



General Assembly

File No. 268

**January Session,
2009**

House Bill No. 5442

House of Representatives, March 26, 2009

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:

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 Section 7-479e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

- (a) An interlocal risk management agency is not an insurance company or insurer under the laws of this state and the development and administration by such agency of an interlocal risk management pool and an interlocal risk management program does not constitute doing an insurance business.
- (b) The formation, development and administration of a workers' compensation risk management pool by an interlocal risk management agency may be carried out as provided in this chapter and in such instance sections 31-328 to 31-339, inclusive, shall not be applicable, provided that nothing in this chapter shall prevent a local public agency from proceeding under sections 31-328 to 31-339, inclusive. Notwithstanding any provision of the general statutes, an interlocal workers' compensation risk management pool may provide interlocal risk management of claims for injuries or diseases caused by hypertension or heart disease resulting in death or temporary or permanent, total or partial disability, to a uniformed member of a paid fire department or a regular member of a paid police department as provided for in section 7-433c. Such risk management may be provided within an interlocal workers' compensation risk management pool or within a separate pool exclusively for hypertension and heart disease. Only one reserve for contingencies need be established whether or not risk management of hypertension and heart disease is provided by a separate pool.

(c) Except as provided in subsections (d) and (e) of this section, an interlocal risk management pool, other than a public liability, automobile and property risk management pool, shall at all times maintain a reserve for contingencies at a minimum of one hundred thousand dollars for each fiscal year such pool is in operation, except that each such pool need have no more than five hundred thousand dollars in the aggregate. An interlocal public liability, automobile and property risk management pool shall maintain, during its first year of operation, a reserve for contingencies at a minimum of five hundred thousand dollars and shall thereafter increase such reserve by an amount equal to five per cent of the total contribution of members with respect to each ensuing year until the ratio of contribution of members for the then current year to the amount of the reserve for contingencies is no greater than three to one. Until such time all agreements between an interlocal risk management agency and public liability, automobile and property pool members shall contain a provision permitting assessment of members in an amount not to exceed thirty per cent of a member's contribution for the year with respect to which the assessment is made. Notwithstanding any general statute, special act, or local law, ordinance or charter, retrospective agreements between any interlocal risk management pool and its members or assessments of such members shall be binding and enforceable. A reserve for contingencies means unassigned funds held over and above the liability reserves of the pool. The reserve for contingencies shall be advanced to the pool and placed at risk by the members of the interlocal risk management agency participating in the pool. Advances to the reserve for contingencies shall be evidenced by certificates, which may bear interest at a rate determined by the agency's board of directors. Advances may be repaid only when such repayment will not reduce the reserve for contingencies below the required minimum.

(d) The reserve requirements in subsection (c) of this section shall be suspended until July 1, [2010] [2015](#), at the option of any interlocal risk management pool organized for less than ten years as of July 1, 2005, that established a reserve for contingencies at a minimum of (1) one hundred thousand dollars for each fiscal year of operation prior to July 1, 2005, in the case of an interlocal risk management pool, other than a public liability, automobile and property risk management pool, or (2) five hundred thousand dollars for the first fiscal year of operation and thereafter increased such reserve by an amount equal to five per cent of the total contribution of members with respect to each subsequent fiscal year of operation prior to July 1, 2005, in the case of an interlocal public liability, automobile and property risk management pool.

(e) (1) Beginning July 1, [2010] [2015](#), an interlocal risk management pool, other than a public liability, automobile and property risk management pool, that operated under subsection (d) of this section shall maintain the applicable reserve for contingencies specified in subsection (c) of this section as if its first fiscal year beginning on or after July 1, [2010] [2015](#), was its first year of operation.

(2) Beginning July 1, [2010] [2015](#), a public liability, automobile and property risk management pool that operated under subsection (d) of this section shall maintain at least the following reserve for contingencies:

(A) As of June 30, [2011] [2016](#), one hundred thousand dollars plus an amount equal to one per cent of total member contributions for the preceding year;

(B) As of June 30, [2012] [2017](#), two hundred thousand dollars plus an amount equal to two per cent of total member contributions for the preceding year;

(C) As of June 30, [2013] [2018](#), three hundred thousand dollars plus an amount equal to three

per cent of total member contributions for the preceding year;

(D) As of June 30, [2014] [2019](#), four hundred thousand dollars plus an amount equal to four per cent of total member contributions for the preceding year;

(E) As of June 30, [2015] [2020](#), five hundred thousand dollars plus an amount equal to five per cent of total member contributions for the preceding year.

(3) On and after July 1, [2015] [2020](#), each interlocal risk management pool shall maintain a reserve for contingencies as provided in subsection (c) of this section.

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

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

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 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:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

This bill makes changes to interlocal risk management pool requirements and does not result in a fiscal impact.

The Out Years

None

OLR Bill Analysis

HB 5442

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

SUMMARY:

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

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 \$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.

The bill allows an interlocal risk management pool, at its option, to postpone complying with these contingency reserve requirements until July 1, 2015 under certain conditions. Current law lets it postpone until July 1, 2010.

A pool that wants to postpone compliance with the contingency reserve requirements must, as of July 1, 2005, have (1) been organized for less than 10 years and (2) established a contingency reserve of (a) \$100,000 for each fiscal year of operation, if the pool is for workers' compensation or excess risk pool, or (b) \$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, 2015, 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, 2015, 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. as of June 30, 2016, instead of 2011, \$100,000 plus 1% of total member contributions for the prior year;
2. as of June 30, 2017, instead of 2012, \$200,000 plus 2% of total member contributions for the prior year;
3. as of June 30, 2018, instead of 2013, \$300,000 plus 3% of total member contributions for the prior year;
4. as of June 30, 2019, instead of 2014, \$400,000 plus 4% of total member contributions for the prior year; and

5. as of June 30, 2020, instead of 2015, \$500,000 plus 5% of total member contributions for the prior year.

As of July 1, 2020, 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 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, among others, 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 18 Nay 0 (03/12/2009)

[TOP](#)