

THE HOUSE OF REPRESENTATIVES  
Thursday, February 25, 2010

House Bill No. 2889

HOUSE BILL NO. 2889 - By: MOORE of the House.

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

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

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

4 Section 1305.1 (1) The State and Education Employees Group Insurance Board  
5 shall discharge their duties with respect to the State and Education Employees Group  
6 Insurance Act, the State Employees Flexible Benefits Act and the State Employees  
7 Disability Program Act solely in the interest of said acts and:

8 (a) for the exclusive purpose of:

- 9 (i) providing benefits to the participants and their dependents, and
- 10 (ii) defraying reasonable expenses of administering the State and
- 11 Education Employees Group Insurance Act, the State Employees
- 12 Flexible Benefits Act and the State Employees Disability Program Act;

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

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

6 (d) in accordance with the laws, documents and instruments governing the State  
7 and Education Employees Group Insurance Act, the State Employees Flexible Benefits  
8 Act and the State Employees Disability Program Act.

9 (2) The monies received by the State and Education Employees Group Insurance  
10 Board shall be invested only in assets eligible for the investment of funds of legal reserve  
11 life insurance companies in this state as provided for in Sections 1602 through 1611,  
12 1613 through 1620, and 1622 through 1624 of Title 36 of the Oklahoma Statutes. The  
13 term admitted assets shall mean the amount of the monies received by the Board and the  
14 provisions relating to limitation of investments as a percentage of surplus and loans to  
15 policyholders shall be inapplicable with respect to investment of the monies received by  
16 the Board.

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

20 (4) The Board may establish an investment committee. The investment committee  
21 shall be composed of not more than five (5) members of the Board appointed by the  
22 chairman of the Board. The committee shall make recommendations to the full Board on

1 all matters related to the choice of custodians and managers of the assets of the Board,  
2 on the establishment of investment and fund management guidelines, and in planning  
3 future investment policy. The committee shall have no authority to act on behalf of the  
4 Board in any circumstances whatsoever. No recommendation of the committee shall  
5 have effect as an action of the Board nor take effect without the approval of the Board as  
6 provided by law.

7 (5) The Board shall retain qualified investment managers to provide for the  
8 investment of the monies received by the Board. The investment managers shall be  
9 chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set  
10 by the Board. Subject to the overall investment guidelines set by the Board, the  
11 investment managers shall have full discretion in the management of those monies of the  
12 Board allocated to the investment managers. The Board shall manage those monies not  
13 specifically allocated to the investment managers. The monies of the Board allocated to  
14 the investment managers shall be actively managed by the investment managers, which  
15 may include selling investments and realizing losses if such action is considered  
16 advantageous to longer term return maximization. Because of the total return objective,  
17 no distinction shall be made for management and performance evaluation purposes  
18 between realized and unrealized capital gains and losses.

19 (6) Funds and revenues for investment by the investment managers or the Board  
20 shall be placed with a custodian selected by the Board. The custodian shall be a bank or  
21 trust company offering pension fund master trustee and master custodial services. The  
22 custodian shall be chosen by a solicitation of proposals on a competitive bid basis

1 pursuant to standards set by the Board. In compliance with the investment policy  
2 guidelines of the Board, the custodian bank or trust company shall be contractually  
3 responsible for ensuring that all monies of the Board are invested in income-producing  
4 investment vehicles at all times. If a custodian bank or trust company has not received  
5 direction from the investment managers of the Board as to the investment of the monies  
6 of the Board in specific investment vehicles, the custodian bank or trust company shall  
7 be contractually responsible to the Board for investing the monies in appropriately  
8 collateralized short-term interest-bearing investment vehicles.

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

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

20 (9) For the purposes of this subsection, large health insurance claims shall be those  
21 exceeding Ten Thousand Dollars (\$10,000.00). The Board shall provide the following  
22 data concerning large health insurance claims by employees for all health maintenance

UNDERLINED language denotes Amendments to present Statutes.  
**BOLD FACE CAPITALIZED** language denotes Committee Amendments.  
~~Strike thru~~ language denotes deletion from present Statutes.

1 organizations and preferred provider organizations subject to the Board's oversight upon  
2 request:

- 3 a. information concerning the ratio of premium income to claims,  
4 b. the most recent twenty-four (24) months' paid claims, by month and  
5 exposures by month, and  
6 c. for groups with fifty or more employees, large claimant information,  
7 including diagnosis and exposure, shall be made available per state  
8 law.

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

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

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

13 COMMITTEE REPORT BY: COMMITTEE ON GOVERNMENT MODERNIZATION,  
14 dated 02-24-10 - DO PASS.