



STATE OF MAINE
DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION
BUREAU OF INSURANCE



Janet T. Mills
Governor

Anne L. Head
DPFR Commissioner

Robert L. Carey
Superintendent

TESTIMONY OF Robert A. Wake
General Counsel

BUREAU OF INSURANCE

DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION

In support of L.D. 2233

Resolve, Regarding Legislative Review of Chapter 255:

Workers' Compensation Fronting Companies,

**a Late-filed Major Substantive Rule of the Department of Professional and Financial
Regulation, Bureau of Insurance**

Presented by Representative Anne Perry

**Before the Joint Standing Committee on Health Coverage,
Insurance & Financial Services**

March 7, 2024 at 1:00 p.m.

Senator Bailey, Representative Perry, and members of the Committee, I am Robert Wake. I am here today to testify in support of L.D. 2233.

Last year, the Legislature enacted L.D. 1372, which authorized the formation of workers' compensation fronting companies to enable workers' compensation group self-insurers in Maine to assume the risks arising out of their member employers' operations in other states. These are entities formed under the self-insurance section of the Maine Workers' Compensation

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Act and sponsored by a group self-insurance reinsurance account such as Dirigo Re, providing coverage that is backed by the joint and several liability of the participating group self-insurers and their member employers.

This is an innovative concept designed to address a difficult problem. It establishes what is essentially a self-insurance vehicle, formed under Maine law and regulated by the Bureau of Insurance, for the purpose of providing workers' compensation in other states that satisfies the requirements of those states' laws. The issues raised are complex, and the enabling legislation left many of the details to major substantive rulemaking, which as you know requires legislative review and approval before the rule can take effect.

Accordingly, the Bureau of Insurance developed Rule Chapter 255, which establishes the terms and conditions for the formation, approval, and operation of fronting companies, subject to the terms of a plan of operation developed by the fronting company and approved by the Bureau of Insurance. We received an extensive comment letter on the Proposed Rule, and we have endeavored to address those concerns, to the extent possible, in the Provisionally Adopted Rule that is before you today for your approval.

Thank you, I would be glad to answer any questions now or at the work session.