

STATE OF MINNESOTA
DEPARTMENT OF LABOR AND INDUSTRY

In the Matter of the Proposed
Adoption by the Minnesota
Department of Labor and Industry
Workers' Compensation Division,
of Insurance Verification Rules

STATEMENT OF NEED
AND REASONABLENESS
for
Proposed Minnesota Rule,
Parts 5222.2001 -
5222.2006

INTRODUCTION

These rules define new Procedures for filing insurance status reports by insurance companies licensed to write workers' compensation insurance in Minnesota pursuant to Minn. Stat. 176.185. The Commissioner of the Department of Labor and Industry has exercised his authority under Minn. Stat. 176.185, subd. 10, to contract with a data collection entity to maintain insurance policy information. These rules are needed to specify the new procedures for filing insurance status reports with the data collection contractee, the Minnesota Workers' Compensation Insurers Association (MWCIA) in conformance with Minn. Stat. 176.185.

These rules eliminate the duplication of data collection between the MWCIA and the Department of Labor and Industry by deleting the filing of certain documents with the Department of Labor and Industry and requiring a single set of complete filings with the MWCIA. The change in procedures does not effect any of the rights or responsibilities of licensed workers' compensation insurers in Minnesota regarding providing timely notice of policy coverage or termination and is not intended to modify case law regarding extent of coverage or timeliness of cancellation.

5222.2001. CONTENTS OF NOTICE

Subp. 1. The Commissioner must have accurate and complete data to assure proper documentation of insurance coverage or cancellation. The listing of information required in the rule reflects the commissioner's experience in handling insurance verification filings. The data is presently required on forms now in use and the listing does not represent a departure from present practice. Handwritten data is unacceptable because it may be illegible and is subject to misinterpretation. Requiring typewritten data promotes fewer errors in the filing process.

Subp. 2. Complete policy information is necessary to assure accurate identification of insurance coverage. This information is currently reported to the Department of Labor and Industry and to the MWCIA and so no new data collection is being instituted and there is no additional burden on the insurers.

Subp. 3. Uniform and complete filing are necessary to insure proper interpretation of the information presented on them.

5222.2002. PLACE OF FILING.

Minn. Stat. 176.185 requires maintenance of an official record of workers' compensation insurance coverage. The most effective manner of carrying out this obligation is to create and maintain a single, comprehensive database. The database to be used is the one maintained by the MWCIA pursuant to the contract between the MWCIA and the Department of Labor and Industry. In order for the database to be complete, it is necessary that all filings be recorded within it. The most effective method of submitting all data to the MWCIA is for the filings to be made directly with the MWCIA. Filings made with the Department of Labor and Industry and then forwarded to the MWCIA would be delayed and hence the data would be less accurate. Since all insurers are currently required to make one filing with the Department and most are also required to make a duplicate filing with the MWCIA, the change in procedure results in a reduction of work for the insurers.

5222.2003. TIME FOR FILING NOTICE.

Subp. 1. The filing of insurance status documents must be timely so that coverage information is reasonably current. Failure to supply timely data caused unnecessary delays in claims processing and assignment of the case to the proper insurer. The single filing with the MWCIA will conform to the timeliness standard of Minn. Stat. 176.185, subd. 1.

Subp. 2. Timely notice of cancellation or termination of policies is necessary to allow the Department of Labor and Industry to inform the insured's of their obligations to maintain workers' compensation insurance. This minimizes lapses of coverage and reduces the exposure of the Special Compensation Fund for uninsured injuries. Filing with the MWCIA will conform to the standards of Minn. Stat. 176.185.

Subp. 3. Accuracy and completeness of the database requires a single repository of data. Therefore, filings in any other location shall not be accepted and the effective date will be when the filing is received by the single repository. Complete information in accordance with Rule 5222.2001 is necessary to properly identify the policy affected and to provide sufficient information for the Department of Labor and Industry to carry out its functions as mandated in Minn. Stat. 176.185.

Subp. 4. Timely filing of documents is necessary to provide accurate information regarding insurance coverage to concerned parties. Pursuant to Minn. Stat. 176.251 the Commissioner of the Department of Labor and Industry is responsible to supervise and require prompt and full compliance with all provisions of Minn. Stat. 176 relating to the payment of compensation. Timely payment of workers' compensation benefits in many cases depends upon the availability of current and accurate insurance coverage information. Where the insurer fails to make timely filing of a notice of policy insurance, the employee's valid claim for benefits may be delayed until insurance coverage is discovered or the proper insurer is identified. The Commissioner believes that 5 late filings fairly balances the administrative pressures on insurers with the need to establish a threshold indicating chronic non-compliance. The Commissioner has a responsibility to report to the Department of Commerce those matters in which an insurer does not

fulfill their obligations under the statute. Hence cases of continued non-compliance with these rules and Minn. Stat. 176.185 will be referred to the Department of Commerce.

5222.2004. EFFECT OF FILING.

Because the Commissioner has contracted with the MWCIA to collect data on insurance coverage status, it is not necessary for the insurer to file duplicate information with the Department. The data maintained by the MWCIA will be used by the Department in the fulfillment of its responsibilities under Minn. Stat. 176.185.

5222.2005. CANCELLATION OF SUBSIDIARY COVERAGE.

To assure accuracy of coverage information of more than one business entity covered under a single policy, notice of any changes in coverage within the master policy must be filed with the MWCIA.

5222.2006. EFFECTIVE DATE OF RULES.

The effective date of the rules is set well in advance of the date the Commissioner expects to have them in place. This lead time is intended to permit ample time to notify insurers of the new filing requirements, and to permit them adequate time to make the necessary administrative adjustments.

IMPACT ON SMALL BUSINESS.

The Commissioner has considered the potential impact of these rules on small businesses to the extent required by Minn. Stat. 14.115 (Supp. 1983). Insurers and third party administrators currently affected by these rules are not small businesses within the meaning of Minn. Stat. 14.115, subd. 1 (1984). Because these rules are intended to reduce the filing requirements for insurance status documents, they place no additional burden on any party. Third party administrators who may qualify as small businesses to carry assigned risks will benefit from the implementation of these rules as they simplify and consolidate present reporting requirements.

FISCAL IMPACT ON LOCAL PUBLIC BODIES.

The Commissioner has considered the fiscal impact of these rules on local public bodies pursuant to Minn. Stat. 14.11, subd. 1 (1982) and has found none. No additional financial burdens are placed on local public bodies, as the adoption of these rules will not require the expenditure of public moneys by local public bodies.