

# 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)

ROS

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34

Date 6/21/23

**HEALTH COVERAGE, INSURANCE AND FINANCIAL SERVICES**

Reproduced and distributed under the direction of the Clerk of the House

**STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
131ST LEGISLATURE  
FIRST SPECIAL SESSION**

COMMITTEE AMENDMENT "A" to H P 886, L D 1372, "An Act to Amend the Workers' Compensation Self-insurance Laws to Allow for the Use of Fronting Companies"

Amend the bill by striking out everything after the enacting clause and inserting the following

**'Sec. 1. 39-A MRS A §403, sub-§4-B** is enacted to read

**4-B. Group self-insurance reinsurance fronting arrangements.** This subsection governs group self-insurance reinsurance fronting arrangements

A As used in this subsection, unless the context otherwise indicates, the following terms have the following meanings

- (1) "Fronting arrangement" means a situation in which a fronting company issues a policy for workers' compensation insurance to an employer member of a group self-insurer licensed under this Title and cedes all of the premium and exposure of the policy for out-of-state employees to the self-insured group
- (2) "Fronting company" means an entity that engages in a fronting arrangement. A fronting company may be owned by one or more group self-insurers or by a group self-insurance reinsurance account
- (3) "National Association of Insurance Commissioners" has the same meaning as in Title 24-A, section 15
- (4) "Superintendent" means the Superintendent of Insurance

B Beginning June 1, 2024 and until May 31, 2029, an employer member of a group self-insurer licensed under this Title may insure its employees through a fronting arrangement under the following conditions

- (1) The group self-insurer must
  - (a) Be a member of a group self-insurance reinsurance account, and the assets of the members of the group self-insurance reinsurance account must be available to satisfy the obligations of a fronting company if the assets of the

**COMMITTEE AMENDMENT**

ROS

- 1           group self-insurer are inadequate to cover the obligations of the fronting  
2           company,
- 3           (b) Ensure that the members of the group have a net worth of at least  
4           \$50,000,000 or an amount reasonably determined by the superintendent,
- 5           (c) Insure members of the group that employ employees who live or work in  
6           a state other than this State and that are subject to the workers' compensation  
7           laws of that state, and
- 8           (d) Provide that members of a group self-insurer are jointly and severally liable  
9           for the workers' compensation obligations of an employer member of a group  
10           self-insurer whose out-of-state employees are insured by a fronting company.
- 11           Any fronting arrangement must require the group self-insurer or group self-  
12           insurance reinsurance account to assume all responsibility for administration and  
13           claims handling for the fronting company. More than one group self-insurer may  
14           enter into a fronting arrangement with the same fronting company. The obligations  
15           of a fronting company ceded to a group self-insurer must be included in the  
16           actuarial analysis of the group and such other filings as the superintendent may  
17           require under this section.
- 18           (2) The fronting company must
- 19           (a) Have capital in the amount of \$500,000 or an amount reasonably  
20           determined by the superintendent,
- 21           (b) Submit a plan of operation to the superintendent, establish a board of  
22           directors and establish bylaws and procedures by which all the powers and  
23           duties of the fronting company are performed, including, but not limited to,  
24           defining the date and conditions upon which the fronting company will  
25           commence coverage for claims. The plan of operation is subject to the review  
26           and approval of the superintendent based on the consideration, including, but  
27           not limited to, of
- 28           (i) The financial accreditation standards of the National Association of  
29           Insurance Commissioners, and
- 30           (ii) Whether the fronting company has received demonstrated interest  
31           from a regulatory agency in another jurisdiction to authorize the fronting  
32           company to provide workers' compensation insurance coverage in that  
33           jurisdiction,
- 34           (c) Provide a detailed explanation of each fronting arrangement, including the  
35           process by which all exposures are ceded to a group self-insurer,
- 36           (d) Be subject to examination and regulation by the superintendent. The board  
37           of directors of a fronting company under this subsection shall submit, within  
38           120 days after the close of each fiscal year, an audited financial report, an  
39           actuarial report, an audited financial statement and other information the  
40           superintendent may require, and
- 41           (e) Operate in accordance with its plan of operation as long as no workers'  
42           compensation insurance coverage is issued or provided in another jurisdiction  
43           until the fronting company receives prior approval in another jurisdiction. If

ROS

1 the superintendent determines that the fronting company is not operating in  
2 accordance with its plan of operation or that the operations of the fronting  
3 company are adversely impacting the Bureau of Insurance's compliance with  
4 financial accreditation standards of the National Association of Insurance  
5 Commissioners or other applicable laws or regulations, the superintendent may  
6 order the fronting company to commence a plan to cease operations

7 C The provisions of Title 24-A and rules adopted under that Title relating to the  
8 formation, review, approval and operation of a workers' compensation insurance  
9 company do not apply to a fronting company established under this subsection except  
10 to the extent that those provisions and rules are consistent with the requirements of this  
11 subsection and any rules adopted pursuant to paragraph D

12 D The superintendent shall adopt rules to implement this subsection Rules adopted  
13 pursuant to this paragraph are major substantive rules as defined in Title 5, chapter 375,  
14 subchapter 2-A

15 **Sec. 2. 39-A MRSA §403, sub-§4-C** is enacted to read

16 **4-C. Continuation of authority to administer and handle claims; group self-**  
17 **insurer; fronting arrangement.** Beginning June 1, 2029, an employer member of a group  
18 **self-insurer licensed under this Title may not insure its employees through a fronting**  
19 **arrangement, except that a group self-insurer or group self-insurance reinsurance account**  
20 **may continue to administer and handle claims for an employer member through a fronting**  
21 **arrangement in place prior to June 1, 2029**

22 **Sec. 3. Rulemaking.** The Superintendent of Insurance shall provisionally adopt the  
23 rules required in the Maine Revised Statutes, Title 39-A, section 403, subsection 4-B,  
24 paragraph D no later than January 1, 2024 '

25 Amend the bill by relettering or renumbering any nonconsecutive Part letter or section  
26 number to read consecutively

**SUMMARY**

27 This amendment replaces the bill and does the following

28 1 It provides that an employer member of a group self-insurer licensed under the  
29 Maine Revised Statutes, Title 39-A may insure its employees through a fronting  
30 arrangement beginning June 1, 2024 and until May 31, 2029  
31

32 2 It provides that the assets of the members of the group self-insurance reinsurance  
33 account must be available to satisfy the obligations of a fronting company if the assets of  
34 the group self-insurer are inadequate to cover the obligations of the fronting company

35 3 It requires that the members of a group self-insurance reinsurance account have at  
36 least \$50,000,000 in net worth

37 4 It clarifies that the requirements of Title 24-A and rules adopted under Title 24-A  
38 do not apply to a fronting company except to the extent that those provisions and rules are  
39 consistent with the requirements set forth in the legislation and any rules for fronting  
40 companies adopted by the Superintendent of Insurance pursuant to the amendment

**COMMITTEE AMENDMENT**





# 131st MAINE LEGISLATURE

LD 1372

LR 1851(02)

## An Act to Amend the Workers' Compensation Self-insurance Laws to Allow for the Use of Fronting Companies

Fiscal Note for Bill as Amended by Committee Amendment "A"  
Committee: Health Coverage, Insurance and Financial Services

(H-682)

Fiscal Note Required: Yes

---

### Fiscal Note

Minor cost increase - Other Special Revenue Funds

#### Fiscal Detail and Notes

Additional costs to the Bureau of Insurance within the Department of Professional and Financial Regulation associated with allowing for group self-insurers to insure out-of-state employees are expected to be minor and can be absorbed within existing budgeted resources