

HOUSE RESEARCH

Bill Summary

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Subject: Joint Underwriting Association
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Overview

The Joint Underwriting Association (JUA) is a private association of insurance companies established in state law. The JUA's purpose is to serve as the insurer of last resort for businesses that are unable to get liability insurance in the private market. All property and casualty insurance companies in the state are required by state law to be members. If the JUA loses money on the insurance it sells, the JUA is required to assess its members (insurance companies) to cover the losses. The JUA is the state's "residual market mechanism" for business liability insurance in the same way that the FAIR plan is for business and consumer property insurance, that the Minnesota Comprehensive Health Insurance Association (MCHA) is for health insurance, and that the State Auto Plan is for auto insurance. The JUA is regulated by the Department of Commerce.

This bill makes a variety of technical and minor substantive changes to the laws governing the JUA.

Section

- 1 Creation.** Eliminates automatic eligibility for citizen participation groups referenced in a 1974 federal law. Provides that the JUA must not offer completed operations insurance. Also makes a technical change in the terminology used to describe environmental liability insurance.
- 2 Reauthorization.** Makes a conforming change related to section 1, regarding citizen participation groups.
- 3 Market assistance coordinator.** Defines this term to mean a person affiliated with the JUA who helps JUA applicants to find coverage in the private market, thus eliminating the need

Section

for the JUA to provide coverage. This position is a substitute for the market assistance plan, which is eliminated in this bill.

4 Policy issuance. Eliminates a reference to filing an application with the market assistance plan, which is eliminated in this bill. Permits the JUA to perform risk management and loss prevention services for its policyholders. Permits the JUA to hire or arrange for individuals or companies to perform its functions.

5 Plan of operation. Eliminates a provision saying that the JUA board's decision on an application for coverage for a type of coverage that the JUA has not previously offered constitutes an amendment to the JUA's plan of operations, either excluding or authorizing coverage for that category of business.

6 Application procedures. Conforms to an earlier section by removing a reference to the market assistance plan.

7 Generally. Conforms to earlier sections by changing a reference to the market assistance program to the market assistance coordinator. Eliminates language describing the role of the market assistance program, providing that if that program finds coverage for a JUA applicant, the JUA must not provide coverage.

8 Minimum of qualifications. Eliminates an obsolete provision referring to insurance company premium rates filed with the commerce department. (Premium rates are no longer required to be filed with the department for commercial insurance.)

9 Assessments. Increases from \$5,000 to \$10,000 the maximum fine the commissioner of commerce may impose on an insurer for failure to pay JUA assessments. (This conforms to the same increase made several years ago in the commissioner's authority to impose fines on insurance companies for other offenses.)

10 Supervision. Provides that the JUA's premium stabilization reserve fund need not be handled through an escrow arrangement, but must be separately accounted for by the JUA's board of directors. The fund is used to stabilize premiums for JUA policyholders in a retrospective premium rating system.

11 Activation of joint underwriting association. Eliminates references to the market assistance plan, to conform to previous sections.

12 Administrative law judge. Eliminates a reference to the market assistance plan, to conform to previous sections of this bill.

13 Repealer. Repeals sections of law dealing with the market assistance program.