

1 ENGROSSED HOUSE  
2 BILL NO. 2889

By: Moore of the House

and

Brown of the Senate

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7 An Act relating to state government; amending 74 O.S.  
8 2001, Section 1305.1, as amended by Section 2,  
9 Chapter 196, O.S.L. 2002 (74 O.S. Supp. 2009, Section  
10 1305.1), which relates to duties of the State and  
11 Education Employees Group Insurance Board; requiring  
12 Board to report certain claim data; and providing an  
13 effective date.

14 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

15 SECTION 1. AMENDATORY 74 O.S. 2001, Section 1305.1, as  
16 amended by Section 2, Chapter 196, O.S.L. 2002 (74 O.S. Supp. 2009,  
17 Section 1305.1), is amended to read as follows:

18 Section 1305.1 (1) The State and Education Employees Group  
19 Insurance Board shall discharge their duties with respect to the  
20 State and Education Employees Group Insurance Act, the State  
21 Employees Flexible Benefits Act and the State Employees Disability  
22 Program Act solely in the interest of said acts and:

(a) for the exclusive purpose of:

(i) providing benefits to the participants and their  
dependents, and

1 (ii) defraying reasonable expenses of administering the  
2 State and Education Employees Group Insurance Act, the  
3 State Employees Flexible Benefits Act and the State  
4 Employees Disability Program Act;

5 (b) with the care, skill, prudence, and diligence under the  
6 circumstances then prevailing that a prudent person acting in a like  
7 capacity and familiar with such matters would use in the conduct of  
8 an enterprise of a like character and with like aims;

9 (c) by diversifying investments so as to minimize the risk of  
10 large losses, unless under the circumstances it is clearly prudent  
11 not to do so; and

12 (d) in accordance with the laws, documents and instruments  
13 governing the State and Education Employees Group Insurance Act, the  
14 State Employees Flexible Benefits Act and the State Employees  
15 Disability Program Act.

16 (2) The monies received by the State and Education Employees  
17 Group Insurance Board shall be invested only in assets eligible for  
18 the investment of funds of legal reserve life insurance companies in  
19 this state as provided for in Sections 1602 through 1611, 1613  
20 through 1620, and 1622 through 1624 of Title 36 of the Oklahoma  
21 Statutes. The term admitted assets shall mean the amount of the  
22 monies received by the Board and the provisions relating to  
23 limitation of investments as a percentage of surplus and loans to  
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1 policyholders shall be inapplicable with respect to investment of  
2 the monies received by the Board.

3 (3) The Board may procure insurance indemnifying the members of  
4 the Board from personal loss or accountability from liability  
5 resulting from a member's action or inaction as a member of the  
6 Board.

7 (4) The Board may establish an investment committee. The  
8 investment committee shall be composed of not more than five (5)  
9 members of the Board appointed by the chairman of the Board. The  
10 committee shall make recommendations to the full Board on all  
11 matters related to the choice of custodians and managers of the  
12 assets of the Board, on the establishment of investment and fund  
13 management guidelines, and in planning future investment policy.  
14 The committee shall have no authority to act on behalf of the Board  
15 in any circumstances whatsoever. No recommendation of the committee  
16 shall have effect as an action of the Board nor take effect without  
17 the approval of the Board as provided by law.

18 (5) The Board shall retain qualified investment managers to  
19 provide for the investment of the monies received by the Board. The  
20 investment managers shall be chosen by a solicitation of proposals  
21 on a competitive bid basis pursuant to standards set by the Board.  
22 Subject to the overall investment guidelines set by the Board, the  
23 investment managers shall have full discretion in the management of  
24 those monies of the Board allocated to the investment managers. The

1 Board shall manage those monies not specifically allocated to the  
2 investment managers. The monies of the Board allocated to the  
3 investment managers shall be actively managed by the investment  
4 managers, which may include selling investments and realizing losses  
5 if such action is considered advantageous to longer term return  
6 maximization. Because of the total return objective, no distinction  
7 shall be made for management and performance evaluation purposes  
8 between realized and unrealized capital gains and losses.

9 (6) Funds and revenues for investment by the investment  
10 managers or the Board shall be placed with a custodian selected by  
11 the Board. The custodian shall be a bank or trust company offering  
12 pension fund master trustee and master custodial services. The  
13 custodian shall be chosen by a solicitation of proposals on a  
14 competitive bid basis pursuant to standards set by the Board. In  
15 compliance with the investment policy guidelines of the Board, the  
16 custodian bank or trust company shall be contractually responsible  
17 for ensuring that all monies of the Board are invested in income-  
18 producing investment vehicles at all times. If a custodian bank or  
19 trust company has not received direction from the investment  
20 managers of the Board as to the investment of the monies of the  
21 Board in specific investment vehicles, the custodian bank or trust  
22 company shall be contractually responsible to the Board for  
23 investing the monies in appropriately collateralized short-term  
24 interest-bearing investment vehicles.

1 (7) By November 1, 1989, and prior to August 1 of each year  
2 thereafter, the Board shall develop a written investment plan for  
3 the monies received by the Board.

4 (8) The Administrator shall compile a quarterly financial  
5 report of all the funds of the Board on a calendar year basis. The  
6 report shall be compiled pursuant to uniform reporting standards  
7 prescribed by the Insurance Commissioner for all domestic insurance  
8 companies. The report shall include several relevant measures of  
9 investment value, including acquisition cost and current fair market  
10 value with appropriate summaries of total holdings and returns. The  
11 report shall contain combined and individual rate of returns of the  
12 investment managers by category of investment, over periods of time.  
13 The report shall be distributed to the Governor, the Legislative  
14 Service Bureau and the Joint Committee on Fiscal Operations.

15 (9) For the purposes of this subsection, large health insurance  
16 claims shall be those exceeding Ten Thousand Dollars (\$10,000.00).  
17 The Board shall provide the following data concerning large health  
18 insurance claims by employees for all health maintenance  
19 organizations and preferred provider organizations subject to the  
20 Board's oversight upon request:

21 (a) information concerning the ratio of premium income to  
22 claims,

23 (b) the most recent twenty-four (24) months' paid claims,  
24 by month and exposures by month, and

1           (c) for groups with one hundred or more employees, large  
2           claimant information, including diagnosis and  
3           exposure, shall be made available per state law.

4 Such data shall be required one hundred (100) days prior to renewal  
5 of health insurance plans.

6           (10) The Board shall provide ad hoc reports to insured entities  
7 for a reasonable fee.

8           SECTION 2. This act shall become effective November 1, 2010.

9           Passed the House of Representatives the 9th day of March, 2010.

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Presiding Officer of the House of  
Representatives

Passed the Senate the \_\_\_\_ day of \_\_\_\_\_, 2010.

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Presiding Officer of the Senate