

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 501

BY COMMERCE AND HUMAN RESOURCES COMMITTEE

AN ACT

1 RELATING TO WORKER'S COMPENSATION INSURANCE; AMENDING SECTION 72-301, IDAHO
2 CODE, TO REVISE ACCEPTABLE SECURITY INSTRUMENTS FOR WORKER'S COMPENSA-
3 TION INSURERS; AND DECLARING AN EMERGENCY.
4

5 Be It Enacted by the Legislature of the State of Idaho:

6 SECTION 1. That Section 72-301, Idaho Code, be, and the same is hereby
7 amended to read as follows:

8 72-301. SECURITY FOR PAYMENT OF COMPENSATION. (1) Every employer
9 shall secure the payment of compensation under this law in one (1) of the
10 following ways:

11 (a) By insuring and keeping insured with a policy of worker's com-
12 pensation insurance as defined in section 41-506(d), Idaho Code, the
13 payment of compensation with any insurer, as defined in section 41-103,
14 Idaho Code, authorized by the director of the department of insurance to
15 transact such insurance, provided, that every public employer shall in-
16 sure its liability for payment of compensation with the state insurance
17 fund unless such fund shall refuse to accept the risk when the applica-
18 tion for insurance is made; or

19 (b) An employer may become self-insured by obtaining the approval
20 of the industrial commission, and by depositing and maintaining in a
21 custodial account with the state treasurer money or acceptable secu-
22 rity instruments satisfactory to the commission securing the payment
23 by said employer of compensation according to the terms of this law.
24 Such acceptable security instruments are bonds, treasury bills, in-
25 terest-bearing notes or other obligations of the United States for
26 which the full faith and credit of the United States is pledged for the
27 payment of principal and interest. In lieu of such money or security
28 instruments, the commission may allow or require such employer to file
29 or maintain with the state treasurer a surety bond with any company au-
30 thorized to transact surety insurance in Idaho. The commission shall
31 adopt rules governing the qualifications of self-insured employers,
32 the nature and amount of security to be deposited and maintained with
33 the state treasurer, and the conditions under which an employer may con-
34 tinue to be self-insured.

35 (2) No insurer shall be permitted to transact worker's compensation
36 insurance covering the liability of employers under this law unless it shall
37 have been authorized to do business under the laws of this state and un-
38 til it shall have received the approval of the commission. To the end that
39 the workers secured under this law shall be adequately protected, the com-
40 mission shall require such insurer to deposit and maintain in a custodial
41 account with the state treasurer money or acceptable security instruments
42 ~~of the United States~~ in an amount equal to the total amounts of all out-

1 standing and unpaid compensation awards against such insurer. Acceptable
2 security instruments are bonds, treasury bills, interest-bearing notes or
3 other obligations of the United States for which the full faith and credit
4 of the United States is pledged for the payment of principal and interest.
5 Acceptable security instruments also include municipal bonds issued by the
6 state of Idaho, its subdivisions, counties, cities, towns, villages and
7 school districts. The insurer shall have the responsibility to monitor the
8 ratings for its bonds. Bonds held by worker's compensation insurers in sup-
9 port of insurance obligations must have been assigned a credit rating grade
10 not less than "single A minus" by one (1) or more credit rating providers
11 registered with the United States securities and exchange commission as
12 a nationally recognized statistical rating organization (NRSRO). If the
13 credit rating assigned to the bond by the NRSRO is downgraded below "single
14 A minus," the worker's compensation insurer shall within thirty (30) days
15 of the downgrade replace the bond with one (1) that meets the credit quality
16 requirement specified in this section. In lieu of such money or security
17 instruments, the commission may allow or require such insurer to file or
18 maintain with the state treasurer a surety bond of some company or companies
19 authorized to do business in this state for and in the amounts equaling the
20 total unpaid compensation awards against such insurer.

21 (3) When an insurer has been placed in liquidation, any security being
22 held in a custodial account with the state treasurer under this section shall
23 be converted into cash and transferred into the insolvent insurer fund cre-
24 ated in subsection (4) of this section. Such funds shall continue to be held
25 for the purpose of securing any future claims made against the insolvent in-
26 surer under this law or until released by the commission to the liquidator,
27 if one exists, or to the insurer's state of domicile, as provided herein.
28 Interest earned on moneys deposited in the insolvent insurer fund shall be
29 credited, pro rata, to the account balance of security being held to answer
30 claims made under this law against an insolvent insurer. Moneys deposited
31 in the insolvent insurer fund may be used to pay the reasonable costs or ex-
32 penses charged by any financial institution holding such funds on deposit
33 for the state treasurer. Any balance in funds remaining on deposit in the in-
34 solvent insurer fund to answer the claims of an insolvent insurer after dis-
35 charge of that insurer's liquidator may be transferred to the liquidator, if
36 one still exists, or to the liquidated insurer's state of domicile, at such
37 time as the commission determines that said security is no longer required to
38 be held by the state treasurer for the purposes of this law.

39 (4) There is hereby created in the state treasury the insolvent insurer
40 fund. Moneys in the fund are hereby continuously appropriated for the pur-
41 poses set forth in the provisions of this section. Interest earned on moneys
42 in the fund shall be returned to the fund.

43 (5) The approval by the commission of any insurer or self-insured em-
44 ployer may be withdrawn if it shall appear to the commission that workers se-
45 cured thereby under this law are not fully protected.

46 SECTION 2. An emergency existing therefor, which emergency is hereby
47 declared to exist, this act shall be in full force and effect on and after its
48 passage and approval.