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DEPUTY COMMISSIONER

STATE OF MARYLAND
MARYLAND INSURANCE ADMINISTRATION
525 ST. PAUL PLACE, BALTIMORE, MARYLAND 21202-2272
WRITER'S DIRECT DIAL: 410-468-2119
Facsimile Number: 410-468-2101
e-mail : lschott@mdinsurance.state.md.us

LESTER C. SCHOTT
ASSOCIATE COMMISSIONER
EXAMINATION & AUDITING

BULLETIN 04-6

To: Presidents, Insurers Domiciled in California and Massachusetts that Write Workers' Compensation Business in Maryland

Re: Deposits for Workers' Compensation Liabilities in Maryland

Date: April 7, 2004

Section 6-303 of the Insurance Article of the Annotated Code of Maryland provides the following:

When by or pursuant to the laws of any other state or foreign country any taxes, licenses and other fees other than fees similar to the assessment fee established under Title 2, Subtitle 5 of this article, in the aggregate, and any fines, penalties, deposit requirements or other material obligations, prohibitions or restrictions are or would be imposed upon Maryland insurers, or upon the insurance producers or representatives of such insurers, which are in excess of such taxes, licenses and other fees, in the aggregate, or which are in excess of the fines, penalties, deposit requirements or other obligations, prohibitions, or restrictions directly imposed upon similar insurers, or upon the insurance producers or representatives of such insurers, of such other state or country under the statutes of this State, so long as such laws of such other state or country continue in force or are so applied, the same taxes, licenses and other fees, in the aggregate, or fines, penalties or deposit requirements or other material obligations, prohibitions, or restrictions of whatever kind shall be imposed by the Commissioner upon the insurers, or upon the insurance producers or representatives of such insurers, of such other state or country doing business or seeking to do business in Maryland.

The insurance statutes of California and Massachusetts require that insurers writing workers' compensation business in their states, including foreign insurers, to deposit funds with those states to secure their workers' compensation obligations in those states. While similar deposit requirements are not imposed on insurers under Maryland's insurance laws, pursuant to Section 6-303, the Administration must impose the same deposit requirements on insurers domiciled in California and Massachusetts that are authorized to write workers' compensation business in Maryland.

The Administration has developed a *Maryland Retaliatory Deposit Schedule* for use by insurers domiciled in California and Massachusetts and authorized to write worker's compensation business in Maryland. The purpose of this Schedule is to determine the amount of the deposit required to be provided to the Administration pursuant to Section 6-303. These insurers are required to perform the following:

1. File a completed *Maryland Retaliatory Deposit Schedule* with the Administration annually on or before April 1 of each year.
2. On or before May 15 of each year, ensure that the amount of cash and the current market value amount of the securities deposited with the Administration is at least equal to the amount determined on the *Maryland Retaliatory Deposit Schedule*.

For 2004 only, insurers will be required to file a completed *Maryland Retaliatory Deposit Schedule* with the Administration annually on or before June 1, 2004. In addition, insurers will be required to ensure that the amount of cash and the current market value amount of the securities deposited with the Administration is at least equal to the amount determined on the *Maryland Retaliatory Deposit Schedule* on or before July 15, 2004.

Section 5-701 of the Insurance Article provides that deposits made to satisfy the requirement of Section 6-303 of the Insurance Article shall be in any combination of cash or government securities described in Section 5-510(b) or Section 5-607(b)(1)(i), (ii) or (iii) of the Insurance article. Permitted government securities include: (1) bonds or other evidences of indebtedness of the United States or an agency of the United States if the obligation is guaranteed as to principal and interest by the United States; (2) bonds or other evidences of indebtedness that are the direct obligations of the State or of a county, district, or municipal corporation of the State; or (3) bonds or other evidences of indebtedness that are direct obligations of another state.

Insurers subject to this Bulletin must deposit the cash and securities with a custodian approved by the Maryland State Treasurer's Office. Custodial agreement forms and instructions may be obtained from the State Treasurer's Office, Room 109, Goldstein Building, 80 Calvert Street, Annapolis, Maryland 21401, telephone (410) 260-7164

A copy of the *Maryland Retaliatory Deposit Schedule* is attached to this Bulletin. In addition, the Schedule will be posted in Excel format on the Administration's website, www.mdinsurance.state.md.us.

If you have any questions regarding this matter, please contact Neil Miller, Chief Financial Analyst, at (410) 468-2122.

Signature on file with original document

Lester C. Schott

Associate Commissioner

MARYLAND RETALIATORY DEPOSIT SCHEDULE
for Unpaid Workers' Compensation Losses (Maryland Business).
For the Year Ended December 31, 2003

(for the determination of the deposit or bond required under Section 6-303 of the Maryland Insurance Code)
 (Nearest Dollar)

NAIC NUMBER _____ NAME OF INSURER _____ PRINCIPAL OFFICE _____ ENTER 1 IF MA COMPANY _____

PART I MASSACHUSETTS DEPOSIT SCHEDULE

	TOTAL WORKERS' COMPENSATION UNEARNED PREMIUM RESERVES				TOTAL WORKERS' COMPENSATION LOSS RESERVES				NET WORKERS' COMPENSATION RESERVES (COLS. 4 + 8)
	Direct (To Agree with MD State Page) (1)	Assumed (2)	Credit Taken on Reinsurance Ceded To Reinsurers Licensed To Transact Business In Maryland (3)	TOTAL x 70% (COL 1+2-3) (4)	Direct (To Agree with MD State Page) (5)	Assumed (6)	Credit Taken on Reinsurance Ceded To Reinsurers Licensed To Transact Business In Maryland (7)	TOTAL (COL 5+6-7) (8)	
Subtotal	\$ -			0	-			0	\$ -
Multiply Subtotal by 112.5%									-
Total Bond or Deposit Required (Round up to the nearest \$5,000) (Minimum Deposit \$50,000)									0

PART II CALIFORNIA DEPOSIT SCHEDULE (from Part VI)

YEAR IN WHICH PREMIUMS WERE EARNED AND LOSSES WERE INCURRED	65% OF EARNED PREMIUM STATED IN PART VI, COLUMN 5 (1)	DEDUCT LOSS PAYMENT AND EXPENSES STATED IN PART VI COLUMN 15 (2)	REMAINDER (COL. 1 LESS COL. 2) IF NEGATIVE ENTER "0" (3)	UNPAID COMPENSATION LOSSES AND LOSS EXPENSES (PART VI, COL. 22) (4)	CARRY OUT FOR EACH YEAR AMOUNT STATED IN COL. 3 OR 4 WHICHEVER IS GREATER (5)
2001	\$ -	0	\$ -	\$ -	\$ -
2002	-	0	-	-	-
2003	-	0	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -
(6) Unpaid compensation losses and loss expense, first period (Part VI, Col. 22, first period)					\$ -
(7) Unpaid compensation losses and loss expense, second period (Part II, Col. 5)					\$ -
(8) Total Deposit Required (Minimum Deposit \$100,000)					100,000.00

PART III SCHEDULE OF REINSURANCE ASSUMED (Massachusetts and California Companies)

In the schedule below, list all of the ceding insurers and the amounts assumed on Maryland workers' compensation unearned premium reserve (Massachusetts companies only) and unpaid losses (California companies include loss adjustment expenses) from each. No segregation by policy year is required.

NAIC NUMBER	NAME OF REINSURER	STATE OF DOMICILE	WORKERS' COMPENSATION UNEARNED PREMIUM RESERVES (MA Companies only) (Total to Agree with Part 1, Col 2)	REINSURANCE PAYABLE ON UNPAID LOSSES (Total to Agree with Part 1, Col 6 or Part VI, Cols 17 + 19)
TOTAL		XXX	\$ -	\$ -

PART IV SCHEDULE OF REINSURANCE CEDED (Massachusetts and California Companies)

In the schedule below list all of the reinsurers and the amounts recoverable on Maryland workers' compensation unearned premiums (Massachusetts companies only) and unpaid losses (California companies include loss adjustment expenses) from each. No segregation by policy year is required. List all reinsurers not authorized to assume compensation insurance in Maryland in Section B. The data entered in this section cannot be taken as Workers' Compensation credit for deposits.

NAIC NUMBER	NAME OF REINSURER	STATE OF DOMICILE	WORKERS' COMPENSATION UNEARNED PREMIUM RESERVES (MA Companies only) (Total to Agree with Part 1, Col 3)	REINSURANCE RECOVERABLE ON UNPAID LOSSES (Total to Agree with Part 1, Col 7 or Part VI, Col 21)
Section (A)				
			\$ -	\$ -
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
TOTAL			\$ -	\$ -
Section (B)				
			\$ -	\$ -
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
Total		XXX	\$ -	\$ -
Grand Total		XXX	\$ -	\$ -

PART V CERTIFICATION (Massachusetts and California Companies)

State of _____ Date _____
 County of _____

 (Name of Insurer)

 Name of Officer (Print or Type) Signature Title

Under the penalty of perjury, the above designated officer declares that the foregoing statement is true and correct statement for the period specified, based upon information and belief.

MARYLAND RETALIATORY DEPOSIT SCHEDULE

for Unpaid Workers' Compensation Losses (Maryland Business). For the Year Ended December 31, 2003

(for the determination of the deposit or bond required under Section 6-303 of the Maryland Insurance Code)
(Nearest Dollar)

0 _____ 0 _____ 0 _____
NAIC NUMBER _____ NAME OF INSURER _____ OF _____ PRINCIPAL OFFICE

PART VI CALIFORNIA COMPANIES ONLY

Workers' Compensation Premiums Earned (Maryland Business)

YEARS IN WHICH PREMIUMS WERE EARNED	NET EARNED COMPENSATION PREMIUMS PRIOR TO CURRENT REPORTING YEAR (1)	DIRECT PREMIUMS EARNED CURRENT REPORTING YEAR MD STATE PAGE, ANN. STAT.) (2)	AMOUNT OF EARNED COMPENSATION PREMIUMS ON REINSURANCE ASSUMED (3)	EARNED PREMIUMS ON REINSURANCE CEDED TO REINSURANCE LICENSED TO TRANSACT COMPENSATION INSURANCE IN MARYLAND (4)	NET EARNED COMPENSATION PREMIUMS (AS ADJUSTED) (COL.1 PLUS COLS. 2 AND 3, LESS COL. 4) (5)
2001	0.00	xxx	xxx	xxx	-
2002	0.00	xxx	xxx	xxx	0.00
2003	xxx	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$ -	\$ -	\$ -	\$ -

Compensation Loss Payments (Net as to Reinsurance)

YEAR IN WHICH COMPENSATION POLICIES WERE ISSUED AND LOSSES WERE INCURRED	NET COMPENSATION LOSS PAYMENTS PRIOR TO CURRENT REPORTING YEAR (6)	DIRECT LOSSES PAID CURRENT REPORTING YEAR MD STATE PAGE, ANN. STAT.) (7)	LOSSES PAID DURING CURRENT REPORTING YEAR ON REINSURANCE ASSUMED (8)	REINSURANCE RECOVERED DURING 2003 ON LOSSES PAID FROM REINSURERS LICENSED TO TRANSACT COMPENSATION INSURANCE IN MARYLAND (9)	CUMULATIVE TO CURR. REPORTING YEAR (COL. 6, PLUS COLS. 7 AND 8, LESS COL. 9) (10)
PRIOR TO 2001	xxx	-	-	-	xxx
Total first period	xxx	0.00	0.00	0.00	xxx
2001	0.00	0.00	0.00	0.00	0.00
2002	0.00	0.00	0.00	0.00	0.00
2003	xxx	0.00	0.00	0.00	0.00
Total second period	0.00	0.00	0.00	0.00	0.00
Grand Total	\$ xxx	\$ -	\$ -	\$ -	\$ xxx

YEAR IN WHICH COMPENSATION POLICIES WERE ISSUED AND LOSSES WERE INCURRED	COMPENSATION LOSS PAYMENTS (COL. 10) (11)	COMPENSATION LOSS EXPENSE PAYMENTS (NET AS TO REINSURANCE RECOVERED FROM REINSURERS AUTHORIZED TO TRANSACT COMPENSATION INSURANCE IN MARYLAND)			TOTAL COMPENSATION LOSS AND LOSS EXPENSE PAYMENTS (COL. 11 PLUS COL. 14) (15)
		ALLOCATED (12)	UNALLOCATED (FROM COL. 30) (13)	TOTAL (COL. 12 PLUS COL. 13) (14)	
PRIOR TO 2001	xxx	-	0	-	xxx
Total first period	xxx	0.00	0	0.00	xxx
2001	0.00	0.00	0	0.00	0.00
2002	0.00	0.00	0	0.00	0.00
2003	0.00	0.00	0	0.00	0.00
Total second period	0.00	0.00	0.00	0.00	0.00
Grand Total	\$ xxx	\$ -	\$ -	\$ -	\$ xxx

Compensation Reserve for Losses and Loss Expenses

YEAR IN WHICH COMPENSATION POLICIES WERE ISSUED AND LOSSES WERE INCURRED	RESERVE FOR COMPENSATION LOSSES AND LOSS EXPENSES WITHOUT DEDUCTION FOR REINSURANCE RECOVERABLE				TOTAL (COL. 16 PLUS COL. 17 PLUS COL. 18 PLUS COL. 19) (20)	REINSURANCE RECOVERABLE ON UNPAID LOSSES AND LOSS EXPENSES FROM REINSURERS LICENSED TO TRANSACT COMPENSATION INSURANCE IN MARYLAND (21)	UNPAID COMPENSATION LOSSES AND LOSS EXPENSES (AS ADJUSTED) (COL. 20 LESS COL. 21) (22)
	TOTAL ESTIMATED RESERVE FOR COMPENSATION LOSSES		TOTAL ESTIMATED RESERVE FOR COMPENSATION LOSS EXPENSE				
	Direct (16)	Assumed (17)	Direct (18)	Assumed (19)			
PRIOR TO 2001	0.00	0.00	0.00	0.00	-	-	-
Total first period	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2001	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2002	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2003	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total second period	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total	0.00	0.00	0.00	0.00	\$ -	\$ -	\$ -

Distribution of Unallocated Compensation Claim Expenses (Maryland Business)

Net as to reinsurance ceded to reinsurers authorized to transact compensation insurance in Maryland

ACCIDENT YEAR	NET LOSSES PAID IN CURRENT REPORTING YEAR (COL 7 PLUS COL. 8 LESS COL. 9) (23)	PERCENTAGE DISTRIBUTION OF COLUMN (1) (24)	UNALLOCATED CLAIM EXPENSES PAID PERCENTAGES FOR CALENDAR YEAR 2003			DISTRIBUTION OF UNALLOCATED CLAIM EXPENSES PAID		
			ASSOCIATED WITH YEAR LOSSES WERE PAID (ONE HALF OF COLUMN (23)) (25)	ASSOCIATED WITH YEAR LOSS OCCURRED (26)	TOTAL PERCENTAGE DISTRIBUTION COL. (25)+(26) (27)	2003 CALENDAR YEAR EXPENSES x COLUMN (27) (28)	PRIOR TO 2003 CALENDAR YEAR (29)	TOTAL TO DATE FOR COL. 13 (COL 28 PLUS COL. 29) (30)
PRIOR TO 2001	0.00	0	0.00%	0.00%	0.00%	-	0.00	-
2001	0.00	0	0.00%	0.00%	0.00%	0.00	0.00	0.00
2002	0.00	0	0.00%	0.00%	0.00%	0.00	0.00	0.00
2003	0.00	0	0.00%	0.00%	0.00%	0.00	xxx	0.00
Total	\$ -	0%	0%	0%	0%	\$ -	\$ -	\$ -

NOTE: For companies which have been issuing policies for one year or less, disregard columns (23) through (27) and assign all unallocated claim expenses paid to the latest accident year.

NOTE: Column 25 total should equal 50%. Column 26 total should equal 50%. Column 27 total should equal 100%

INSTRUCTIONS:

1. Report Maryland business only
2. **Due Date** for this schedule is on or before April 1 of each year.
3. Massachusetts Companies complete Parts I, III, IV and V only.
4. California companies complete Parts II thorough VI.
5. Enter data in fields that are highlighted. All other fields will automatically calculate.
6. Return one copy of this form to the Maryland Insurance Administration, Chief Financial Analyst Examination and Auditing, 525 St. Paul Place, Baltimore, MD 21202-2272