

# HOUSE BILL 345

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By: **Delegate Feldman**

Introduced and read first time: February 1, 2007

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Workers' Compensation Commission – Governmental Self-Insurance Groups**  
3 **– Investment**

4 FOR the purpose of requiring the Workers' Compensation Commission to adopt  
5 regulations that establish certain guidelines to authorize a certain type of  
6 investment of surplus funds by governmental self-insurance groups; providing  
7 certain conditions for the investment of surplus funds by governmental  
8 self-insurance groups; and generally relating to regulations by the Workers'  
9 Compensation Commission.

10 BY repealing and reenacting, with amendments,  
11 Article – Labor and Employment  
12 Section 9–404(a)  
13 Annotated Code of Maryland  
14 (1999 Replacement Volume and 2006 Supplement)

15 BY repealing and reenacting, without amendments,  
16 Article – Labor and Employment  
17 Section 9–404(b), (c), (i), (j), and (k)  
18 Annotated Code of Maryland  
19 (1999 Replacement Volume and 2006 Supplement)

20 BY repealing and reenacting, without amendments,  
21 Article 95 – Treasurer  
22 Section 22(a)  
23 Annotated Code of Maryland

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(2003 Replacement Volume and 2006 Supplement)

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

**Article – Labor and Employment**

9–404.

(a) (1) The Commission shall adopt regulations:

(I) setting procedures and other requirements for a governmental self–insurance group to establish joint self–insurance coverage; AND

(II) ESTABLISHING GUIDELINES TO GOVERN THE INVESTMENT OF SURPLUS MONEYS NOT NEEDED TO MEET CURRENT OBLIGATIONS IN A MANNER THAT WILL ENSURE SOLVENCY OF THE FUND AND TIMELY PAYMENT OF CLAIMS.

(2) NOTWITHSTANDING THE LOCAL GOVERNMENT GUIDELINES SET FORTH IN ARTICLE 95, § 22 OF THE CODE, THE GUIDELINES REQUIRED BY PARAGRAPH (1)(II) OF THIS SUBSECTION SHALL:

(I) STATE THE TYPES OF INVESTMENT IN WHICH MONEYS MAY BE INVESTED;

(II) INCLUDE GUIDANCE FOR THE PRUDENT INVESTMENT OF MONEYS BASED ON CLAIM EXPERIENCE, CASH FLOW PROJECTIONS, INCOME, LIQUIDITY, INVESTMENT RATINGS, AND RISK;

(III) AUTHORIZE INVESTMENTS OF MONEYS IN EQUITIES, PROVIDED THAT INVESTMENTS DO NOT EXCEED 30 PERCENT OF THE SURPLUS MONEYS;

(IV) PROVIDE THAT MONEYS NOT INVESTED IN EQUITIES SHALL BE INVESTED IN ACCORDANCE WITH ARTICLE 95, § 22 OF THE CODE; AND

(V) PROHIBIT BORROWING OF FUNDS FOR THE EXPRESS PURPOSE OF INVESTING THOSE FUNDS.

1           (b)   (1)   Subject to paragraph (2) of this subsection, a governmental self-  
2 insurance group may be formed by any combination of:

- 3                   (i)    counties;
- 4                   (ii)   municipal corporations;
- 5                   (iii)   boards of education; and
- 6                   (iv)   community colleges.

7           (2)   A board of education or a community college may not participate in  
8 a governmental self-insurance group unless its participation is approved by its county  
9 governing body.

10          (c)   Subject to the approval of the Commission, a county that participates in a  
11 governmental self-insurance group may include in the coverage:

- 12               (1)   any unit created or funded by the county; and
- 13               (2)   regardless of funding:
- 14                   (i)   the board of education of the county;
- 15                   (ii)   a community college in the county;
- 16                   (iii)   a regional community college in the county;
- 17                   (iv)   a housing agency of the county created under Division II of  
18 the Housing and Community Development Article;
- 19                   (v)   a municipal corporation in the county;
- 20                   (vi)   a multicounty unit that operates in the county; or
- 21                   (vii)   a revenue authority in the county created by the State.

22          (i)   (1)   To be informed of the continuing financial responsibility of each  
23 governmental self-insurance group, the Commission:

- 24                   (i)   shall require each governmental self-insurance group to  
25 submit a report at least once each year; and

1 (ii) may examine the governmental self-insurance group under  
2 oath and make other examination of the business of the governmental self-insurance  
3 group.

4 (2) Each year, the Commission shall assess each governmental  
5 self-insurance group an amount not exceeding \$1,500 to be used for actuarial studies  
6 and audits.

7 (j) (1) The Commission shall revoke the approval of a governmental  
8 self-insurance group to self-insure under this section if the governmental  
9 self-insurance group:

10 (i) fails to deposit securities with or submit a bond to the  
11 Commission in accordance with subsection (e) of this section;

12 (ii) fails to submit satisfactory reports to the Commission in  
13 accordance with subsection (i)(1)(i) of this section; or

14 (iii) otherwise fails to satisfy the Commission that it is  
15 financially able to self-insure.

16 (2) Whenever the Commission revokes approval for a governmental  
17 self-insurance group to self-insure under this section, the members of the  
18 governmental self-insurance group immediately shall secure compensation through  
19 an authorized insurer or the Injured Workers' Insurance Fund.

20 (3) If a member of a governmental self-insurance group fails to secure  
21 compensation as required by paragraph (2) of this subsection, the Commission shall  
22 order the member of the governmental self-insurance group to secure compensation  
23 through the Injured Workers' Insurance Fund.

24 (k) If a governmental self-insurance group becomes insolvent, the Uninsured  
25 Employers' Fund shall pay the outstanding obligations of the governmental  
26 self-insurance group for compensation.

## 27 Article 95 – Treasurer

28 22.

29 (a) Except as provided in subsection (b) of this section or § 22–O of this  
30 article, and subject to § 22F of this article, and notwithstanding any provision of a  
31 local law or ordinance, the governing body of each county and municipal corporation,

1 each county board of education, and the governing body of each road, drainage,  
2 improvement, construction or soil conservation district or commission in the State, the  
3 Upper Potomac River Commission, and any other political subdivision or body politic  
4 of the State, or their authorized acknowledged agent, are directed, authorized, and  
5 empowered to invest, redeem, sell, exchange and reinvest all unexpended or surplus  
6 money in any fund or account of which they have custody or control in obligations or  
7 repurchase agreements in accordance with § 6-222 of the State Finance and  
8 Procurement Article, or deposit unexpended or surplus money in any federally insured  
9 bank in the State of Maryland or in any federally insured savings and loan association  
10 in the State of Maryland in interest-bearing time deposit or savings accounts, or in  
11 the local government investment pool created in this article. Except as provided in §  
12 22-O of this article, deposits in banks or in savings and loan associations shall only be  
13 made if the bank or savings and loan association has given as security for these  
14 deposits any of the types of collateral set forth in § 6-202 of the State Finance and  
15 Procurement Article. The interest or income from any such investment or deposit shall  
16 become a part of the fund from which the investment or deposit was made and may  
17 itself be so invested or deposited. If the fund so invested or deposited constitutes the  
18 proceeds of the issue of bonds or other obligations, the principal of or interest on which  
19 the issuer is obligated to repay to the holders thereof, the interest or income from the  
20 investments may be used to pay the principal or interest by the issuer. Investments or  
21 deposits made pursuant to this section may be withdrawn or altered from time to time  
22 by the investing or depositing officer or governing body either to meet the  
23 requirements for which such funds are held or for reinvestment pursuant to this  
24 subsection.

25         SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
26         October 1, 2007.