



# 127th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2015

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Legislative Document

No. 958

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S.P. 338

In Senate, March 17, 2015

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**An Act To Amend the Laws Relating to Group Trusts Established  
by Self-insurers of Workers' Compensation Benefits**

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

Reference to the Committee on Insurance and Financial Services suggested and ordered printed.

A handwritten signature in cursive script, reading "Heather J.R. Priest".

HEATHER J.R. PRIEST  
Secretary of the Senate

Presented by Senator WHITTEMORE of Somerset.  
Cosponsored by Representative BECK of Waterville and  
Representative: MORRISON of South Portland.

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

2 **Sec. 1. 39-A MRS §403, sub-§9**, as amended by PL 2013, c. 172, §2, is  
3 repealed and the following enacted in its place:

4 **9. Acceptable deposit funds or investments for trust funds.** The following  
5 requirements apply to assets deposited or held in trust as security for an individual or  
6 group self-insurer under this section.

7 A. In addition to cash, the deposit funds or permissible investments for trust funds  
8 acceptable to the Superintendent of Insurance as a security deposit are:

9 (1) Bonds, notes and bills that are issued by and are the direct obligation of the  
10 United States Treasury;

11 (2) Bonds issued or guaranteed by United States government agencies;

12 (3) Commercial paper rated as "P-1" by Moody's Investors Service, Inc. or "A-1"  
13 or better by Standard and Poor's Corporation or the rating equivalent of either by  
14 any other nationally recognized statistical rating agency;

15 (4) Money market funds rated "AAm" or "AAm-G" or better by Standard and  
16 Poor's Corporation or the rating equivalent of any other nationally recognized  
17 statistical rating agency;

18 (5) Certificates of deposit issued by a duly chartered commercial bank or thrift  
19 institution in the State protected by the Federal Deposit Insurance Corporation if  
20 the bank or institution possesses assets of at least \$100,000,000 and maintains a  
21 Tier 1 capital ratio equal to or greater than 6%;

22 (6) Bonds that are issued by corporations or municipalities and that are rated  
23 "A2" or better by Moody's Investors Service, Inc. or "A" or better by Standard  
24 and Poor's Corporation or the rating equivalent of either by any other nationally  
25 recognized statistical rating agency; and

26 (7) Other investments specifically approved by the superintendent.

27 B. Investments must be diversified in a prudent manner to ensure that funds are  
28 maintained at a sufficient level to discharge workers' compensation obligations  
29 incurred by the employer pursuant to this Title as those obligations become due and  
30 payable. At least 30% of the portfolio, as measured at market value, must consist of  
31 cash, direct obligations of the United States Treasury, commercial paper, money  
32 market funds or certificates of deposit. No more than 40% of the portfolio, as  
33 measured at market value, may be invested in bonds issued or generated by United  
34 States government agencies, with no more than 10% of the portfolio invested in a  
35 single issuer. No more than 50% of the portfolio, as measured at market value, may  
36 be invested in corporate or municipal bonds, with no more than 5% of the portfolio  
37 invested in a single issuer. No more than 25% of the corporate bond portion of the  
38 portfolio, as measured at market value, may be invested in a single industry, as  
39 defined by the North American Industry Classification System of the United States  
40 Department of Commerce, United States Census Bureau.

1           C. If the portfolio no longer meets the requirements of this subsection as a result of a  
2           rating downgrade or a change in financial condition or market value, the value may  
3           not be considered in determining whether a deposit or trust has surplus available for  
4           distribution, and the superintendent has discretion to discount or disallow the value of  
5           the investment for purposes of determining whether additional security is required.  
6           In the case of a portfolio that no longer meets the diversification requirements of  
7           paragraph B, the self-insurer may designate the specific assets to be disallowed, as  
8           long as the remaining assets meet the requirements of paragraph B.

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### SUMMARY

10           This bill modifies the acceptable investments and diversification requirements for  
11           workers' compensation self-insurance trusts, providing for the portfolio to contain up to  
12           40% in bonds issued or generated by United States government agencies, while  
13           decreasing the permissible percentage of corporate or municipal bonds.