

elect a chair and a secretary from among its members. The council expires on June 30, ~~1993~~ 1998.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.

Presented to the governor April 22, 1993

Signed by the governor April 23, 1993, 11:47 a.m.

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**CHAPTER 47—H.F.No. 1100**

*An act relating to insurance; regulating the health coverage reinsurance association; amending Minnesota Statutes 1992, sections 62L.02, by adding a subdivision; 62L.13, subdivisions 1, 3, and 4; 62L.14, subdivisions 2, 4, 6, and 7; 62L.15, subdivision 2; 62L.16, subdivision 5, and by adding a subdivision; 62L.19; and 62L.20, subdivision 1.*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1992, section 62L.02, is amended by adding a subdivision to read:

Subd. 11a. DISCOUNTED ELIGIBLE CHARGES. "Discounted eligible charges" means the amount paid to a health carrier for claims submitted to the association.

Sec. 2. Minnesota Statutes 1992, section 62L.13, subdivision 1, is amended to read:

Subdivision 1. **CREATION.** The health coverage reinsurance association is established as a ~~nonprofit corporation~~ may operate as a nonprofit unincorporated association, but is authorized to incorporate under chapter 317A. All health carriers in the small employer market shall be and remain members of the association as a condition of their authority to transact business.

Sec. 3. Minnesota Statutes 1992, section 62L.13, subdivision 3, is amended to read:

Subd. 3. **EXEMPTIONS.** The association, its transactions, and all property owned by it are exempt from taxation under the laws of this state or any of its subdivisions, including, but not limited to, income tax, sales tax, use tax, and property tax. The association may seek exemption from payment of all fees and taxes levied by the federal government. Except as otherwise provided in this chapter, the association is not subject to the provisions of chapters 13, 14, 60A, 62A to 62H, and section 471.705. The association is not a public employer and is not subject to the provisions of chapters 179A and 353. The board of directors

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and health carriers who are members of the association are exempt from the provisions of sections 325D.49 to 325D.66 in the performance of their duties as members of the association.

Sec. 4. Minnesota Statutes 1992, section 62L.13, subdivision 4, is amended to read:

Subd. 4. **POWERS OF ASSOCIATION.** The association may exercise all of the powers of a corporation formed under chapter 317A, including, but not limited to, the authority to:

- (1) establish operating rules, conditions, and procedures relating to the reinsurance of members' risks;
- (2) assess members in accordance with the provisions of this section and to make advance interim assessments as may be reasonable and necessary for organizational and interim operating expenses;
- (3) sue and be sued, including taking any legal action necessary to recover any assessments;
- (4) enter into contracts necessary to carry out the provisions of this chapter;
- (5) establish operating, administrative, and accounting procedures for the operation of the association; and
- (6) borrow money against the future receipt of premiums and assessments up to the amount of the previous year's assessment, with the prior approval of the commissioner.

The provisions of this chapter govern if the provisions of chapter 317A conflict with this chapter. The association ~~shall adopt bylaws~~ may operate under the plan of operation approved by the board and shall be governed in accordance with this chapter and may operate in accordance with chapter 317A. If the association incorporates as a nonprofit corporation under chapter 317A, the filing of the plan of operation must meet the requirements of filing articles.

Sec. 5. Minnesota Statutes 1992, section 62L.14, subdivision 2, is amended to read:

Subd. 2. **ELECTION OF BOARD.** On or before July 1, 1992, the commissioner shall appoint an interim board of directors of the association who shall serve ~~through the first annual meeting of the members and for the next two years until the annual meeting in 1994.~~ Except for the public members, the commissioner's initial appointments must be equally apportioned among the following three categories: accident and health insurance companies, nonprofit health service plan corporations, and health maintenance organizations. Thereafter, members of the association shall elect the board of directors in accordance with this chapter and the ~~bylaws of the association~~ plan of operation, subject to approval by the commissioner. Members of the association may vote in person or by

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proxy. The public members shall continue to be appointed by the commissioner to terms meeting the requirements of subdivision 3.

Sec. 6. Minnesota Statutes 1992, section 62L.14, subdivision 4, is amended to read:

Subd. 4. **RESIGNATION AND REMOVAL.** A director may resign at any time by giving written notice to the commissioner. The resignation takes effect at the time the resignation is received unless the resignation specifies a later date. A nonpublic director may be removed at any time, with cause, by the members. If a vacancy occurs for a public member board position, the commissioner shall appoint a new public member for the duration of the unexpired term.

Sec. 7. Minnesota Statutes 1992, section 62L.14, subdivision 6, is amended to read:

Subd. 6. **DUTIES OF DIRECTORS.** ~~The board of directors shall adopt or amend the association's bylaws. The bylaws may contain any provision for the purpose of administering the association that is not inconsistent with this chapter. The board shall manage the association in furtherance of its purposes and as provided in its bylaws.~~ On or before January 1, 1993, the board or the interim board shall develop a plan of operation and reasonable operating rules to assure the fair, reasonable, and equitable administration of the association. The plan of operation must include the development of procedures for selecting an administering carrier, establishment of the powers and duties of the administering carrier, and establishment of procedures for collecting assessments from members, including the imposition of interest penalties for late payments of assessments. The plan of operation must be submitted to the commissioner for review and approval and must be submitted to the members for approval at the first meeting of the members. The board of directors may subsequently amend, change, or revise the plan of operation without approval by the members.

Sec. 8. Minnesota Statutes 1992, section 62L.14, subdivision 7, is amended to read:

Subd. 7. **COMPENSATION.** Public members of the board may be reimbursed by the association for reasonable and necessary expenses incurred by them in performing their duties as directors, but shall not otherwise be compensated by the association for their services.

Sec. 9. Minnesota Statutes 1992, section 62L.15, subdivision 2, is amended to read:

Subd. 2. **SPECIAL MEETINGS.** Special meetings of the members must be held whenever called by any three of the directors. At least two categories must be represented among the directors calling a special meeting of the members. The categories are public members, accident and health insurance companies, nonprofit health service plan corporations, and health maintenance organiza-

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tions. Special meetings of the members must be held at a time and place designated in the notice of the meeting.

Sec. 10. Minnesota Statutes 1992, section 62L.16, subdivision 5, is amended to read:

Subd. 5. **AUDITS.** The board of directors may conduct periodic audits to verify the accuracy of financial data and reports submitted by the administrator. The board may establish in the plan of operation a uniform audit program. All costs of the uniform audit program and any additional audits conducted by the board to verify the accuracy of claims submissions are the responsibility of the health carrier. Failure of a health carrier to comply with the requirements of the audit program, including the failure to pay the costs of an audit, may subject the health carrier to the penalties described in section 62L.11.

Sec. 11. Minnesota Statutes 1992, section 62L.16, is amended by adding a subdivision to read:

Subd. 7. INDEMNIFICATION. The association shall indemnify members, directors, officers, employees, and agents to the same extent that persons may be indemnified by corporations pursuant to section 317A.521.

Sec. 12. Minnesota Statutes 1992, section 62L.19, is amended to read:

#### 62L.19 ALLOWED REINSURANCE BENEFITS.

A health carrier may reinsure through the association only those benefits described in section 62L.05. The board may establish guidelines to clarify what coverage is included within the benefits described in this chapter. If a health plan conforms to those benefits as clarified by the board, the benefits are considered to be in accordance with this chapter.

Sec. 13. Minnesota Statutes 1992, section 62L.20, subdivision 1, is amended to read:

Subdivision 1. **REINSURANCE THRESHOLD.** A health carrier participating in the association may transfer up to 90 percent of the risk above a reinsurance threshold of \$5,000 of eligible charges resulting from issuance of a health benefit plan to an eligible employee or dependent of a small employer group whose risk has been prospectively ceded to the association. If the eligible charges exceed ~~\$50,000~~ \$55,000, a health carrier participating in the association may transfer 100 percent of the risk each policy year not to exceed 12 months.

Satisfaction of the reinsurance threshold must be determined by the board of directors based on discounted eligible charges. The board may establish an audit process to assure consistency in the submission of charge calculations by health carriers to the association. The association shall determine the amount to be paid to the health carrier for claims submitted based on discounted eligible charges. The board may also establish upper limits on the amount paid by the association based on a usual and customary determination. The board shall

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establish in the plan of operation a procedure for determining the discounted eligible charge.

Sec. 14. **TEMPORARY ADDITIONAL ASSESSMENTS.**

If the board of directors determines that the association's funds are insufficient to meet the obligations of the association, the board of directors shall assess each member in the small employer market, in proportion to the member's respective share of the total insurance premiums, subscriber contract payments, health maintenance organization payments, and other health benefit plan revenue derived from or on behalf of small employers during the preceding calendar year. The assessment must be calculated by the board of directors based on annual statements and other reports considered necessary by the board of directors and filed by members with the association. The amount of the assessment may not exceed two percent of the member's small employer premium for the preceding year.

This section expires August 1, 1994.

Presented to the governor April 22, 1993

Signed by the governor April 23, 1993, 11:47 a.m.

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**CHAPTER 48—H.F.No. 654**

*An act relating to commerce; regulating corporate registrations and administrative dissolutions; regulating limited partnership registrations; regulating trademarks; regulating various lien filings; making various housekeeping changes relating to the powers and duties of the secretary of state; regulating legal newspapers; amending Minnesota Statutes 1992, sections 302A.821, subdivision 6; 303.13, subdivisions 1 and 2; 317A.823, subdivision 1; 317A.827, subdivision 3; 322A.70; 331A.07; 333.20, subdivision 3; 336.9-403; 514.27; 514.661, subdivision 4; 514.945, subdivision 1; 514.956, subdivision 3; and 514.960, subdivision 3.*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1992, section 302A.821, subdivision 6, is amended to read:

Subd. 6. **REINSTATEMENT.** A corporation may, within one year of the date of the statutory dissolution, retroactively reinstate its corporate existence ~~after statutory dissolution~~ by filing a single annual registration and paying a \$25 fee. Filing the annual registration with the secretary of state:

(1) returns the corporation to active status as of the date of the statutory dissolution;

(2) validates contracts or other acts within the authority of the articles, and the corporation is liable for those contracts or acts; and

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