

## **CHAPTER 42**

### **(House Bill 345)**

AN ACT concerning

#### **Workers' Compensation Commission – Governmental Self-Insurance Groups – Investment**

FOR the purpose of requiring the Workers' Compensation Commission to adopt regulations that establish certain guidelines to authorize a certain type of investment of surplus funds by governmental self-insurance groups; providing certain conditions for the investment of surplus funds by governmental self-insurance groups; and generally relating to regulations by the Workers' Compensation Commission.

BY repealing and reenacting, with amendments,  
Article – Labor and Employment  
Section 9–404(a)  
Annotated Code of Maryland  
(1999 Replacement Volume and 2006 Supplement)

BY repealing and reenacting, without amendments,  
Article – Labor and Employment  
Section 9–404(b), (c), (i), (j), and (k)  
Annotated Code of Maryland  
(1999 Replacement Volume and 2006 Supplement)

BY repealing and reenacting, without amendments,  
Article 95 – Treasurer  
Section 22(a)  
Annotated Code of Maryland  
(2003 Replacement Volume and 2006 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

#### **Article – Labor and Employment**

9–404.

(a) (1) The Commission shall adopt regulations:

(I) setting procedures and other requirements for a governmental self-insurance group to establish joint self-insurance coverage; AND

(II) ESTABLISHING GUIDELINES TO GOVERN THE INVESTMENT OF SURPLUS MONEYS NOT NEEDED TO MEET CURRENT OBLIGATIONS IN A MANNER THAT WILL ENSURE SOLVENCY OF THE FUND AND TIMELY PAYMENT OF CLAIMS.

(2) NOTWITHSTANDING THE LOCAL GOVERNMENT GUIDELINES SET FORTH IN ARTICLE 95, § 22 OF THE CODE, THE GUIDELINES REQUIRED BY PARAGRAPH (1)(II) OF THIS SUBSECTION SHALL:

(I) STATE THE TYPES OF INVESTMENT IN WHICH MONEYS MAY BE INVESTED;

(II) INCLUDE GUIDANCE FOR THE PRUDENT INVESTMENT OF MONEYS BASED ON CLAIM EXPERIENCE, CASH FLOW PROJECTIONS, INCOME, LIQUIDITY, INVESTMENT RATINGS, AND RISK;

(III) AUTHORIZE INVESTMENTS OF MONEYS IN EQUITIES, PROVIDED THAT INVESTMENTS DO NOT EXCEED 30 PERCENT OF THE SURPLUS MONEYS;

(IV) PROVIDE THAT MONEYS NOT INVESTED IN EQUITIES SHALL BE INVESTED IN ACCORDANCE WITH ARTICLE 95, § 22 OF THE CODE; AND

(V) PROHIBIT BORROWING OF FUNDS FOR THE EXPRESS PURPOSE OF INVESTING THOSE FUNDS.

(b) (1) Subject to paragraph (2) of this subsection, a governmental self-insurance group may be formed by any combination of:

- (i) counties;
- (ii) municipal corporations;
- (iii) boards of education; and

(iv) community colleges.

(2) A board of education or a community college may not participate in a governmental self-insurance group unless its participation is approved by its county governing body.

(c) Subject to the approval of the Commission, a county that participates in a governmental self-insurance group may include in the coverage:

(1) any unit created or funded by the county; and

(2) regardless of funding:

(i) the board of education of the county;

(ii) a community college in the county;

(iii) a regional community college in the county;

(iv) a housing agency of the county created under Division II of the Housing and Community Development Article;

(v) a municipal corporation in the county;

(vi) a multicounty unit that operates in the county; or

(vii) a revenue authority in the county created by the State.

(i) (1) To be informed of the continuing financial responsibility of each governmental self-insurance group, the Commission:

(i) shall require each governmental self-insurance group to submit a report at least once each year; and

(ii) may examine the governmental self-insurance group under oath and make other examination of the business of the governmental self-insurance group.

(2) Each year, the Commission shall assess each governmental self-insurance group an amount not exceeding \$1,500 to be used for actuarial studies and audits.

(j) (1) The Commission shall revoke the approval of a governmental self-insurance group to self-insure under this section if the governmental self-insurance group:

(i) fails to deposit securities with or submit a bond to the Commission in accordance with subsection (e) of this section;

(ii) fails to submit satisfactory reports to the Commission in accordance with subsection (i)(1)(i) of this section; or

(iii) otherwise fails to satisfy the Commission that it is financially able to self-insure.

(2) Whenever the Commission revokes approval for a governmental self-insurance group to self-insure under this section, the members of the governmental self-insurance group immediately shall secure compensation through an authorized insurer or the Injured Workers' Insurance Fund.

(3) If a member of a governmental self-insurance group fails to secure compensation as required by paragraph (2) of this subsection, the Commission shall order the member of the governmental self-insurance group to secure compensation through the Injured Workers' Insurance Fund.

(k) If a governmental self-insurance group becomes insolvent, the Uninsured Employers' Fund shall pay the outstanding obligations of the governmental self-insurance group for compensation.

### **Article 95 - Treasurer**

22.

(a) Except as provided in subsection (b) of this section or § 22-O of this article, and subject to § 22F of this article, and notwithstanding any provision of a local law or ordinance, the governing body of each county and municipal corporation, each county board of education, and the governing body of each road, drainage, improvement, construction or soil conservation district or commission in the State, the Upper Potomac River Commission, and any other political subdivision or body politic of the State, or their authorized acknowledged agent, are directed, authorized, and empowered to invest, redeem, sell, exchange and reinvest all unexpended or surplus money in any fund or account of which they have custody or control in obligations or repurchase agreements in accordance with § 6-222 of the State Finance and Procurement Article, or deposit unexpended or surplus money in any federally insured

bank in the State of Maryland or in any federally insured savings and loan association in the State of Maryland in interest-bearing time deposit or savings accounts, or in the local government investment pool created in this article. Except as provided in § 22–O of this article, deposits in banks or in savings and loan associations shall only be made if the bank or savings and loan association has given as security for these deposits any of the types of collateral set forth in § 6–202 of the State Finance and Procurement Article. The interest or income from any such investment or deposit shall become a part of the fund from which the investment or deposit was made and may itself be so invested or deposited. If the fund so invested or deposited constitutes the proceeds of the issue of bonds or other obligations, the principal of or interest on which the issuer is obligated to repay to the holders thereof, the interest or income from the investments may be used to pay the principal or interest by the issuer. Investments or deposits made pursuant to this section may be withdrawn or altered from time to time by the investing or depositing officer or governing body either to meet the requirements for which such funds are held or for reinvestment pursuant to this subsection.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2007.

**Approved by the Governor, April 10, 2007.**