

2015 Regular Session

SENATE BILL NO. 171

BY SENATOR MORRISH

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

HEALTH/ACC INSURANCE. Provides for self-insured trust health insurance plans.  
(8/1/15)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17

AN ACT

To amend and reenact R.S. 22:454(A), 458, and 459(A) and to enact R.S. 22:452(4) and (5), relative to group self-insurers; to define certain terms; to provide for the amount of insolvency deposit; to provide certain requirements for self-insured trusts; to provide for excess stop-loss coverage; to provide with respect to the requirements to obtain a certificate of authority to operate a self-insured trust plan; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 22:454(A), 458, and 459(A) are hereby amended and reenacted and R.S. 22:452(4) and (5) are hereby enacted to read as follows:

§452. Definitions

For purposes of this Subpart, unless the context clearly indicates otherwise, the following terms shall have the meanings ascribed to them:

\* \* \*

**(4) "Claims liability" means the total of all incurred and unpaid claims for allowable benefits under a self-insurance plan, including a multiple employer welfare arrangement, that are not reimbursed or reimbursable by**

1 excess of loss insurance, subrogation, or other sources.

2 (5) "Reserves" means the excess of the assets of a self-insurance plan,  
3 including a multiple employer welfare arrangement, minus the liabilities of the  
4 plan. The liabilities of a self-insurance plan include the claims liability of the  
5 plan.

6 \* \* \*

7 §454. Insolvency deposit

8 A. All self-insurers shall, before receiving a certificate of authority, deposit  
9 with the commissioner a safekeeping or trust receipt from a bank doing business  
10 within the state or from a savings and loan association chartered to do business in  
11 this state indicating that the self-insurer has deposited cash, or bonds of the United  
12 States, the state of Louisiana, or any political subdivision of the state, of the par  
13 value of not less than the greater of either one of the following items:

14 (1) ~~One hundred~~ **Fifty** thousand dollars.

15 (2)(a) Thirty percent of the self-insurer's outstanding Louisiana-related  
16 reserve liabilities. For the purposes of this Subsection, reserve liabilities shall be  
17 computed with proper regard for the following items:

18 (i) Known claims paid and outstanding.

19 (ii) A history of incurred but not reported claims.

20 (iii) Claims handling expenses.

21 (iv) Unearned premium.

22 (v) An estimate for bad debts.

23 (vi) A trend factor.

24 (vii) A margin for error.

25 (b) All securities deposited pursuant to this Subsection shall be held in trust  
26 for the benefit and protection of and as security for all policyholders of the  
27 self-insurer making such deposit.

28 \* \* \*

29 §458. Self-insured trusts

1           The following requirements shall be met in addition to all other provisions  
2 of this Subpart where any self-insurance plan is effected, maintained, and operated  
3 under a trust agreement:

4           (1) A self-insurer shall ~~maintain~~:

5           **(a) Maintain** at all times **during the first year of operations** unimpaired  
6 net assets of not less than ~~one million~~ **one hundred fifty thousand** dollars. The net  
7 assets required to be maintained pursuant to this Section shall be in the form of cash,  
8 cash equivalents, or bonds or evidences of indebtedness which are direct general  
9 obligations or which are secured or guaranteed as to principal and interest by the  
10 government of the United States, or any state of the United States.

11           **(b) Establish by the end of the first year of operations of the arrangement**  
12 **and as of the end of each year of operations, reserves equal to at least thirty**  
13 **percent of the unpaid claims liability of the plan. The commissioner may adopt**  
14 **rules regarding the supervision, rehabilitation, and liquidation of self-funded**  
15 **multiple employer welfare arrangements that fail to maintain the level of**  
16 **reserves required by this Section.**

17           **(c) Have applications from not less than two employers and plan to**  
18 **provide similar benefits for not less than one hundred participating employees.**

19           **(d) Maintain contribution rates for participation under the arrangement**  
20 **that satisfy either of the following requirements:**

21           **(i) Contribution rates shall equal or exceed the sum of projected claims**  
22 **liability for the year, plus all projected costs of operation of the plan for the**  
23 **year, plus an amount equal to any deficiency in the reserves of the plan for the**  
24 **prior year, minus an amount equal to the reserves of the plan in excess of the**  
25 **minimum required level of reserves.**

26           **(ii) Contribution rates shall equal or exceed a funding level established**  
27 **by a report prepared by an actuarial firm.**

28           (2) The employers in the self-insurance plan shall be members of an  
29 association or group of five or more businesses that are in the same trade or industry,

1 including closely related businesses that provide support, services, or supplies  
2 primarily to that trade or industry.

3 (3) A board of trustees ~~elected by participating employers~~ shall serve as fund  
4 managers on behalf of participants. Trustees shall be plan participants. **Trustees**  
5 **shall be elected by participating employers or, if the self-insurance plan**  
6 **operates for the benefit of employers who are all part of the same association,**  
7 **then the trustees may be elected by association members who are plan**  
8 **participants.** No participating employer may be represented by more than one  
9 trustee. A minimum of three and a maximum of seven trustees may be elected.  
10 Trustees may not receive compensation but may be reimbursed for actual expenses  
11 incurred in connection with duties as trustee.

12 (4) Trustees shall be bonded in an amount not less than one hundred ~~fifty~~  
13 thousand dollars from a licensed surety company.

14 (5) Investment of plan funds is subject to the same restrictions which are  
15 applicable to insurers under this Title.

16 \* \* \*

17 §459. Excess stop-loss coverage

18 A. Each self-insurance plan shall include aggregate excess stop-loss coverage  
19 and specific excess stop-loss coverage provided by an insurer licensed by the state  
20 of Louisiana. Aggregate excess stop-loss coverage shall include provisions to cover  
21 incurred, unpaid claims liability in the event of plan termination. A plan shall submit  
22 its proposed excess or stop-loss insurance contract to the commissioner at least thirty  
23 days prior to the proposed self-insurance plan's effective date and at least thirty days  
24 **prior to any** subsequent ~~to any~~ renewal date. The commissioner shall review the  
25 contract to determine whether it meets the standards established by this Section and  
26 shall respond within thirty days of its submission to him. Any excess or stop-loss  
27 insurance plan must provide coverage with rates not subject to adjustment by the  
28 insurer during the first twelve months.

29 \* \* \*

---

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Cheryl Horne.

---

## DIGEST

SB 171 Original

2015 Regular Session

Morrish

Present law defines a self-insurance plan as any contract, plan, trust, arrangement, or other agreement which is established or maintained to offer or provide health care services, indemnification, or payment for health care services, or health and accident benefits to employees of two or more employers, but which is not fully insured. Provides that these contracts, plans, trusts, arrangements, or agreements shall be deemed "fully insured" only if the services, indemnification, payment, or benefits are guaranteed under a contract or policy of health insurance issued by an insurer authorized to transact business in this state.

Proposed law defines claims liability as the total of all incurred and unpaid claims for allowable benefits under a self-insurance plan, including a multiple employer welfare arrangement, that are not reimbursed or reimbursable by excess of loss insurance, subrogation, or other sources.

Proposed law defines reserves as the excess of the assets of a self-insurance plan, including a multiple employer welfare arrangement, minus the liabilities of the plan. Provides that liabilities of a self-insurance plan include the claims liability of the plan.

Present law requires all self-insurers, before receiving a certificate of authority, to deposit with the commissioner a safekeeping or trust receipt from a bank doing business within the state or from a savings and loan association chartered to do business in this state indicating that the self-insurer has deposited cash, or bonds of the United States, the state of Louisiana, or any political subdivision of the state, of the par value of not less than \$100,000.

Proposed law reduces the amount of cash or bonds to \$50,000.

Present law requires self-insured trusts to maintain at all times unimpaired net assets of not less than \$1,000,000.

Proposed law requires self-insured trusts to maintain at all times during the first year of operations unimpaired net assets of not less than \$150,000. Further requires a self-insurer to establish by the end of the first year of operations of the arrangement and as of the end of each year reserves equal to at least 30% of the unpaid claims liability of the plan.

Proposed law requires self-insured trusts to have applications from not less than two employers and plan to provide similar benefits for not less than 100 participating employees. Further requires contribution rates that equal or exceed the sum of projected claims liability for the year, plus all projected costs of operation of the plan for the year, plus an amount equal to any deficiency in the reserves of the plan for the prior year, minus an amount equal to the reserves of the plan in excess of the minimum required level of reserves. Contribution rates shall equal or exceed a funding level established by a report prepared by an actuarial firm.

Present law requires a board of trustees elected by the participating employers to serve as fund managers on behalf of participants and that trustees be plan participants.

Proposed law requires trustees to be elected by participating employers, or, if the self-insurance plan operates for the benefit of employers who are all part of the same association, then the trustees may be elected by association members who are plan participants.

Present law requires a plan to submit its proposed excess or stop-loss insurance contract to the commissioner at least 30 days prior to the proposed self-insurance plan's effective date

and at least 30 days subsequent to any renewal date.

Proposed law requires a plan to submit its proposed excess or stop-loss insurance contract to the commissioner at least 30 days prior to the proposed self-insurance plan's effective date and at least 30 days prior to any subsequent renewal date.

Effective August 1, 2015.

(Amends R.S.22:454(A), 458, and 459(A); adds R.S. 22:452(4) and (5))