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**By: Delegate Frank**

Introduced and read first time: February 12, 1996

Assigned to: Economic Matters

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 14, 1996

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CHAPTER \_\_\_\_

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; imposing a certain requirement on the governance of a  
8 self-insurance group; providing for the future codification of certain provisions of  
9 this Act; and generally relating to group self-insurance for workers' compensation.

10 BY repealing and reenacting, with amendments,  
11 Article 48A - Insurance Code  
12 Section 609(b) and (d)  
13 Annotated Code of Maryland  
14 (1994 Replacement Volume and 1995 Supplement)

15 BY repealing and reenacting, with amendments,  
16 Article - Insurance  
17 Section 25-303(c) and 25-304  
18 Annotated Code of Maryland  
19 (1995 Volume)  
20 (As enacted by Chapter \_\_\_\_ (H.B. 11) of the Acts of the General Assembly of  
21 1996)

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

2

1 **Article 48A - Insurance Code**

2 609.

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

5 (2) The regulations shall include:

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

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

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

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

19 (v) As to each classification, a minimum surety bond of at least  
20 \$100,000 that shall be obtained by each group; [and]

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

24 (VII) AS TO THE DIRECTORS OF A SELF-INSURANCE GROUP, A  
25 REQUIREMENT THAT A MAJORITY OF THE DIRECTORS SHALL BE MEMBERS OF THE  
26 SELF-INSURANCE GROUP.

27 (d) Each self-insurance group shall:

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

29 (2) ~~BE FORMED AS A NONSTOCK CORPORATION UNDER TITLE 5,~~  
30 ~~SUBTITLE 2 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE HAVE A~~  
31 ~~REQUIREMENT THAT THE GOVERNANCE OF THE GROUP BE UNDER THE CONTROL~~  
32 ~~OF ITS MEMEBERS.~~

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

35 **Article - Insurance**

36 25-303.

37 (c) The regulations shall include:

3

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

4 (2) for each classification:

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

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

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

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

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

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

20 (5) AS TO THE DIRECTORS OF A SELF-INSURANCE GROUP, A  
21 REQUIREMENT THAT A MAJORITY OF THE DIRECTORS MUST BE MEMBERS OF THE  
22 SELF-INSURANCE GROUP.

23 25-304.

24 (a) Before a self-insurance group may operate, the self-insurance group must  
25 obtain the approval of the Commissioner, including approval of its self-insurance  
26 agreement.

27 (b) Each self-insurance group must:

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

29 (2) ~~BE FORMED AS A NONSTOCK CORPORATION UNDER TITLE 5,~~  
30 ~~SUBTITLE 2 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE HAVE A~~  
31 REQUIREMENT THAT THE GOVERNANCE OF THE GROUP BE UNDER THE CONTROL  
32 OF ITS MEMBERS.

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

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

