

HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **504**

02/11/2013 Authored by Metsa, Gunther, Mahoney, Kieffer, Atkins and others
The bill was read for the first time and referred to the Committee on Jobs and Economic Development Finance and Policy
03/18/2013 Adoption of Report: Pass and Read Second Time
04/10/2013 Calendar for the Day
Read Third Time
Passed by the House and transmitted to the Senate

1.1 A bill for an act
1.2 relating to workers' compensation reinsurance; eliminating the reinsurance
1.3 association prefunded limit; amending Minnesota Statutes 2012, section 79.35.
1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. Minnesota Statutes 2012, section 79.35, is amended to read:

1.6 **79.35 DUTIES; RESPONSIBILITIES; POWERS.**

1.7 The reinsurance association shall do the following on behalf of its members:

1.8 (1) assume 100 percent of the liability as provided in section 79.34;

1.9 (2) establish procedures by which members shall promptly report to the reinsurance
1.10 association each claim which, on the basis of the injury sustained, may reasonably be
1.11 anticipated to involve liability to the reinsurance association if the member is held liable
1.12 under chapter 176. Solely for the purpose of reporting claims, the member shall in
1.13 all instances consider itself legally liable for the injury. The member shall advise the
1.14 reinsurance association of subsequent developments likely to materially affect the interest
1.15 of the reinsurance association in the claim;

1.16 (3) maintain relevant loss and expense data relative to all liabilities of the reinsurance
1.17 association and require each member to furnish statistics in connection with liabilities of
1.18 the reinsurance association at the times and in the form and detail as may be required
1.19 by the plan of operation;

1.20 (4) calculate and charge to members a total premium sufficient to cover the expected
1.21 liability which the reinsurance association will incur, together with incurred or estimated
1.22 to be incurred operating and administrative expenses for the period to which this premium
1.23 applies and actual claim payments to be made by members, during the period to which
1.24 this premium applies, for claims in excess of the prefunded limit in effect at the time the

2.1 ~~loss was incurred.~~ Each member shall be charged a premium established by the board as
2.2 sufficient to cover the reinsurance association's incurred liabilities and expenses ~~between~~
2.3 in excess of the member's selected retention limit and the prefunded limit. ~~The prefunded~~
2.4 ~~limit shall be 20 times the lower retention limit established in section 79.34, subdivision~~
2.5 2. Each member shall be charged a proportion of the total premium calculated for its
2.6 selected retention limit in an amount equal to its proportion of the exposure base of all
2.7 members during the period to which the reinsurance association premium will apply. The
2.8 exposure base shall be determined by the board and is subject to the approval of the
2.9 commissioner of labor and industry. In determining the exposure base, the board shall
2.10 consider, among other things, equity, administrative convenience, records maintained by
2.11 members, amenability to audit, and degree of risk refinement. Each member shall also be
2.12 charged a premium determined by the board to equitably distribute excess or deficient
2.13 premiums from previous periods including any excess or deficient premiums resulting
2.14 from a retroactive change in the prefunded limit. The premiums charged to members
2.15 shall not be unfairly discriminatory as defined in section 79.074. All premiums shall be
2.16 approved by the commissioner of labor and industry;

2.17 (5) require and accept the payment of premiums from members of the reinsurance
2.18 association;

2.19 (6) receive and distribute all sums required by the operation of the reinsurance
2.20 association;

2.21 (7) establish procedures for reviewing claims procedures and practices of members
2.22 of the reinsurance association. If the claims procedures or practices of a member are
2.23 considered inadequate to properly service the liabilities of the reinsurance association, the
2.24 reinsurance association may undertake, or may contract with another person, including
2.25 another member, to adjust or assist in the adjustment of claims which create a potential
2.26 liability to the association. The reinsurance association may charge the cost of the
2.27 adjustment under this paragraph to the member, except that any penalties or interest
2.28 incurred under sections 176.183, 176.221, 176.225, and 176.82 as a result of actions by the
2.29 reinsurance association after it has undertaken adjustment of the claim shall not be charged
2.30 to the member but shall be included in the ultimate loss and listed as a separate item; and

2.31 (8) provide each member of the reinsurance association with an annual report of the
2.32 operations of the reinsurance association in a form the board of directors may specify.

2.33 **EFFECTIVE DATE.** This section is effective January 1, 2015.