HOUSE RESEARCH

Bill Summary

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Overview

This bill makes three changes in state law regarding worker's compensation self-insurance. As background, Minnesota law requires employers to have worker's compensation coverage to pay benefits to employees and former employees who are unable to work due to a work-related injury or illness. An employer may arrange this coverage in any of three ways: buying a worker's compensation insurance policy from an insurance company, joining with other employers in a worker's compensation self-insurance group, or becoming a self-insured employer on its own.

1 **Private employers who have ceased to be self-insured.** Technical change to clarify that the Department of Commerce has the right to approve the insurance company (not just the insurance policy itself) that issues an insurance policy to a former self-insured private employer, to cover all or a portion of the employer's future obligations to pay continuing or future claims related to a past period in which the employer was self-insured. (If the department approves both the insurance company and the insurance policy, that relieves the employer of obligations to maintain a security deposit and pay future assessments, other than an immediate assessment at time of withdrawal, of the self-insurers security fund in connection with those possible future claims.)

2 **Purchase of insurance policy from an authorized insurer.** Provides that a commercial self-insurance group may buy an insurance policy to cover all claims incurred by it during all or a part of the group's past existence. This relieves the group of the requirement to maintain a security deposit to cover those claims. Requires that the insurance policy and the insurance company be approved by the Department of Commerce.

3 **Insolvency of a commercial self-insurance group insurer.** This section deals with coverage by the Minnesota Insurance Guaranty Association (MIGA) of a policy issued under section 2 of this bill, if the insurance company that issued the policy later becomes insolvent and unable to pay claims. MIGA does not cover claims by any insured that has a net worth of more than $25 million, when including all of the insured's affiliates (subsidiaries, parent companies, and other affiliates). This section says that, for a policy issued to a commercial self-insurance group under section 2 of this bill, the calculation is performed on each member of the commercial self-insurance group individually. This increases the odds that at least some members of the group will be covered by MIGA if the group's insurer becomes insolvent, even if the group as a whole would not qualify because its members' total assets exceed $25 million.