
By: Delegate Frank

Introduced and read first time: February 12, 1996

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Group Self-Insurance for Workers' Compensation**

3 FOR the purpose of requiring a group of employers that self-insures in a certain manner
4 for purposes of workers' compensation be formed as a certain nonstock corporation;
5 requiring the regulations that the Maryland Insurance Commissioner adopts under
6 a certain law to include a certain requirement concerning the directors of a certain
7 self-insurance group; providing for the future codification of certain provisions of
8 this Act; and generally relating to group self-insurance for workers' compensation.

9 BY repealing and reenacting, with amendments,
10 Article 48A - Insurance Code
11 Section 609(b) and (d)
12 Annotated Code of Maryland
13 (1994 Replacement Volume and 1995 Supplement)

14 BY repealing and reenacting, with amendments,
15 Article - Insurance
16 Section 25-303(c) and 25-304
17 Annotated Code of Maryland
18 (1995 Volume)
19 (As enacted by Chapter ____ (H.B. 11) of the Acts of the General Assembly of
20 1996)

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
22 MARYLAND, That the Laws of Maryland read as follows:

23 **Article 48A - Insurance Code**

24 609.

25 (b) (1) The Commissioner shall adopt regulations to carry out the provisions of
26 this subtitle.

27 (2) The regulations shall include:

2

1 (i) Classifications of businesses and industries, based on the type of
2 activity conducted by the business or industry, within which employers may join together
3 in self-insurance groups;

4 (ii) As to each classification, a minimum level of contribution which
5 shall be at least \$250,000 in premiums collected from or pledged by members of a group
6 to a fund from which compensation claims shall be paid;

7 (iii) Conditions under which contributions by members of a
8 self-insurance group may be rebated or temporarily suspended;

9 (iv) As to each classification, a minimum level of excess insurance
10 coverage that shall be obtained by each group and the requirement that the minimum
11 levels of excess insurance adopted under this section may be satisfied by placing, in a
12 depository designated by the Commissioner, securities in a form and amount prescribed
13 by the Commissioner;

14 (v) As to each classification, a minimum surety bond of at least
15 \$100,000 that shall be obtained by each group; [and]

16 (vi) As to each administrator or service company, a minimum bond that
17 may be required by the Commissioner in addition to any other bond that may be required;
18 AND

19 (VII) AS TO THE DIRECTORS OF A SELF-INSURANCE GROUP, A
20 REQUIREMENT THAT A MAJORITY OF THE DIRECTORS SHALL BE MEMBERS OF THE
21 SELF-INSURANCE GROUP.

22 (d) Each self-insurance group shall:

23 (1) [have] HAVE combined net assets of at least \$1,000,000; AND

24 (2) BE FORMED AS A NONSTOCK CORPORATION UNDER TITLE 5,
25 SUBTITLE 2 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.

26 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
27 read as follows:

28 **Article - Insurance**

29 25-303.

30 (c) The regulations shall include:

31 (1) classifications of businesses and industries, based on the type of activity
32 conducted by the business or industry, within which employers may join together in
33 self-insurance groups;

34 (2) for each classification:

35 (i) a minimum level of contribution of at least \$250,000 in premiums
36 collected from or pledged by members of a self-insurance group to a fund from which
37 workers' compensation claims will be paid;

3

1 (ii) a minimum level of excess insurance coverage that must be
2 obtained by each self-insurance group;

3 (iii) a requirement that the minimum levels of excess insurance
4 adopted under this subtitle may be satisfied by placing, in a depository that the
5 Commissioner designates, securities in a form and amount that the Commissioner
6 requires; and

7 (iv) a surety bond of at least \$100,000 that must be obtained by each
8 self-insurance group;

9 (3) conditions under which contributions by members of a self-insurance
10 group may be rebated or temporarily suspended;[and]

11 (4) for each administrator or service company, a bond that the
12 Commissioner may require in addition to any other required bond; AND

13 (5) AS TO THE DIRECTORS OF A SELF-INSURANCE GROUP, A
14 REQUIREMENT THAT A MAJORITY OF THE DIRECTORS MUST BE MEMBERS OF THE
15 SELF-INSURANCE GROUP.

16 25-304.

17 (a) Before a self-insurance group may operate, the self-insurance group must
18 obtain the approval of the Commissioner, including approval of its self-insurance
19 agreement.

20 (b) Each self-insurance group must:

21 (1) have combined net assets of at least \$1,000,000; AND

22 (2) BE FORMED AS A NONSTOCK CORPORATION UNDER TITLE 5,
23 SUBTITLE 2 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.

24 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall
25 take effect October 1, 1996.

26 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
27 take effect October 1, 1997.