

## Regulation of State Funds

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### **Working definition for report:**

an entity set up by the state as a nonprofit, independent and quasi-public or public provider of workers' compensation insurance and that serves as either an assigned risk pool or a guaranteed market or market of last resort

### **Number of States reviewed:**

27, not all of which would fit the definition.

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## Rate Review

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- 13 states allow State Fund board to set rates subject to review or regulation by the Dept. of Insurance.
- State agencies set rates in 7 states.
- 5 states apparently do not require board-approved rates to be reviewed but state officials sit on board.
- 2 state boards' rates not subject to annual review: Montana and Maryland. (Maryland's rates reviewed every 5 years by Ins. Cmsr)

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## **Regulatory Framework**

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- ❑ 11 state funds operate with political appointees and by statute.
  - ❑ 8 state funds are mutual insurers under the regulatory authority of the Dept. of Insurance.
  - ❑ In 2 states, Dept. of Insurance regulates either board or residual market (neither is a mutual).
  - ❑ 4 monopolistic states regulate as state agency.
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## **Audits and Exams**

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- ❑ Of 11 insurers with politically appointed boards, 9 were under exam or audit by Dept. of Insurance.
  - ❑ The remaining 2 states were Montana and Pennsylvania. In Pennsylvania the Insurance Cmsr. is on the board.
  - ❑ Presumption is that states regulated as insurance carriers are subject to audit & exam by Dept. of Insurance.
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## **Investment Management**

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- Mutual insurers presumed to invest their own funds as would be expected of independent insurer.
  - California and Utah each allow their State Funds investment authority.
  - Montana State Fund investments required constitutionally to be done by the state.
  - Information not available on many insurers.
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