

IN THE SENATE

SENATE BILL NO. 1117

BY STATE AFFAIRS COMMITTEE

AN ACT

1 RELATING TO RESERVES AND SURPLUS OF SELF-FUNDED INSURANCE PLANS; AMENDING  
2 SECTION 41-4010, IDAHO CODE, TO ALLOW THE DIRECTOR OF THE DEPARTMENT OF  
3 INSURANCE TO EXTEND THE PERIOD FOR MINIMUM SURPLUS REQUIREMENTS FOR A  
4 PERIOD NOT TO EXCEED TWELVE MONTHS IF CERTAIN CONDITIONS OCCUR FOR NEWLY  
5 FORMED PLANS WITH NO PRIOR OPERATING HISTORY.  
6

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

8 SECTION 1. That Section 41-4010, Idaho Code, be, and the same is hereby  
9 amended to read as follows:

10 41-4010. RESERVES AND SURPLUS. (1) The trustee of a self-funded plan  
11 shall establish and maintain in the trust fund the following reserves:

12 (a) A reserve in an amount as certified by a qualified actuary as being  
13 necessary for payment of claims liability. The reserve shall be reason-  
14 ably adjusted on a quarterly basis in an amount as determined by a quali-  
15 fied actuary or other qualified person if authorized by the director.

16 (b) If, under the plan, periodic contributions to the trust fund have  
17 been paid in advance or are payable less frequently than monthly, there  
18 shall be a reserve for unearned contributions as computed pro rata on  
19 the basis of the unexpired portion of the period for which the contribu-  
20 tion has been paid.

21 (c) If future claims payments plus future costs of operation are  
22 greater than future contributions plus current reserves, there shall be  
23 a reserve in an amount equal to future claims payments plus future costs  
24 of operation, less future contributions, less current reserves.

25 (2) In any determination of the financial condition of the trust fund,  
26 the claims reserve, reserve for unearned contributions and contribution de-  
27 ficiency reserve shall constitute liabilities.

28 (3) In addition to reserves required by this section, a self-funded  
29 plan shall establish and maintain in its trust fund surplus equal to at  
30 least:

31 (a) The equivalence of three (3) months of contributions for the cur-  
32 rent plan year; or

33 (b) One hundred ten percent (110%) of the difference between the total  
34 dollar aggregate stop-loss attachment point plus costs of operation and  
35 the total dollar expected contributions for the current plan year.

36 (c) Paragraphs (a) and (b) of this subsection notwithstanding, a pub-  
37 lic postsecondary educational institution shall instead be required to  
38 establish and maintain in its trust fund surplus an amount equal to at  
39 least thirty percent (30%) of the unpaid claims liability of the plan.

40 (4) A surplus note that has been approved by the director in a form and  
41 as defined in section 41-2841, Idaho Code, may be used to fund surplus and  
42 shall not be accounted as a liability.

1 (5) Up to one-third (1/3) of the surplus required by this section may be  
2 funded by a clean, irrevocable letter of credit, in a form acceptable to the  
3 director, issued in favor of the trust fund by a federally or state chartered  
4 bank having a branch office in Idaho. Such irrevocable letter of credit can-  
5 not be guaranteed by pledge of any of the plan assets. The funding cannot be  
6 in the form of prepaid contributions or other loan or associated with an off-  
7 setting liability.

8 (6) A newly formed plan with no prior operating history shall meet the  
9 minimum surplus requirements no later than twelve (12) months after the date  
10 of initial operation. The director may extend for a reasonable period not  
11 to exceed twelve (12) additional months, provided that the plan is meeting  
12 all other provisions of this chapter. For plans registered with the depart-  
13 ment and in existence on the effective date of this law, such plans shall have  
14 twenty-four (24) months from the effective date of this law in which to in-  
15 crease their surplus level to comply with the requirements of subsection (3)  
16 of this section.

17 (7) The trust fund shall maintain the minimum surplus requirements at  
18 all times throughout the year.