

SF3407 - 81A - Workers Compensation; Insurance Policy Reqmt. Mod.

Chief Author: **Jennifer McEwen**
 Committee: **Labor**
 Date Completed: **5/13/2025 9:53:36 AM**
 Lead Agency: **Labor and Industry Dept**
 Other Agencies:
 Commerce Dept Human Services 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		FY2025	FY2026	FY2027	FY2028
Commerce Dept					
General Fund	-	(25)	(25)	(25)	(25)
Labor and Industry Dept					
Workers Compensation	-	-	-	-	-
State Total					
General Fund	-	(25)	(25)	(25)	(25)
Workers Compensation	-	-	-	-	-
Total	-	(25)	(25)	(25)	(25)
Biennial Total			(50)		(50)

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
		FY2025	FY2026	FY2027	FY2028
Commerce Dept					
General Fund	-	-	-	-	-
Labor and Industry Dept					
Workers Compensation	-	-	-	-	-
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: Karl Palm **Date:** 5/13/2025 9:53:36 AM
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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		FY2025	FY2026	FY2027	FY2028	FY2029
Commerce Dept						
General Fund	-	(25)	(25)	(25)	(25)	(25)
Labor and Industry Dept						
Workers Compensation	-	-	-	-	-	-
Total	-	(25)	(25)	(25)	(25)	(25)
Biennial Total			(50)		(50)	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Commerce Dept						
General Fund	-	-	-	-	-	-
Labor and Industry Dept						
Workers Compensation	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Commerce Dept						
General Fund	-	25	25	25	25	25
Labor and Industry Dept						
Workers Compensation	-	-	-	-	-	-
Total	-	25	25	25	25	25
Biennial Total			50			50

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 Date Completed: **5/13/2025 9:53:36 AM**
 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	
	FY2025	FY2026	FY2027	FY2028	FY2029
Workers Compensation	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Workers Compensation	-	-	-	-	-
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.

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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		FY2025	FY2026	FY2027	FY2028	FY2029
Workers Compensation		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Workers Compensation		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Workers Compensation		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

The bill as introduced includes 9 sections, all of which are housekeeping changes:

- Section 1 clarifies who qualifies as an employee for purposes of workers' compensation related to certain direct care programs under the Minnesota Department of Human Services;
- Sections 2 and 3 clarify the definition of a corporate executive officer related to workers' compensation insurance requirements;
- Sections 4 and 7 clarify payment for nursing services provided by a household member of an injured worker;
- Sections 5 and 8 contain technical changes to certain filing provisions in chapter 176;
- Section 6 increases the limit above which workers' compensation benefits are assignable; and
- Section 9 repeals Minnesota Rules, part 5220.2840, which was previously fully codified into statute.

The effective date of all sections except for section 6 is day following final enactment; section 6 applies to dates of injury on or after Oct. 1, 2025.

The bill amendment amends chapters 176 and 79 and relates to workers' compensation premium fraud prevention in the construction industry and the approval and use of owner controlled and contractor controlled insurance programs.

- Section 1 requires insurers to include specific language in an application for a zero estimated exposure policy that attests to the accuracy of the application, including the absence of employees and estimated zero exposure. It is effective for policies issued or renewed on or after Jan. 1, 2026.
- Section 2 defines an owner controlled or contractor controlled insurance program as a type of insurance program where a series of workers' compensation policies are combined and issued to two or more legal entities (typically, the project sponsor and contractors and subcontractors) engaged in a single, specific, and large construction, erection, or demolition project;
- adds an application and approval process for these programs, which will be reviewed by the Department of Commerce and approved or disapproved within 60 days of receipt of the completed application and submission of a \$2,500 application fee;
- identifies eligibility criteria, for example, that the aggregate value of the project exceeds \$100 million, that it is a single project, and generates \$500,000 or more annually in workers' compensation premium;
- identifies application requirements, for example, the name of the proposed insurer, the project location, information concerning the contractors and subcontractors involved, and the applicable classification codes; and a requirement that the project or general contractor provide quarterly to Commerce any changes to the application;
- specifies that no one involved in the program can have an insurance fraud conviction and that the insurer's rates and

rating plan must be approved by Commerce;

- clarifies how Commerce and their data services organization (MWCIA) may share information related to these programs;
 - describes requirements on the insurance policy forms and rates that must be used for approved programs and the timeline to inform Commerce of any deviation from rates previously approved;
 - places limits on the deductible of the policy to no less than \$50,000 and no more than \$1 million;
 - prohibits a contractor or subcontractor involved in an approved program from using a zero estimated exposure policy (as defined in the workers' compensation premium fraud prevention language);
 - obligates project sponsors or general contractors to collect payroll for the program at the time of premium audit and retain those records for three years after completion of the project; and
 - requires that all subcontractors and contractors in the program be provided a copy of the insurance policy covering their employees and that employees must be provided information on how to submit a workers' compensation claim.
- Section 2 is effective Jan. 1, 2026
- Section 3 defines a "zero estimated exposure policy" as a workers' compensation policy where the employer has reported to the insurer its total estimated payroll exposure as zero. It is effective date after final enactment.
- Section 4 specifies that the employer's total estimated exposure amount and reported construction classification codes for a zero estimated exposure policy are public data that must be reported by an insurer. It is effective Jan. 1, 2026.
- Section 5 requires a construction employer that obtains a zero estimated exposure policy to provide written notification that they have obtained such a policy and provide a copy of the policy to all entities with which it directly contracts to provide construction or improvement services, and it requires the entity receiving the notification and policy to maintain the documents for three years. It is effective Jan. 1, 2026.

Assumptions

The bill as introduced contains technical policy, housekeeping changes. It is assumed these will carry with them no fiscal impact.

The bill as amended has changes to both chapters 176 and 79. Sections 1-3 are changes to chapter 79, which will have no fiscal impact to DLI.

Section 4 will require an update to DLI's workers' compensation insurance verification website to display the new public elements. Minnesota IT Services (MNIT) will have to update queries of Minnesota Workers' Compensation Insurance Association (MWCIA) data and display additional information on the website, including an employer's total estimated exposure amount for zero estimated exposure policies and construction classification codes associated with these policies. MNIT estimates approximately 40 hours for business/IT scoping, IT development, business/IT testing, and business/IT deployment. This cost is immaterial and can be absorbed into existing IT resources.

DLI estimates a low volume uptick in calls and questions, which can be absorbed by existing agency staff and resources.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Jessica Stimac (651-284-5177)

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SF3407 - 81A - Workers Compensation; Insurance Policy Reqmt. Mod.

Chief Author: **Jennifer McEwen**
 Committee: **Labor**
 Date Completed: **5/13/2025 9:53:36 AM**
 Agency: **Commerce 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	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
General Fund	-	(25)	(25)	(25)	(25)
Total	-	(25)	(25)	(25)	(25)
Biennial Total			(50)		(50)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-
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:** 5/13/2025 9:08:38 AM
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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		FY2025	FY2026	FY2027	FY2028
					FY2029
General Fund	-	(25)	(25)	(25)	(25)
Total	-	(25)	(25)	(25)	(25)
Biennial Total			(50)		(50)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
General Fund	-	25	25	25	25
Total	-	25	25	25	25
Biennial Total			50		50

Bill Description

Senate File 3407-81A amends Minnesota Statutes Chapter 79 by adding a section governing the approval and use of owner controlled and contractor controlled insurance programs.

The new section adds an application and approval process for owner controlled and contractor controlled insurance programs. The Department of Commerce will be responsible for reviewing and approving applications. Review must be completed within 60 days of a completed application. A filing fee of \$2500 is required.

The new section sets parameters for projects that qualify as an owner controlled or contractor controlled insurance program, such as an aggregate value of the project in excess of \$100 million; a single location or multiple related locations; \$500,000 or more in annual written Minnesota workers' compensation premium; none of the sponsors, contractors, or subcontractors have been convicted of a crime involving insurance fraud; and the programs proposed insurer's rates and rating plan for the program have been approved by the commissioner.

The application will contain extensive information regarding the project. Detailed information must be provided, such as; the insurer(s) for the project, project location, project sponsor, contact information for all contractors and subcontractors on the project, estimated project duration, estimated payroll for the project, estimated number of employees for the project, classification or primary business code for the project, professional and occupational licenses for all contractors in the program, any professional or occupational license discipline or criminal charges or convictions for any persons in the program; and any bankruptcy or receivership proceedings for any legal entities in the program. Updates to information provided in the application must be submitted every three months during the course of the project.

Approved programs must use the forms and auditing standards of a licensed data service organization. These programs must also use the experience rating plan of a licensed data service organization. An approved program's deductible must be no less than \$50,000 and no more than \$1 million. Also, to the extent an approved program's insurer deviates from the rates and rating plan approved by the commissioner when determining rates for each employer in the program, the insurer must submit to the commissioner data and calculations used by the insurer to calculate such deviations within 60 days of the program's policies effective date.

A project sponsor or general contractor of an approved program must obtain payroll from the project from all contractors in the program at the time of premium audit and maintain these payroll records for three years after the completion of the project. Additionally, all subcontractors and contractors will be provided with a copy of the insurance policy covering their employees.

Finally, the commissioner is authorized to conduct audits and investigations under section 45.027 to determine whether insurers and approved owner and contractor controlled insurance programs are complying with Minnesota law in the issuance of policies described in this section.

Assumptions

Commerce assumes that this is a new task that will be performed on an intermittent basis by current staff. The assumption is that there will be approximately 10 of these applications submitted annually. Commerce assumes no additional staff or costs will be required to review these applications however a \$2,500 application fee will be collected. The \$25,000 revenue will be deposited to the general fund as non-dedicated revenue.

Expenditure and/or Revenue Formula

\$2,500 filing fee x 10 applications per year = \$25,000

Long-Term Fiscal Considerations

The revenue is on-going.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper

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SF3407 - 81A - Workers Compensation; Insurance Policy Reqmt. Mod.

Chief Author: **Jennifer McEwen**
 Committee: **Labor**
 Date Completed: **5/13/2025 9:53:36 AM**
 Agency: **Human Services Dept**

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

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 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
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: Kate Schiller **Date:** 5/13/2025 9:50:31 AM
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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.

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill implements recommendations proposed by the Workers' Compensation Advisory Council that make changes to business and contractor insurance requirements.

Assumptions

No Cost for DHS.

As written, there are no administrative costs or impacts to forecasted programs managed by the Department of Human Services. This bill makes technical changes to describe direct support services covered under various sections in Minnesota Statute 256B. None of these changes incur a fiscal impact and align better with current definitions of these programs.

Expenditure and/or Revenue Formula**Long-Term Fiscal Considerations****Local Fiscal Impact****References/Sources****Agency Contact:**

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