



House of Representatives

General Assembly

File No. 12

February Session, 2010

House Bill No. 5011

House of Representatives, March 11, 2010

The Committee on Insurance and Real Estate reported through REP. FONTANA, S. of the 87th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT EXTENDING THE EFFECTIVE DATE FOR CERTAIN INTERLOCAL RISK MANAGEMENT POOLS.

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 Section 7-479e of the general statutes is repealed and the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 from passage*):

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) Except as provided in subsections (d) and (e) of this section, an
27 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] 2016, at the option of any interlocal risk
58 management pool organized for less than ten years as of July 1, 2005,
59 that established a reserve for contingencies at a minimum of (1) one
60 hundred thousand dollars for each fiscal year of operation prior to July
61 1, 2005, in the case of an interlocal risk management pool, other than a
62 public liability, automobile and property risk management pool, or (2)
63 five hundred thousand dollars for the first fiscal year of operation and
64 thereafter increased such reserve by an amount equal to five per cent
65 of the total contribution of members with respect to each subsequent
66 fiscal year of operation prior to July 1, 2005, in the case of an interlocal
67 public liability, automobile and property risk management pool.

68 (e) (1) Beginning July 1, [2010] 2016, an interlocal risk management
69 pool, other than a public liability, automobile and property risk
70 management pool, that operated under subsection (d) of this section
71 shall maintain the applicable reserve for contingencies specified in
72 subsection (c) of this section as if its first fiscal year beginning on or
73 after July 1, [2010] 2016, was its first year of operation.

74 (2) Beginning July 1, [2010] 2016, a public liability, automobile and
75 property risk management pool that operated under subsection (d) of
76 this section shall maintain at least the following reserve for
77 contingencies:

78 (A) As of June 30, [2011] 2017, one hundred thousand dollars plus
79 an amount equal to one per cent of total member contributions for the
80 preceding year;

81 (B) As of June 30, [2012] 2018, two hundred thousand dollars plus
82 an amount equal to two per cent of total member contributions for the
83 preceding year;

84 (C) As of June 30, [2013] 2019, three hundred thousand dollars plus
85 an amount equal to three per cent of total member contributions for
86 the preceding year;

87 (D) As of June 30, [2014] 2020, four hundred thousand dollars plus
88 an amount equal to four per cent of total member contributions for the
89 preceding year;

90 (E) As of June 30, [2015] 2021, five hundred thousand dollars plus an
91 amount equal to five per cent of total member contributions for the
92 preceding year.

93 (3) On and after July 1, [2015] 2021, each interlocal risk management
94 pool shall maintain a reserve for contingencies as provided in
95 subsection (c) of this section.

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

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

110 (h) Beginning on October 1, 2013, and annually thereafter, an
111 interlocal risk management agency shall report to the Insurance

112 Commissioner the surplus or deficit for any interlocal risk
113 management pool administered by such agency for the fiscal year
114 ending the preceding June thirtieth. If such agency reports a deficit of
115 eight million dollars or more, it shall assess the members of such pool,
116 in a manner determined by such agency, to eliminate such deficit over
117 a period not to exceed three years from the preceding June thirtieth.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	7-479e

INS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: See below

Explanation

The bill extends the effective dates of contingency reserve requirements of interlocal risk management pools, delaying related costs to various municipal and local public agency members from 2010 to 2016.

It also requires these pools, if their deficit is more than \$8 million on October 1, 2013, and annually thereafter, to assess members to eliminate their deficit within three years. As of February 15, 2010, the Municipal Risk Management Agency, comprised of 60 members, has a deficit of approximately \$9.6 million.

OLR Bill Analysis**HB 5011*****AN ACT EXTENDING THE EFFECTIVE DATE FOR CERTAIN INTERLOCAL RISK MANAGEMENT POOLS.*****SUMMARY:**

This bill postpones, by six years, the dates by which certain interlocal risk management pools must comply with contingency reserve requirements specified by law.

It also requires an interlocal risk management agency, beginning October 1, 2013, to report annually to the insurance commissioner any interlocal risk management pool's surplus or deficit for the preceding fiscal year. If there is a deficit of \$8 million or more, the agency must assess the pool members to eliminate the deficit within three years from the preceding June 30. The agency determines how to implement the assessment.

EFFECTIVE DATE: Upon passage

CONTINGENCY RESERVE REQUIREMENTS

By law, 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 a total of \$500,000. A public liability, automobile, and property risk 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 allows an interlocal risk management pool, at its option, to postpone complying with these contingency reserve requirements until July 1, 2016 under certain conditions. Current law lets it postpone compliance until July 1, 2010.

A pool that wants to postpone compliance with the contingency reserve requirements must, by July 1, 2005, have been organized for less than 10 years. It must also have, by that date, established a contingency reserve of (1) \$100,000 for each fiscal year of operation, if the pool is for workers' compensation or excess risk pool, or (2) \$500,000 for the first fiscal year of operation, increased by 5% of total member contributions for each subsequent year, if the pool is for public liability, automobile, and property risk.

Beginning July 1, 2016, instead of 2010, the bill requires a workers' compensation or excess risk pool that postponed compliance to 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.

Beginning July 1, 2016, instead of 2010, the bill requires a public liability, automobile, and property risk pool that postponed compliance to maintain a fund of at least:

1. \$100,000 plus 1% of total member contributions for the prior year as of June 30, 2017, instead of 2011;
2. \$200,000 plus 2% of total member contributions for the prior year as of June 30, 2018, instead of 2012;
3. \$300,000 plus 3% of total member contributions for the prior year as of June 30, 2019, instead of 2013;
4. \$400,000 plus 4% of total member contributions for the prior year as of June 30, 2020, instead of 2014; and
5. \$500,000 plus 5% of total member contributions for the prior year as of June 30, 2021, instead of 2015.

As of July 1, 2021, instead of 2015, the bill reinstates the former law for all pools. Thus, 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 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.

BACKGROUND

Interlocal Risk Management Pool

The law permits two or more municipalities to form an interlocal risk management agency (known as "MIRMA") to pool risks and jointly purchase insurance for (1) public liability, automobile, and property; (2) workers' compensation; and (3) excess risk. By law, each pool operating under the law's requirements must submit reports to the insurance commissioner as he requires.

The law applies certain insurance statutes to interlocal risk management pools, including financial examinations the Insurance Department conducts, financial reporting requirements, and the receivership process if the pool is insolvent or a hazard to policyholders or creditors.

Contingency Reserve

A contingency reserve 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

Yea 17 Nay 0 (02/23/2010)