

2765.1400 FINANCIAL INTEGRITY.

Subpart 1. **Fidelity bond.** All contractors and individuals who handle plan funds or who will have authority to gain access to plan funds, including trustees, must be covered by a fidelity bond. The bond must cover losses from dishonesty, robbery, forgery or alteration, misplacement, and mysterious and unexplainable disappearance. The amount of coverage for each occurrence must be \$300,000 or more. The plan must purchase a fidelity bond covering the required contractors and individuals, or submit separate proof of coverage for all required contractors and individuals not covered under the plan's bond.

Subp. 2. **Integrity of assets.** A plan's assets:

- A. must not be commingled with the assets of any member;
- B. must not be loaned to anyone for any purpose, or used as security for a loan, except as permitted under subpart 5 for investments;
- C. must be employed solely for the purposes stated in the bylaws, and in compliance with this chapter and related statutes; and
- D. must not be considered the property or right of any member, covered employee, or other covered person, except:
 - (1) for benefits under the coverage documents;
 - (2) for dividends declared in accordance with part 2765.1100, subpart 2; and
 - (3) for a portion of the assets remaining after the plan's dissolution, in accordance with part 2765.0700, subpart 4.

Subp. 3. **Sources and uses of funds.** A plan may expend funds for payment of losses and expenses, and for other costs customarily borne by insurers under conventional insurance policies in Minnesota. Except as provided in part 2765.1200, subpart 3, item B, a plan must not borrow money or issue debt instruments. A plan may bring legal suits to collect delinquent debts. A plan must not obtain funds through subrogation of the rights of covered employees or other covered persons. A plan may receive funds only from:

- A. its members as premiums, assessments, or penalties;
- B. its insurers or indemnitors pursuant to insurance or indemnification agreements;
- C. dividends, interest, or the proceeds of sale of investments;
- D. refunds of excess payments;
- E. coordination of benefits with automobile coverage, workers' compensation coverage, and other employee health benefit coverage; or
- F. collection of money owed to the plan.

Subp. 4. **Separate accounts.** A plan may establish separate accounts for the payment of claims or certain types of expenses. These accounts must be used only by the service company, its authorized subcontractors, or the financial administrator, as appropriate to the account's purpose. The amount in these special accounts must not exceed an amount reasonably sufficient to pay the claims or expenses for which it is established. All monetary and investment assets not in these accounts must be under the control of the financial administrator.

Subp. 5. **Investments.** A plan's investments are subject to the requirements of Minnesota Statutes, section 118A.04, as regards both permitted types of investments, maturities, and depositories. In addition, a plan must not invest in securities or debt of a member, or a member's parent, subsidiary, or affiliate; or any person or entity under contract with the plan.

Subp. 6. **Monitoring financial condition.** The board must regularly monitor the plan's revenues, expenses, and loss development, and evaluate its current and expected financial condition. The board must attempt in good faith to maintain or restore the plan's sound financial condition, using any means at its disposal. These means include but are not limited to adjusting premium rates, underwriting standards, dividend rates, expulsion standards, and other powers granted in this chapter and the bylaws. If the commissioner judges that the board's actions are inadequate to maintain or restore the plan's sound financial condition, the commissioner shall, as appropriate: order an increase in the premium rates; revoke the plan's self-insurance authority; or order that an assessment be levied against the members.

Members must not require covered employees to pay a portion of an assessment, nor must covered employees be required to pay any amount for premium increases on coverage in force. The amount of assessments must not be more than the amount of members' most recent annual premium, including the portion paid by covered employees.

Statutory Authority: *MS s 62H.06*

History: *9 SR 989; L 1996 c 399 art 2 s 12*

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