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State of Minnesota HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 2994

- 03/14/2016 Authored by Albright, Mahoney, Garofalo and Metsa
The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform
03/29/2016 Adoption of Report: Placed on the General Register
Read Second Time
04/18/2016 Calendar for the Day
Read Third Time
Passed by the House and transmitted to the Senate
04/28/2016 Passed by the Senate and returned to the House
Presented to Governor
04/29/2016 Governor Approval

1.1 A bill for an act
1.2 relating to workers' compensation; reinsurance; modifying retention limits;
1.3 amending Minnesota Statutes 2014, section 79.34, subdivision 2.

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

1.5 Section 1. Minnesota Statutes 2014, section 79.34, subdivision 2, is amended to read:

1.6 Subd. 2. Losses; retention limits. The reinsurance association shall provide and
1.7 each member shall accept indemnification for 100 percent of the amount of ultimate loss
1.8 sustained in each loss occurrence relating to one or more claims arising out of a single
1.9 compensable event, including aggregate losses related to a single event or occurrence
1.10 which constitutes a single loss occurrence, under chapter 176 on and after October 1,
1.11 1979, in excess of a low, a high, or a super, or a jumbo retention limit, at the option of
1.12 the member. In case of occupational disease causing disablement on and after October
1.13 1, 1979, each person suffering disablement due to occupational disease is considered
1.14 to be involved in a separate loss occurrence. On January 1, 1995, the lower retention
1.15 limit is \$250,000, which shall also be known as the 1995 base retention limit. On each
1.16 January 1 thereafter, the cumulative annual percentage changes in the statewide average
1.17 weekly wage after October 1, 1994, as determined in accordance with section 176.011,
1.18 subdivision 1b, shall first be multiplied by the 1995 base retention limit, the result of which
1.19 shall then be added to the 1995 base retention limit. The resulting figure shall be rounded
1.20 to the nearest \$10,000, yielding the low retention limit for that year, provided that the low
1.21 retention limit shall not be reduced in any year. The low retention limit shall be \$500,000
1.22 in 2016. The board may determine future adjustments to the low retention limit subject to
1.23 the approval of the commissioner of labor and industry. In determining whether to approve
1.24 an adjustment to the low retention limit, the commissioner shall consider costs, inflation,

2.1 the impact on members, and workers' compensation reinsurance markets in other states.  
2.2 The high retention limit shall be two times the low retention limit and shall be adjusted  
2.3 when the low retention limit is adjusted. The super retention limit shall be four times the  
2.4 low retention limit and shall be adjusted when the low retention limit is adjusted. Effective  
2.5 January 1, 2018, the jumbo retention limit shall be ten times the low retention limit and  
2.6 shall be adjusted when the low retention limit is adjusted. Ultimate loss as used in this  
2.7 section means the actual loss amount which a member is obligated to pay and which is paid  
2.8 by the member for workers' compensation benefits payable under chapter 176 and shall not  
2.9 include claim expenses, assessments, damages or penalties. For losses incurred on or after  
2.10 January 1, 1979, any amounts paid by a member pursuant to sections 176.183, 176.221,  
2.11 176.225, and 176.82 shall not be included in ultimate loss and shall not be indemnified by  
2.12 the reinsurance association. A loss is incurred by the reinsurance association on the date  
2.13 on which the accident or other compensable event giving rise to the loss occurs, and a  
2.14 member is liable for a loss up to its retention limit in effect at the time that the loss was  
2.15 incurred, except that members which are determined by the reinsurance association to be  
2.16 controlled by or under common control with another member, and which are liable for  
2.17 claims from one or more employees entitled to compensation for a single compensable  
2.18 event, including aggregate losses relating to a single loss occurrence, may aggregate their  
2.19 losses and obtain indemnification from the reinsurance association for the aggregate losses  
2.20 in excess of the highest retention limit selected by any of the members in effect at the time  
2.21 the loss was incurred. Each member is liable for payment of its ultimate loss and shall be  
2.22 entitled to indemnification from the reinsurance association for the ultimate loss in excess  
2.23 of the member's retention limit in effect at the time of the loss occurrence.

2.24 A member that chooses the high or, super, or jumbo retention limit shall retain  
2.25 the liability for all losses below the chosen retention limit itself and shall not transfer  
2.26 the liability to any other entity or reinsure or otherwise contract for reimbursement or  
2.27 indemnification for losses below its retention limit, except in the following cases: (a)  
2.28 when the reinsurance or contract is with another member which, directly or indirectly,  
2.29 through one or more intermediaries, control or are controlled by or are under common  
2.30 control with the member; (b) when the reinsurance or contract provides for reimbursement  
2.31 or indemnification of a member if and only if the total of all claims which the member  
2.32 pays or incurs, but which are not reimbursable or subject to indemnification by the  
2.33 reinsurance association for a given period of time, exceeds a dollar value or percentage of  
2.34 premium written or earned and stated in the reinsurance agreement or contract; (c) when  
2.35 the reinsurance or contract is a pooling arrangement with other insurers where liability of  
2.36 the member to pay claims pursuant to chapter 176 is incidental to participation in the pool

3.1 and not as a result of providing workers' compensation insurance to employers on a direct  
3.2 basis under chapter 176; (d) when the reinsurance or contract is limited to all the claims of  
3.3 a specific insured of a member which are reimbursed or indemnified by a reinsurer which,  
3.4 directly or indirectly, through one or more intermediaries, controls or is controlled by  
3.5 or is under common control with the insured of the member so long as any subsequent  
3.6 contract or reinsurance of the reinsurer relating to the claims of the insured of a member is  
3.7 not inconsistent with the bases of exception provided under clauses (a), (b) and (c); or (e)  
3.8 when the reinsurance or contract is limited to all claims of a specific self-insurer member  
3.9 which are reimbursed or indemnified by a reinsurer which, directly or indirectly, through  
3.10 one or more intermediaries, controls or is controlled by or is under common control with  
3.11 the self-insurer member so long as any subsequent contract or reinsurance of the reinsurer  
3.12 relating to the claims of the self-insurer member are not inconsistent with the bases for  
3.13 exception provided under clauses (a), (b) and (c).

3.14 Whenever it appears to the commissioner of labor and industry that any member  
3.15 that chooses the high super, or jumbo retention limit has participated in the transfer  
3.16 of liability to any other entity or reinsured or otherwise contracted for reimbursement  
3.17 or indemnification of losses below its retention limit in a manner inconsistent with the  
3.18 bases for exception provided under clauses (a), (b), (c), (d), and (e), the commissioner  
3.19 may, after giving notice and an opportunity to be heard, order the member to pay to the  
3.20 state of Minnesota an amount not to exceed twice the difference between the reinsurance  
3.21 premium for the high super, or jumbo retention limit, as appropriate, and the low  
3.22 retention limit applicable to the member for each year in which the prohibited reinsurance  
3.23 or contract was in effect. Any member subject to this penalty provision shall continue to  
3.24 be bound by its selection of the high super, or jumbo retention limit for purposes of  
3.25 membership in the reinsurance association.