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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2356

02/20/2012 Authored by Daudt, Gottwalt, Quam, Scott and Shimanski

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform

03/08/2012 Adoption of Report: Pass as Amended and re-referred to the Committee on Civil Law

1.1 A bill for an act
1.2 relating to insurance; requiring the Workers' Compensation Reinsurance
1.3 Association to comply with the open meeting law and the Data Practices Act;
1.4 modifying board membership; amending Minnesota Statutes 2010, sections
1.5 79.34, subdivision 1; 79.37.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2010, section 79.34, subdivision 1, is amended to read:

1.8 Subdivision 1. **Conditions requiring membership.** The nonprofit association
1.9 known as the Workers' Compensation Reinsurance Association may be incorporated under
1.10 chapter 317A with all the powers of a corporation formed under that chapter, except that
1.11 if the provisions of that chapter are inconsistent with sections 79.34 to 79.40, sections
1.12 79.34 to 79.40 govern. Each insurer as defined by section 79.01, subdivision 2, shall, as
1.13 a condition of its authority to transact workers' compensation insurance in this state, be
1.14 a member of the reinsurance association and is bound by the plan of operation of the
1.15 reinsurance association; provided, that all affiliated insurers within a holding company
1.16 system as defined in chapter 60D are considered a single entity for purposes of the exercise
1.17 of all rights and duties of membership in the reinsurance association. Each self-insurer
1.18 approved under section 176.181 and each political subdivision that self-insures shall, as a
1.19 condition of its authority to self-insure workers' compensation liability in this state, be a
1.20 member of the reinsurance association and is bound by its plan of operation; provided that:

1.21 (1) all affiliated companies within a holding company system, as determined by
1.22 the commissioner of labor and industry in a manner consistent with the standards and
1.23 definitions in chapter 60D, are considered a single entity for purposes of the exercise of all
1.24 rights and duties of membership in the reinsurance association; and

2.1 (2) all group self-insurers granted authority to self-insure pursuant to section 176.181
 2.2 are considered single entities for purposes of the exercise of all the rights and duties of
 2.3 membership in the reinsurance association. As a condition of its authority to self-insure
 2.4 workers' compensation liability, and for losses incurred after December 31, 1983, the
 2.5 state is a member of the reinsurance association and is bound by its plan of operation.
 2.6 The commissioner of administration represents the state in the exercise of all the rights
 2.7 and duties of membership in the reinsurance association. The amounts necessary to pay
 2.8 the state's premiums required for coverage by the Workers' Compensation Reinsurance
 2.9 Association are appropriated from the general fund to the commissioner of administration.
 2.10 The University of Minnesota shall pay its portion of workers' compensation reinsurance
 2.11 premiums directly to the Workers' Compensation Reinsurance Association. For the
 2.12 purposes of this section, "state" means the administrative branch of state government,
 2.13 the legislative branch, the judicial branch, the University of Minnesota, and any other
 2.14 entity whose workers' compensation liability is paid from the state revolving fund. The
 2.15 commissioner of management and budget may calculate, prorate, and charge a department
 2.16 or agency the portion of premiums paid to the reinsurance association for employees who
 2.17 are paid wholly or in part by federal funds, dedicated funds, or special revenue funds.
 2.18 The reinsurance association is not a state agency. Actions of the reinsurance association
 2.19 and its board of directors and actions of the commissioner of labor and industry with
 2.20 respect to the reinsurance association are ~~not~~ subject to chapters 13 and 13D, and are not
 2.21 subject to chapter 15. All property owned by the association is exempt from taxation. The
 2.22 reinsurance association is not obligated to make any payments or pay any assessments to
 2.23 any funds or pools established pursuant to this chapter or chapter 176 or any other law.

2.24 **EFFECTIVE DATE.** This section is effective August 1, 2012, and applies to
 2.25 actions that take place on or after that date.

2.26 Sec. 2. Minnesota Statutes 2010, section 79.37, is amended to read:

2.27 **79.37 BOARD OF DIRECTORS.**

2.28 A board of directors of the reinsurance association is created and is responsible
 2.29 for the operation of the reinsurance association consistent with the plan of operation
 2.30 and sections 79.34 to 79.40. The board consists of ~~13~~ 14 directors. Four directors shall
 2.31 represent insurers; ~~two~~ two directors shall represent employers; ~~two~~ two directors shall represent
 2.32 individual self-insurers; ~~one~~ one director shall represent group self-insurers; two directors shall
 2.33 represent employees; the commissioner of management and budget and the executive
 2.34 director of the state Board of Investment or their designees shall serve as directors; and

3.1 one director shall represent the public. Insurer members of the reinsurance association
3.2 shall elect the directors who represent insurers; self-insurer members of the reinsurance
3.3 association shall elect the directors who represent self-insurers; and the commissioner of
3.4 labor and industry shall appoint the remaining directors for the terms authorized in the
3.5 plan of operation. Each director is entitled to one vote. Terms of the directors shall be
3.6 staggered so that the terms of all the directors do not expire at the same time and so that a
3.7 director does not serve a term of more than four years. The board shall select a chair and
3.8 other officers it deems appropriate.

3.9 A majority of the directors currently holding office constitutes a quorum. Action
3.10 may be taken by a majority vote of the directors present.

3.11 The board shall take reasonable and prudent action regarding the management of
3.12 the reinsurance association including but not limited to determining the entity who shall
3.13 manage the daily affairs of the reinsurance association. The board shall report to the
3.14 governor of its actions regarding the entity selected to manage the reinsurance association
3.15 and the reasons for the selection.