

HOUSE RESEARCH

Bill Summary

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Subject: Local government claims on the Minnesota Insurance Guaranty Association

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Overview

This bill involves the Minnesota Insurance Guaranty Association (MIGA, pronounced "mee-ga"). MIGA is a private organization created in state law to pay the claims against property and casualty insurers that have become insolvent. Most often, this involves worker's compensation claims. All insurance companies doing property and casualty insurance business in Minnesota are required to be members and to pay assessments to cover its payments of claims. MIGA is controlled by the insurance industry and is regulated by the Department of Commerce.

Section

- 1** **Further definition.** In 1996, the legislature passed a provision saying that MIGA does not cover claims if the policyholder has assets, calculated on a consolidated accounting basis, of more than \$25 million. For instance, if an employer had a policy with a now-insolvent worker's compensation insurer, which was paying benefits to a worker, MIGA will not step in and pay the benefits if the employer has consolidated net worth greater than \$25 million. The employer therefore has to pay the remaining payments. This section would provide an exception to that exclusion if the employer is a political subdivision.
- 2** **Effective date.** Makes section 1 retroactive to insolvencies that occurred on or after June 11, 2003, as evidenced by a court order of liquidation. That is the date of insolvency of Home Insurance Company, a New Hampshire domiciled insurance company.