

**HOUSE COMMITTEE AMENDMENTS**

2015 Regular Session

Amendments proposed by House Committee on Insurance to Reengrossed Senate Bill No. 171 by Senator Morrish

1 AMENDMENT NO. 1

2 On page 1, line 2, after "reenact" change "R.S. 22:453(B) and (C), 458, and 459(A)" to "R.S.  
3 22:459(A)"

4 AMENDMENT NO. 2

5 On page 1, at the beginning of line 3, change "and (5), 453(D), 454(C)," to "and (5)"

6 AMENDMENT NO. 3

7 On page 1, line 5, after "requirements for" insert "association-sponsored"

8 AMENDMENT NO. 4

9 On page 1, line 9, after "1." change "R.S. 22:453(B) and (C), 458, and 459(A) are" to "R.S.  
10 22:459(A) is"

11 AMENDMENT NO. 5

12 On page 1, line 10, after "R.S. 22:452(4) and" change "(5), 453(D), 454(C)," to "(5)"

13 AMENDMENT NO. 6

14 On page 2, line 3, after "(5)" change "Reserves" to "Net assets"

15 AMENDMENT NO. 7

16 On page 2, delete line 7 in its entirety

17 AMENDMENT NO. 8

18 On page 2, delete lines 9 through 29 in their entirety

19 AMENDMENT NO. 9

20 Delete pages 3 through 5 in their entirety

21 AMENDMENT NO. 10

22 On page 6, delete lines 1 through 25 in their entirety

23 AMENDMENT NO. 11

24 On page 6, delete lines 27 through 29 in their entirety and insert the following:

25 **"A. A trade or professional association that effects, maintains, and**  
 26 **operates a self-insured trust for the benefit of its members and their employees,**  
 27 **meets all the requirements of this Section, and complies with all other**  
 28 **provisions of this Subpart except R.S. 22:454 and 458 shall be deemed exempt**  
 29 **from the provisions of R.S. 22:454 and 458. A self-insured trust operated under**

1 the provisions of this Section shall be designated an association-sponsored  
 2 self-insured trust."

3 AMENDMENT NO. 12

4 Delete pages 7 and 8 in their entirety

5 AMENDMENT NO. 13

6 On page 9, delete lines 1 through 15 in their entirety

7 AMENDMENT NO. 14

8 On page 10, line 3, after "existence" delete the remainder of the line and insert "since  
 9 January of 1950."

10 AMENDMENT NO. 15

11 On page 10, between lines 3 and 4, insert the following:

12 "(4) Is comprised of professionals that possess licenses issued by an  
 13 authority of the state in order to conduct the business of the profession. An  
 14 association whose membership includes members of the profession who no  
 15 longer possess licenses because they have retired shall be deemed to have  
 16 satisfied this requirement if the total number of retired members comprises no  
 17 more than twenty percent of the association's overall membership.

18 C. An association-sponsored self-insured trust shall deposit with the  
 19 commissioner a safekeeping or trust receipt from a bank doing business within  
 20 the state or from a savings and loan association chartered to do business in this  
 21 state indicating that the self-insurer has deposited cash or bonds of the United  
 22 States, the state of Louisiana, or any political subdivision of the state, of the par  
 23 value of not less than the greater of either one of the following items:

- 24 (1) One hundred thousand dollars.
- 25 (2)(a) Thirty percent of the self-insurer's outstanding Louisiana-related  
 26 reserve liabilities. For the purposes of this Subsection, reserve liabilities shall  
 27 be computed with proper regard for the following items:
  - 28 (i) Known claims paid and outstanding.
  - 29 (ii) A history of incurred but not reported claims.
  - 30 (iii) Claims handling expenses.
  - 31 (iv) Unearned premium.
  - 32 (v) An estimate for bad debts.
  - 33 (vi) A trend factor.
  - 34 (vii) A margin for error.

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

38 D. An association-sponsored self-insured trust shall:

39 (1) Maintain at all times during the first year of operations unimpaired  
 40 net assets of not less than one hundred thousand dollars. The net assets  
 41 required to be maintained pursuant to this Section shall be in the form of cash,  
 42 cash equivalents, or bonds or evidences of indebtedness which are direct general  
 43 obligations or which are secured or guaranteed as to principal and interest by  
 44 the government of the United States, or any state of the United States.

45 (2) Have applications from not less than two employers and plan to  
 46 provide similar benefits for not less than one hundred participating employees.

47 (3) Maintain contribution rates for participation under the arrangement  
 48 that equal or exceed a funding level established by a report prepared by an  
 49 actuarial firm.

1 E.(1) The employers in the self-insurance plan shall be members of an  
 2 association as defined in this Section.

3 (2) Each employer member participating in the association-sponsored  
 4 self-insurance plan shall sign an indemnity agreement that is also signed by  
 5 representatives of the association and the trust. The agreement shall contain  
 6 acknowledgment by all parties of their assumption of liabilities as set forth in  
 7 this Section.

8 (3) The association sponsoring the trust shall be responsible for unpaid  
 9 claims liability of the trust. Employer members participating in the  
 10 self-insurance plan shall be in solido guarantors of liabilities of the trust not  
 11 satisfied by the association.

12 (4) A board of trustees shall serve as fund managers on behalf of  
 13 participants. Trustees shall be plan participants. Trustees shall be elected by  
 14 participating employers or by association members who are plan participants.  
 15 No participating employer may be represented by more than one trustee. A  
 16 minimum of three and a maximum of ten trustees may be elected. Trustees may  
 17 not receive compensation but may be reimbursed for actual expenses incurred  
 18 in connection with duties as trustee.

19 (5) Trustees shall be bonded in an amount not less than one hundred  
 20 thousand dollars from a licensed surety company.

21 (6) Investment of plan funds is subject to the same restrictions which are  
 22 applicable to insurers under this Title.

23 F.(1) In the event that an association-sponsored self-insured trust is  
 24 insolvent, then in addition to any other provision of law or regulation, the  
 25 department shall require that the trust file in writing within sixty days a plan  
 26 signed by the board of trustees. For purposes of this Subpart, an insolvency  
 27 shall be defined as the condition existing when the trust's liabilities before  
 28 member distribution payable or dividend payable are greater than the trust's  
 29 assets determined in accordance with generally accepted accounting principles  
 30 as delineated in the trust's financial statement audited by an independent  
 31 certified public accountant. For the purpose of determining insolvency, assets  
 32 shall not include intangible property, such as patents, trade names, or goodwill.  
 33 The plan submitted by the trust to eliminate the insolvency shall set forth in  
 34 detail the means by which the trust intends to eliminate the insolvency which  
 35 may include payments by the association, assessments of the members  
 36 participating in the trust's self-insurance plan, or a combination thereof. The  
 37 trust shall also include the timetable for the implementation of the plan and  
 38 requirements for reporting to the department. The department shall review the  
 39 plan submitted by the trust and notify the trust of the plan's approval or  
 40 disapproval within thirty days of the department's receipt of the plan.

41 (2) Upon determination by the department that a plan submitted by the  
 42 trust is disapproved or that a trust is not implementing a plan in accordance  
 43 with the terms of the plan, it shall so notify the trust in writing of such  
 44 determination.

45 (3) Should a trust fail to file a plan to eliminate an insolvency as  
 46 required pursuant to this Section, or should the department notify a trust that  
 47 such plan has been disapproved or that the trust is not implementing the plan  
 48 according to the plan, the department shall have the following powers and  
 49 authority in addition to any other powers and authority granted under law:

50 (a) The department may order the trust to immediately levy an  
 51 assessment upon the association, the members of the trust, or both, sufficient to  
 52 eliminate the insolvency.

53 (b) Should the trust fail or refuse to levy the assessment, the department  
 54 may, in the name of the trust, levy such assessment upon the association, the  
 55 members of the trust, or both, sufficient to eliminate the insolvency.

56 G. Association-sponsored self-insured trusts are not members of either  
 57 the Louisiana Insurance Guaranty Association or the Louisiana Life and Health  
 58 Insurance Guaranty Association, nor shall either be liable for any claims or

1 increments of claims made against any association-sponsored self-insured  
2 trust."