



# 132nd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2025

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Legislative Document

No. 1195

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S.P. 484

In Senate, March 20, 2025

**An Act to Amend the Provisions of the Maine Workers'  
Compensation Act of 1992 Governing Requirements for Self-  
insurers**

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Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 204.

Reference to the Committee on Labor suggested and ordered printed.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT  
Secretary of the Senate

Presented by Senator BAILEY of York.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 39-A MRSA §403, sub-§3**, as amended by PL 2017, c. 401, §1, is further  
3 amended by amending the first blocked paragraph to read:

4 Except as provided in subsection 5, paragraph A-1, a self-insurer may, with the approval  
5 of the Superintendent of Insurance, use the following types of security to satisfy the self-  
6 insurer's responsibility to post security required by the superintendent: a surety bond; an  
7 irrevocable standby letter of credit; cash deposits and acceptable securities; and an  
8 actuarially determined fully funded trust. For purposes of this section, "tangible net worth"  
9 means equity less assets that have no physical existence and depend on expected future  
10 benefits for their ascribed value. ~~Unless disapproved by the superintendent pursuant to~~  
11 ~~paragraph C, subparagraphs (5) and (6), a group self-insurer that maintains a trust~~  
12 ~~actuarially funded to the confidence level required by the superintendent may use an~~  
13 ~~irrevocable standby letter of credit as follows: only in an amount not greater than the~~  
14 ~~difference between the funding to the required confidence level and funding to the~~  
15 ~~confidence level reduced by 10 percentage points; only as long as the trust assets are not~~  
16 ~~used as collateral for the letter of credit; and only as long as the value of trust assets,~~  
17 ~~excluding the value of the letter of credit, is at least equal to the present value, evaluated to~~  
18 ~~the 65% confidence level, of ultimate incurred claims, claims settlement costs and, if~~  
19 ~~determined necessary by the superintendent, administrative costs.~~

20 **Sec. 2. 39-A MRSA §403, sub-§3, ¶A**, as amended by PL 2017, c. 401, §1, is  
21 further amended by amending the 3rd blocked paragraph to read:

22 The irrevocable standby letter of credit must be the individual obligation of the issuing  
23 financial institution, may not be subject to any agreement, condition, qualification or  
24 defense between the financial institution and the employer or group and may not in any  
25 way be contingent on reimbursement by the employer or group. If the rating of an  
26 issuing financial institution that has issued an irrevocable standby letter of credit  
27 pursuant to this section falls below the required standard, the employer or group shall  
28 obtain a new irrevocable standby letter of credit from a qualified financial institution  
29 or shall provide other eligible security of equal value approved by the Superintendent  
30 of Insurance. The irrevocable standby letter of credit is automatically extended for one  
31 year from the date of expiration unless, at least 90 days prior to any expiration date, the  
32 issuing financial institution notifies the Superintendent of Insurance that the financial  
33 institution elects not to renew the irrevocable standby letter of credit.

34 **Sec. 3. 39-A MRSA §403, sub-§3, ¶A**, as amended by PL 2017, c. 401, §1, is  
35 further amended by amending the 4th blocked paragraph to read:

36 An irrevocable standby letter of credit that has been issued by a qualified financial  
37 institution and accepted by the Superintendent of Insurance binds the issuing financial  
38 institution to pay one or more drafts drawn by the Treasurer of State, as directed by the  
39 superintendent, as long as the draft does not exceed the total amount of the irrevocable  
40 standby letter of credit. ~~Any draft presented by the Treasurer of State, as directed by~~  
41 ~~the superintendent, must be promptly honored if accompanied by the certification of~~  
42 ~~the superintendent that any obligation under this chapter has not been paid when due~~  
43 ~~or that a proceeding in bankruptcy has been initiated by or with respect to the employer~~  
44 ~~or group in a court of competent jurisdiction.~~

1           **Sec. 4. 39-A MRSA §403, sub-§3, ¶A**, as amended by PL 2017, c. 401, §1, is  
2 further amended by repealing the 5th blocked paragraph.

3           **Sec. 5. 39-A MRSA §403, sub-§3, ¶A**, as amended by PL 2017, c. 401, §1, is  
4 further amended by repealing the 6th blocked paragraph.

5           **Sec. 6. 39-A MRSA §403, sub-§3, ¶A**, as amended by PL 2017, c. 401, §1, is  
6 further amended by repealing the 7th blocked paragraph.

7           **Sec. 7. 39-A MRSA §403, sub-§3, ¶A-1** is enacted to read:

8           A-1. The Superintendent of Insurance may instruct the Treasurer of State to draw on  
9 an irrevocable standby letter of credit if:

10           (1) Any obligation under this chapter has not been paid by the employer or group  
11 when due;

12           (2) A proceeding in bankruptcy has been initiated by or with respect to the  
13 employer or group in a court of competent jurisdiction; or

14           (3) The following conditions have been met:

15                   (a) The superintendent has received notice that that the financial institution  
16 elects not to renew the irrevocable standby letter of credit;

17                   (b) The self-insurer has had at least 15 days' notice to replace the security with  
18 other eligible security of equal value approved by the superintendent; and

19                   (c) The self-insurer has not replaced the irrevocable standby letter of credit  
20 with a new letter of credit or other approved security.

21           The issuing financial institution shall promptly honor a draft on an irrevocable standby  
22 letter presented by the Treasurer of State. Any proceeds from a draw on such an  
23 irrevocable standby letter of credit by the treasurer must be held by the treasurer on  
24 behalf of workers' compensation claimants to secure payment of claims until either the  
25 superintendent authorizes the treasurer to release those proceeds to the employer or  
26 group upon provision by the employer or group of replacement security adequate to  
27 meet the requirements for security set by the superintendent, or the superintendent  
28 directs distribution of the proceeds in accordance with this Title.

29           To the extent not inconsistent with state law, the letter of credit is subject to and  
30 governed by the International Standby Practices 1998 or successor practices governing  
31 standby letters of credit duly adopted by the International Chamber of Commerce. If  
32 any legal proceedings are initiated with respect to payment of the letter of credit, those  
33 proceedings are subject to the State's courts and law.

34           **Sec. 8. 39-A MRSA §403, sub-§3, ¶C**, as amended by PL 2017, c. 401, §1, is  
35 further amended to read:

36           C. A self-insurer may establish an actuarially determined fully funded trust, funded at  
37 a level sufficient to discharge those obligations incurred by the employer pursuant to  
38 this Act as they become due and payable from time to time, as long as the  
39 Superintendent of Insurance requires that the value of unencumbered trust assets be at  
40 least equal to the present value of ultimate expected incurred claims and claims  
41 settlement costs, plus required safety margins and, if determined necessary by the  
42 superintendent, administrative costs for the operation of the plan of self-insurance. For

1 the purpose of determining whether a group self-insurer's ~~actuarially determined fully~~  
2 ~~funded trust has a surplus of funds in excess of that is fully funded as~~ required by this  
3 subsection, the superintendent shall consider, based upon the group's audit for all  
4 completed plan years, only the following assets held outside the trust account: cash up  
5 to \$10,000; accounts receivable, limited to amounts collected and deposited in the trust  
6 account by the date of the surplus distribution; accrued interest on trust account assets  
7 that will be collected and deposited in the trust account within 6 months from the date  
8 of the surplus determination; tangible assets that will be converted to cash and  
9 deposited in the trust account prior to the distribution date of any surplus; and a letter  
10 of credit to be used to partially fund the trust to the extent allowed under this section  
11 and rules adopted by the superintendent, as supported in the actuarial review. The  
12 superintendent shall consider cash held outside the trust account in excess of \$10,000  
13 if the self-insurer provides, to the superintendent's satisfaction, documentation  
14 regarding why the money is being held outside the trust account. An actuarially  
15 determined fully funded trust must be funded as follows, as determined by the  
16 superintendent.

17 (1) For individual and group self-insurers, the amount of security must be  
18 determined based upon an actuarial review. The actuarial review must take into  
19 consideration the use by a group self-insurer of any irrevocable standby letter of  
20 credit. Except as provided in subparagraph (3), initial funding for each plan year  
21 must be maintained at the 90% or higher confidence level. Funding after the  
22 completion of the initial plan year may be established no lower than the 75%  
23 confidence level if the following has occurred:

24 (a) A year considered for reduction is completed;

25 (b) The supporting actuarial review includes an evaluation of the completed  
26 year experience with claims evaluated not less than 6 months from the end of  
27 the plan year, or in the case of a group self-insurer in existence for at least 36  
28 months, not less than 4 months from the end of the plan year; and

29 (c) For individual self-insurers, prior approval from the superintendent is  
30 obtained.

31 For the purposes of determining the confidence level, all completed years at the  
32 same confidence level may be aggregated. For individual self-insurers, funds may  
33 not be released from the trust or transferred between years except as approved by  
34 the superintendent. The governing body of a group self-insurer may at any time  
35 declare a surplus of funds above the required confidence level, but may only release  
36 funds after the completion of any plan year. The superintendent may request  
37 information regarding any such declaration. Any distribution of surplus must be  
38 based upon an actuarial review of all outstanding obligations for all completed plan  
39 years, an audited financial statement of the group for all completed plan years and  
40 a surplus distribution worksheet for all completed plan years on a form approved  
41 by the superintendent. The group self-insurer must provide the required  
42 information within 10 days after the distribution. Any surplus declared or  
43 distributed pursuant to this paragraph is subject to adjustment after review by the  
44 superintendent within 60 days of the receipt of the required information. Any  
45 deficit below the required confidence level, as determined by the superintendent,

1 that results from a distribution under this paragraph must be funded within 45 days  
2 from the date of the notice by the superintendent.

3 (1-A) A group self-insurer may secure its obligations to the confidence level  
4 required by the superintendent in the following manner:

5 (a) The obligations must be secured by an actuarially determined fully funded  
6 trust with unencumbered assets at least equal to the present value of ultimate  
7 expected incurred claims and claims settlement costs, or such higher amount  
8 as the superintendent may require in accordance with subparagraphs (5) and  
9 (6); and

10 (b) The balance may be secured by a letter of credit complying with paragraph  
11 A.

12 (2) A group self-insurer may elect to fund at a higher confidence level through the  
13 use of cash, marketable securities or reinsurance. If a member of a group self-  
14 insurer terminates membership in the group for any reason, that member shall fund  
15 the member's proportionate share of the liabilities and obligations of the trust to the  
16 95% confidence level. If for any reason the departing member fails to fund the  
17 member's proportionate share of the trust's exposure to the 95% level of  
18 confidence, the trust is responsible for that member's liabilities and obligations to  
19 the trust. If the superintendent finds that a material risk to the trust's ability to  
20 satisfy its liabilities and obligations in full exists due to the failure of one or more  
21 departing members to fund the departing members' proportionate share of those  
22 liabilities and obligations to the 95% confidence level or due to the failure of the  
23 group trust to enforce the funding requirement, the superintendent shall consider  
24 the unfunded share of the trust's exposure when approving a determination of a  
25 surplus or deficit in the trust.

26 (3) Subject to prior approval by the superintendent in accordance with  
27 subparagraph (5), a self-insurer that has successfully maintained an actuarially  
28 determined fully funded trust for a period of 5 or more consecutive years may fund  
29 all years, including the prospective fund year, at the 75% or higher confidence level  
30 in the aggregate and a group self-insurer that has successfully maintained an  
31 actuarially determined fully funded trust for a period of 10 or more consecutive  
32 years may fund all years, including the prospective fund year, at the 65% or higher  
33 confidence level in the aggregate.

34 (4) Trust assets must consist of cash or marketable securities of a type and risk  
35 character as specified in subsection 9. The trustee shall submit a report to the  
36 superintendent not less frequently than quarterly that lists the assets comprising the  
37 corpus of the trust, including a statement of their market value and the investment  
38 activity during the period covered by the report. The trust must be established and  
39 maintained subject to the condition that trust assets may not be transferred or revert  
40 in any manner to the employer except to the extent that the superintendent finds  
41 that the value of the trust assets exceeds the present value of incurred claims and  
42 claims settlement costs with an actuarially indicated margin for future loss  
43 development. In all other respects, the trust instrument, including terms for  
44 certification, funding, designation of trustee and payout, must be as approved by  
45 the superintendent, except that the value of the trust account must be actuarially

1 calculated at least annually by a casualty actuary who is a member of the American  
2 Academy of Actuaries and adjusted to the required level of funding.

3 (5) In determining whether a self-insurer that maintains an actuarially determined  
4 fully funded trust qualifies for a reduction in the required confidence level pursuant  
5 to subparagraph (1) or (3) or is subject to an enhanced confidence level pursuant  
6 to subparagraph (6), the superintendent shall consider the financial condition of the  
7 self-insurer in relation to the potential workers' compensation liabilities. The  
8 factors the superintendent may consider include the self-insurer's liquidity,  
9 leverage, tangible net worth, size and net income. For group self-insurers, the  
10 superintendent's review must be based on the aggregate financial condition of the  
11 group members. At the request of the superintendent, a group self-insurer shall  
12 report relevant financial information, on a form prescribed by the superintendent,  
13 at such intervals as the superintendent directs. The superintendent may establish  
14 additional review criteria or procedures by rule. Rules adopted pursuant to this  
15 subparagraph are routine technical rules as defined in Title 5, chapter 375,  
16 subchapter 2-A.

17 (6) If the superintendent determines, based on an evaluation of a self-insurer's  
18 financial condition pursuant to subparagraph (5), that the confidence level at which  
19 the self-insurer has been authorized to fund its trust is not sufficient to provide  
20 adequate security for the self-insurer's reasonably anticipated potential workers'  
21 compensation liabilities, the superintendent shall make a determination of the  
22 appropriate confidence level and order the self-insurer to take prompt action to  
23 increase funding to that level within 60 days.

24 **Sec. 9. 39-A MRSA §403, sub-§4-A, ¶L**, as enacted by PL 2009, c. 232, §2, is  
25 amended by amending subparagraph (1) to read:

26 (1) Any out-of-state self-insurer that participates in the account may do so only  
27 through participation in a protected cell. An employer or group authorized by the  
28 Superintendent of Insurance to self-insure its Maine liabilities pursuant to this  
29 section is considered an out-of-state ~~insurer~~ self-insurer to the extent that it is  
30 reinsuring out-of-state liabilities beyond the scope of its Maine self-insurance plan.

31 **Sec. 10. 39-A MRSA §403, sub-§5, ¶A-1**, as enacted by PL 2017, c. 401, §3, is  
32 amended by amending subparagraph (2) to read:

33 (2) If the principal member does not have employees in the State, the principal  
34 member must meet the same qualifications as a ~~subsidiary employer applying to~~  
35 become qualified parent corporation of an individual self-insurer under subsection  
36 3, paragraph G, except that direct majority ownership is not required and the  
37 group's indemnity agreement is deemed to meet the requirement for an irrevocable  
38 contract of assignment.

39 **Sec. 11. 39-A MRSA §403, sub-§11**, as enacted by PL 1991, c. 885, Pt. A, §8 and  
40 affected by §§9 to 11, is amended to read:

41 **11. Qualifications for reinsurance carriers.** A workers' compensation contract or  
42 policy issued after ~~the effective date of this section~~ January 1, 1993 may not be recognized  
43 by the Superintendent of Insurance in considering the ability of an individual or group self-  
44 insurer to fulfill its financial obligations under this Act, unless the contract or policy is

1 issued by an admitted insurance company or a reinsurance company that meets on a  
2 continuous basis the requirements of Title 24-A, chapter 9, subchapter ~~III~~ 3 and the  
3 reinsurance company has been approved by the superintendent to issue in this State  
4 contracts of primary workers' compensation reinsurance, or by Lloyd's of London, a  
5 ~~syndicate of unincorporated alien insurers that has established and maintains United States~~  
6 ~~trust funds consistent with the requirements of Title 24-A, chapter 9, subchapter III~~  
7 formally organized association of incorporated underwriters and individual unincorporated  
8 underwriters, any one or more of which underwrite and assume as insurer a portion of the  
9 risk insured by them as set forth in the contract of insurance. Each contract of primary  
10 workers' compensation reinsurance that is proposed for use in this State must be filed for  
11 approval in the manner set out in Title 24-A, section 2412. ~~Insofar as is~~ To the extent  
12 practicable, a contract so approved may be modified with less than 30 days advance filing  
13 notice if the superintendent determines the modifications suggested are not contrary to  
14 provisions of Title 24-A, section 2412, this Title or Bureau of Insurance Rule Chapter 250  
15 and are necessary to effect required reinsurance coverage to authorize the self-insurer to  
16 operate a plan of workers' compensation self-insurance.

17 **Sec. 12. 39-A MRSA §403, sub-§14, ¶F-1** is enacted to read:

18 F-1. After terminating or suspending an authorization for self-insurance in accordance  
19 with this subsection, the Superintendent of Insurance shall promptly notify the board  
20 and forward to it a copy of the order terminating or suspending the authorization.

## 21 SUMMARY

22 This bill does the following to the Maine Workers' Compensation Act of 1992  
23 governing requirements for self-insurers.

- 24 1. It removes the confidence level requirements for letters of credit for self-insureds.
- 25 2. It clarifies the notice period for nonrenewal of an irrevocable standby letter of credit.
- 26 3. It changes the requirements for when a draft on a letter of credit must be honored.
- 27 4. It clarifies how a group self-insurer may secure its obligations to the confidence  
28 level required.
- 29 5. It corrects "out-of-state insurer" to "out-of-state self-insurer."
- 30 6. It corrects an error related to group self-insurers.
- 31 7. It corrects a reference to Lloyd's of London.
- 32 8. It adds a requirement that the Superintendent of Insurance notify the Workers'  
33 Compensation Board if an authorization for self-insurance is terminated or suspended.