

HF2988 - 0 - Insolvent Self-Insurer Modified

Chief Author: **Dan Wolgamott**
 Committee: **Commerce Finance And Policy**
 Date Completed: **4/25/2023 9:43:44 AM**
 Lead Agency: **Commerce Dept**
 Other Agencies:
 Labor and Industry Dept

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
State Total						
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Shannon Zila **Date:** 4/25/2023 9:43:44 AM
Phone: 651-296-6053 **Email:** shannon.zila@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

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	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Shannon Zila **Date:** 4/25/2023 8:56:16 AM
Phone: 651-296-6053 **Email:** shannon.zila@lbo.mn.gov

State Cost (Savings) Calculation Details

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*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

Senate File 3193 requires a private self-insurer to notify the Commissioner of Commerce prior to or immediately upon filing a bankruptcy petition and/or when it has been declared to be bankrupt. The bill requires the commissioner to call the private self-insurer's security deposit if that private self-insurer has not paid its workers' compensation benefits as required by chapter 176. If the private self-insurer has failed to pay its workers' compensation benefits, the commissioner may call the security deposit if they determine workers' compensation benefits would be delayed in any way. This determination is carried out in consultation with the Commissioner of Labor and Industry and must consider the self-insurer's recent actuarial statements, claims history and projections, circumstances leading to the bankruptcy, as well as any other circumstances the commissioner deems relevant. The bill requires the commissioner to also meet and confer with the private self-insurer and the Self-Insurers' Security Fund (SISF) when making such a determination and allows SISF to inspect the private self-insurer's recent actuarial study and current security deposit amount.

Assumptions

Commerce assumes the work required by the bill would not substantially add to or deviate from the existing overall role agency staff have monitoring workers' compensation programs.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper

Phone: 651-539-1517

Date: 4/24/2023 3:29:16 PM

Email: amy.trumper@state.mn.us

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 Agency: **Labor and Industry Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 4/25/2023 9:39:45 AM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill requires a private self-insurer to notify the Commissioner of Commerce prior to or immediately upon filing a bankruptcy petition and/or when it has been declared to be bankrupt.

The bill requires the Commissioner of Commerce to call the private self-insurer’s security deposit if that private self-insurer has not paid its workers’ compensation benefits as required by chapter 176. If the private self-insurer has failed to pay its workers’ compensation benefits, the Commissioner of Commerce may call the security deposit if they determine workers’ compensation benefits would be delayed in any way. This determination must consider the self-insurer’s recent actuarial statements, claims history and projections, circumstances leading to the bankruptcy, whether there has been a failure to pay workers’ compensation benefits, as well as any other circumstances the Commissioner of Commerce deems relevant.

The bill requires the Commissioner of Commerce to also meet and confer with the private self-insurer and the Self-Insurers’ Security Fund (SISF) when making such a determination and allows SISF to inspect the private self-insurer’s recent actuarial study and current security deposit amount.

The bill allows the Commissioner of the MN Department of Labor and Industry (DLI) to consult with MN Dept of Commerce about whether a private self-insurer or commercial self-insurance group has failed to pay workers’ compensation benefits.

Assumptions

MN DLI assumes this bill will have no effect on the current operations of DLI’s Special Compensation Fund (SCF). The claim obligations of self-insurers that exit self-insurance will be assumed by the Self-Insurers’ Security Fund (SISF).

This bill may affect the Workers Compensation Division (WCD), pursuant to Section 5, if there are proceedings before the Department of Labor and Industry to determine liability for claim obligations, or if the Department must provide records and assistance to SISF to assist SISF in assuming liability for payment of benefits and services. MN DLI assumes no additional cost to the WCD.

This bill may affect indemnity losses reported to DLI for assessment purposes, since SISF does not report losses or make payment of assessments to DLI. The net effect would likely be a reduction in indemnity losses reported by self-insurers, which would shift the responsibility of assessments to remaining self-insurers.

Labor and Industry assumes the work required by the bill would not have a fiscal impact on DLI, and that any staff time spent would be negligible.

Expenditure and/or Revenue Formula

NA

Long-Term Fiscal Considerations

NA

Local Fiscal Impact

NA

References/Sources

NA

Agency Contact: Kate Daly (651) 284-5188

Agency Fiscal Note Coordinator Signature: Jacob Gaub

Phone: 652-284-5812

Date: 4/25/2023 9:32:48 AM

Email: jacob.gaub@state.mn.us