (page 8, line 2 in L.D.) by striking
out the following: "United States or Canadian"

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2 Further amend the bill in section 2 in subsection 3 in
 4 paragraph G by inserting after the first sentence (page 8, line
 6 13 in L.D.) the following: 'If the parent corporation is not a
 8 United States corporation, the superintendent may, in the
 10 superintendent's sole discretion, establish the conditions of any
 12 approval of the foreign parent corporation or deny the
 14 application of the foreign parent corporation. As part of its
 16 application for approval, a foreign parent corporation must
 18 provide the following information to the superintendent: evidence
 20 that its country of domicile has substantially similar laws with
respect to submission to the jurisdiction of the board and the
courts of this State for the purposes of payment of workers'
compensation claims of the subsidiary employer; audited financial
statements, as otherwise required by this Act, prepared in the
English language by a certified public accountant licensed in a
state in the United States in accordance with generally accepted
auditing standards as prescribed by the American Institute of
Certified Public Accountants; and security, as otherwise required
by the Act, in United States currency.'

22 Further amend the bill in section 4 by striking out all of
 subsection 9 and inserting in its place the following:

24 **'9. Acceptable deposit funds or investments for trust**
 26 **funds.** In addition to cash, the deposit or funds or permissible
 28 investments for trust funds acceptable to the Superintendent of
 30 Insurance as a security deposit include-United-States-Government
 32 bonds,-notes-or-bills,-issued-or-guaranteed-by-the-United-States
 34 of-America;-bonds-secured-by-the-full-faith,-credit-and-taxing
 36 power-of-political-subdivisions-of-the-United-States-rated-in-the
 38 3-highest-grades-by-a-national-rating-agency-such-as-Moody's
 40 Investors-Service,-Inc.,-Standard-and-Poor's-Corporation-or-Fitch
 42 Investors--Service,-Inc.-as-of-the-foregoing-year-end;-money
 44 market--funds--invested--only--in--United--States--Government--or
 46 government-agency-obligations-with-a-maturity-not-exceeding-one
 48 year;-high-grade are bonds, notes and bills that are issued by
 50 and are the direct obligation of the United States Treasury; the
direct obligations of the following United States Government
agencies: the Government National Mortgage Association; the
Federal Home Loan Bank; the Federal Farm Credit Bank; the Student
Loan Marketing Association; and the Federal National Mortgage
Association; the direct obligations of any state of the United
States or any subdivision of any state to which are pledged the
full faith and credit of the state or subdivision, the unsecured
debt of which is rated "A" or better by Standard and Poor's
Corporation or the rating equivalent of Moody's Investors
Service, Inc., Fitch Investors Service, Inc., or any other
nationally recognized statistical rating agency; commercial paper
rated as either "A-1" or "P-1" by a-nationally-recognized-bond
rating-service-such-as Moody's Investors Service, Inc., Standard

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2 and Poor's Corporation or the rating equivalent of Fitch
 3 Investors Service, Inc., or money market funds invested in such
 4 paper or any other nationally recognized statistical rating
 5 agency; money market funds rated "Aam" or "Aam-G" or better by
 6 Standard and Poor's Corporation or the rating equivalent of any
 7 other nationally recognized statistical rating agency;
 8 certificates of deposit issued by a duly chartered commercial
 9 bank or thrift institution in the State protected by the Federal
 10 Deposit Insurance Corporation if such a bank or institution
 11 possesses assets of at least \$100,000,000 and maintains a ratio
 12 of capital to assets equal to or greater than 6 1/2%; savings
 13 certificates issued by any savings and loan association in the
 14 State protected by the Federal Savings and Loan Deposit Insurance
 15 Corporation if such an association possesses assets of at least
 16 \$100,000,000 and maintains a ratio of capital to assets equal to
 17 or greater than 6 1/2%; ~~surety bonds in a form prescribed by the~~
 18 ~~superintendent issued by any corporate surety that meets the~~
 19 ~~qualifications prescribed by rule of the superintendent;~~
 20 ~~irrevocable standby letters of credit issued to the Treasurer of~~
 21 ~~State by financial institutions with long term unsecured debt~~
 22 ~~ratings of at least A by either Moody's Investors Service, Inc.~~
 23 ~~or Standard and Poor's Corporation or with commercial paper~~
 24 ~~within the 3 highest short term rating~~
 25 ~~categories established by Moody's Investors Service, Inc. or~~
 26 ~~Standard and Poor's Corporation; and such other investments~~
 27 ~~approved by the superintendent corporate bonds rated "Aaa," "Aa1"~~
 28 ~~or "Aa2" by Moody's Investors Service, Inc., or rated "AAA,"~~
 29 ~~"AA+" or "AA" by Standard and Poor's Corporation, or the rating~~
 30 ~~equivalent of Fitch Investors Service, Inc. or any other~~
 31 ~~nationally recognized statistical agency, in an amount not to~~
 32 ~~exceed 20% of the total investment portfolio; and such other~~
 33 ~~investments approved by the superintendent.~~

34 Investments must be diversified in a prudent manner to ensure
 35 that funds are maintained at a sufficient level to discharge
 36 workers' compensation obligations incurred by the employer
 37 pursuant to this Title as those obligations become due and
 38 payable.'

40 Further amend the bill by inserting at the end before the
 41 emergency clause the following:

42
 43 **'Sec. 7. Report required.** The Commissioner of Professional
 44 and Financial Regulation shall convene a study group of
 45 representatives from the Maine Self-Insurance Guarantee
 46 Association, the Bureau of Insurance and the Public Advocate.
 47 The group shall study the Maine Self-Insurance Guarantee Fund,
 48 focusing on the financial position of the fund, the current level
 49 of assessments and whether or not the fund can meet the expenses
 50 for the payment of covered claims in the event of a

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self-insurer's insolvency. At least 2 weeks' prior notice of group meetings must be given to the public. The group shall submit a report to the Joint Standing Committee on Banking and Insurance on or before January 1, 1996.'

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

FISCAL NOTE

The Bureau of Insurance within the Department of Professional and Financial Regulation will incur some minor additional costs to adopt certain rules pertaining to solvency requirements for workers' compensation self-insurance, to participate in a study group pertaining to the Maine Self-Insurance Guarantee Fund and to submit a required report to the Legislature. These costs can be absorbed within the bureau's existing budgeted resources.

The Public Advocate will also incur some minor additional costs to participate in a study group pertaining to the Maine Self-Insurance Guarantee Fund. These costs can be absorbed within the agency's existing budgeted resources.'

STATEMENT OF FACT

This amendment does the following.

1. It requires insurers to deny coverage to an employer who owes undisputed premiums or assessments to an approved group self-insurer, a domestic mutual insurance carrier or the workers' compensation residual market.

2. It adds the option for a Maine employer to qualify for self-insurance authority and to qualify for the working capital offset by relying upon a parent corporation domiciled in a foreign country.

3. It corrects drafting errors relating to acceptable investments for trust funds.

4. It requires the Commissioner of Professional and Financial Regulation to convene a group to study the current financial status of the Maine Self-Insurance Guarantee Fund and file a report on or before January 1, 1996.

5. The amendment adds a fiscal note to the bill.