



# House of Representatives

General Assembly

**File No. 266**

*January Session, 2005*

Substitute House Bill No. 6917

*House of Representatives, April 11, 2005*

The Committee on Insurance and Real Estate reported through REP. O'CONNOR of the 35th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING INTERLOCAL RISK MANAGEMENT AGENCIES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 7-479e of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2005*):

3 (a) An interlocal risk management agency is not an insurance  
4 company or insurer under the laws of this state and the development  
5 and administration by such agency of an interlocal risk management  
6 pool and an interlocal risk management program does not constitute  
7 doing an insurance business.

8 (b) The formation, development and administration of a workers'  
9 compensation risk management pool by an interlocal risk management  
10 agency may be carried out as provided in this chapter and in such  
11 instance sections 31-328 to 31-339, inclusive, shall not be applicable,  
12 provided that nothing in this chapter shall prevent a local public

13 agency from proceeding under sections 31-328 to 31-339, inclusive.  
14 Notwithstanding any provision of the general statutes, an interlocal  
15 workers' compensation risk management pool may provide interlocal  
16 risk management of claims for injuries or diseases caused by  
17 hypertension or heart disease resulting in death or temporary or  
18 permanent, total or partial disability, to a uniformed member of a paid  
19 fire department or a regular member of a paid police department as  
20 provided for in section 7-433c. Such risk management may be  
21 provided within an interlocal workers' compensation risk management  
22 pool or within a separate pool exclusively for hypertension and heart  
23 disease. Only one reserve for contingencies need be established  
24 whether or not risk management of hypertension and heart disease is  
25 provided by a separate pool.

26 (c) [An] Except as provided in subsections (d) and (e) of this section,  
27 an interlocal risk management pool, other than a public liability,  
28 automobile and property risk management pool, shall at all times  
29 maintain a reserve for contingencies at a minimum of one hundred  
30 thousand dollars for each fiscal year such pool is in operation, except  
31 that each such pool need have no more than five hundred thousand  
32 dollars in the aggregate. An interlocal public liability, automobile and  
33 property risk management pool shall maintain, during its first year of  
34 operation, a reserve for contingencies at a minimum of five hundred  
35 thousand dollars and shall thereafter increase such reserve by an  
36 amount equal to five per cent of the total contribution of members with  
37 respect to each ensuing year until the ratio of contribution of members  
38 for the then current year to the amount of the reserve for contingencies  
39 is no greater than three to one. Until such time all agreements between  
40 an interlocal risk management agency and public liability, automobile  
41 and property pool members shall contain a provision permitting  
42 assessment of members in an amount not to exceed thirty per cent of a  
43 member's contribution for the year with respect to which the  
44 assessment is made. Notwithstanding any general statute, special act,  
45 or local law, ordinance or charter, retrospective agreements between  
46 any interlocal risk management pool and its members or assessments  
47 of such members shall be binding and enforceable. A reserve for

48 contingencies means unassigned funds held over and above the  
49 liability reserves of the pool. The reserve for contingencies shall be  
50 advanced to the pool and placed at risk by the members of the  
51 interlocal risk management agency participating in the pool. Advances  
52 to the reserve for contingencies shall be evidenced by certificates,  
53 which may bear interest at a rate determined by the agency's board of  
54 directors. Advances may be repaid only when such repayment will not  
55 reduce the reserve for contingencies below the required minimum.

56 (d) The reserve requirements in subsection (c) of this section shall be  
57 suspended until July 1, 2010, at the option of any interlocal risk  
58 management pool organized for less than ten years as of July 1, 2005,  
59 that established and maintains a reserve for contingencies at a  
60 minimum of (1) one hundred thousand dollars for each fiscal year of  
61 operation prior to July 1, 2005, in the case of an interlocal risk  
62 management pool, other than a public liability, automobile and  
63 property risk management pool, or (2) five hundred thousand dollars  
64 for the first fiscal year of operation and thereafter increased such  
65 reserve by an amount equal to five per cent of the total contribution of  
66 members with respect to each subsequent fiscal year of operation prior  
67 to July 1, 2005, in the case of an interlocal public liability, automobile  
68 and property risk management pool.

69 (e) (1) Beginning July 1, 2010, an interlocal risk management pool,  
70 other than a public liability, automobile and property risk  
71 management pool, that operated under subsection (d) of this section  
72 shall maintain the applicable reserve for contingencies specified in  
73 subsection (c) of this section as if its first fiscal year beginning on or  
74 after July 1, 2010, was its first year of operation.

75 (2) Beginning July 1, 2010, a public liability, automobile and  
76 property risk management pool that operated under subsection (d) of  
77 this section shall maintain at least the following reserve for  
78 contingencies:

79 (A) As of June 30, 2011, one hundred thousand dollars plus an  
80 amount equal to one per cent of total member contributions for the

81 preceding year;

82 (B) As of June 30, 2012, two hundred thousand dollars plus an  
83 amount equal to two per cent of total member contributions for the  
84 preceding year;

85 (C) As of June 30, 2013, three hundred thousand dollars plus an  
86 amount equal to three per cent of total member contributions for the  
87 preceding year;

88 (D) As of June 30, 2014, four hundred thousand dollars plus an  
89 amount equal to four per cent of total member contributions for the  
90 preceding year;

91 (E) As of June 30, 2015, five hundred thousand dollars plus an  
92 amount equal to five per cent of total member contributions for the  
93 preceding year.

94 (3) On and after July 1, 2015, each interlocal risk management pool  
95 shall maintain a reserve for contingencies as provided in subsection (c)  
96 of this section.

97 (f) Each interlocal risk management pool operating under  
98 subsection (d) or (e) of this section shall provide such reports to the  
99 Insurance Commissioner as the commissioner requires.

100 [(d)] (g) Each such interlocal risk management pool and interlocal  
101 risk management agency shall, except as specifically designated in this  
102 section, be exempt from the provisions of the general statutes relating  
103 to insurance. The sections of the general statutes applicable to an  
104 interlocal risk management pool and interlocal risk management  
105 agency shall be: Sections 38a-11, 38a-14, 38a-17 to 38a-19, inclusive,  
106 38a-49, 38a-51 to 38a-53, inclusive, 38a-56, 38a-76, 38a-321, 38a-334 to  
107 38a-336a, inclusive, 38a-338, 38a-340 to 38a-343, inclusive, 38a-350, 38a-  
108 363 to 38a-387, inclusive, 38a-663 to 38a-666, inclusive, 38a-669, 38a-  
109 671, 38a-675 to 38a-682, inclusive, 38a-790, 38a-792, 38a-806, 38a-815 to  
110 38a-819, inclusive, and 38a-828.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2005</i>	7-479e
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**INS**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:**

<b>Municipalities</b>	<b>Effect</b>	<b>FY 06 \$</b>	<b>FY 07 \$</b>
Various Municipalities	Savings	Potential Minimal	Potential Minimal

**Explanation**

The bill permits an interlocal risk management pool organized after July 1, 1995 to choose not to maintain a contingency fund as required by current law until July 1, 2010. The elimination of the contingency fund requirement could result in a minimal savings to various municipalities which are involved in interlocal risk management agencies.

**OLR Bill Analysis**

sHB 6917

**AN ACT CONCERNING INTERLOCAL RISK MANAGEMENT AGENCIES****SUMMARY:**

This bill permits an interlocal risk management pool organized after July 1, 1995 to choose not maintain a contingency fund as required by current law until July 1, 2010 if it continually maintained the fund as required up to now.

By law, there are three types of interlocal risk management pools: (1) public liability, automobile, and property risk management pools; (2) workers' compensation risk management pools; and (3) excess risk management pools. Current law requires each pool to maintain a contingency fund. A workers' compensation or excess risk pool must maintain at least \$100,000 for contingencies for each fiscal year it operates, but the pool does not need to have more than \$500,000 total. A public liability, automobile, and property risk management pool must maintain at least \$500,000 for contingencies for its first fiscal year of operation, and increase it by 5% of total member contributions for each subsequent year until the contributions-to-fund ratio is no more than three to one.

The bill requires that, starting July 1, 2010, a workers' compensation or excess risk pool that chose not to maintain a contingency fund must maintain at least \$100,000 for contingencies for each fiscal year it operates, but the pool does not have to have more than \$500,000 total.

The bill requires that starting July 1, 2010, a public liability, automobile, and property risk management pool that took the option must maintain a contingency fund at a minimum of: (1) as of June 30, 2011, \$100,000 plus 1% of total member contributions for the preceding year; (2) as of June 30, 2012, \$200,000 plus 2% of total member contributions for the preceding year; (3) as of June 30, 2013, \$300,000 plus 3% of total member contributions for the preceding year; (4) as of June 30, 2014, \$400,000 plus 4% of total member contributions for the preceding year; and (5) as of June 30, 2015, \$500,000 plus 5% of total member contributions for the preceding year.

The bill requires that after June 30, 2015, each pool must maintain a contingency fund as required by current law.

The bill also requires each pool to report to the insurance commissioner, as she requires.

EFFECTIVE DATE: July 1, 2005

## **BACKGROUND**

### ***Interlocal Risk Management***

Connecticut law permits two or more municipalities to form an interlocal risk management agency to pool risks and jointly purchase public liability, automobile, property risk, workers' compensation, and excess risk insurance.

### ***Contingency***

A contingency fund is unassigned money held above and beyond other pool liability reserves. Members advance the funds to the pool. An advance is repaid only when a repayment does not reduce the fund below its required minimum.

## **COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 16    Nay 0