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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 2853

03/06/2014 Authored by Atkins

The bill was read for the first time and referred to the Committee on Commerce and Consumer Protection Finance and Policy

1.1 A bill for an act
 1.2 relating to commerce; regulating certain licensees; modifying education
 1.3 requirements; repealing obsolete rules; making technical changes; modifying
 1.4 enforcement provisions; authorizing certain protective and restraining orders;
 1.5 regulating insurance holding company systems by enacting changes proposed
 1.6 by the National Association of Insurance Commissioners; amending Minnesota
 1.7 Statutes 2012, sections 45.027, subdivision 7; 58.12, subdivision 1; 60A.10,
 1.8 subdivision 1; 60D.09; 60D.15, by adding a subdivision; 60D.17, subdivisions
 1.9 1, 2, 4, 6, 7; 60D.18, subdivisions 2, 6; 60D.19, subdivisions 1, 2, 3, 11, 12,
 1.10 by adding a subdivision; 60D.20, subdivisions 1, 3; 60D.21, subdivision 1, by
 1.11 adding subdivisions; 60D.22; 60D.23; 60K.54, subdivision 2; 62A.65, by adding
 1.12 a subdivision; 66A.01; 68A.01, subdivision 2; 68A.02, subdivision 1; 68A.04,
 1.13 subdivision 1; 82.55, subdivision 4; 82.641, subdivision 6; 82.81, subdivision
 1.14 8; 82B.135, subdivision 1; 82B.19, subdivisions 1, 3, by adding a subdivision;
 1.15 115C.02, subdivision 16; 115C.09, subdivisions 1, 2a, 3; 239.785, subdivision 6;
 1.16 297L.01, subdivision 9; 327C.095, subdivision 11; 386.66; 507.401, subdivisions
 1.17 1, 2, 3, 4, 5; 507.45, subdivision 4; 515B.4-109; Minnesota Statutes 2013
 1.18 Supplement, sections 239.761, subdivision 8; 332A.02, subdivision 8; 559.202,
 1.19 subdivision 3; proposing coding for new law in Minnesota Statutes, chapters
 1.20 60D; 82B; 609; repealing Minnesota Statutes 2012, section 82B.10, subdivision
 1.21 7; Laws 2013, chapter 84, article 1, sections 25; 30; Minnesota Rules, parts
 1.22 3300.0800; 3300.0900; 3300.1000; 3300.1100; 3300.1200; 3300.1300;
 1.23 3300.1400; 3300.1500; 3300.1600; 3300.1700; 3300.1800; 3300.1900;
 1.24 7607.0100; 7607.0110; 7607.0120; 7607.0130; 7607.0140; 7607.0150;
 1.25 7607.0160; 7607.0170; 7607.0180; 7610.0300; 7685.0100; 7685.0120;
 1.26 7685.0130; 7685.0140.

1.27 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.28 ARTICLE 1

1.29 LICENSING

1.30 Section 1. **[82B.105] RECIPROCITY.**

1.31 The education, experience, and examination requirements of this chapter may be
 1.32 waived by the commissioner for individuals of other jurisdictions if: (1) the individual is

2.1 licensed in another jurisdiction and is listed in good standing on the National Registry
2.2 maintained by the Appraisal Subcommittee, and (2) the licensing requirements of that
2.3 jurisdiction are substantially similar to the provisions of this chapter.

2.4 Sec. 2. Minnesota Statutes 2012, section 82B.135, subdivision 1, is amended to read:

2.5 Subdivision 1. **Submitting to commissioner.** An applicant for a real estate appraiser
2.6 license must submit to the commissioner, along with an application for licensure and in a
2.7 manner prescribed by the commissioner, a copy of the course completion certificate for
2.8 evidence that the applicant has completed all required prelicensing education coursework
2.9 applicable to the class of license sought.

2.10 Sec. 3. Minnesota Statutes 2012, section 82B.19, subdivision 1, is amended to read:

2.11 Subdivision 1. **License renewals.** ~~(a) A licensed real estate appraiser must present~~
2.12 ~~evidence satisfactory to the commissioner of having~~ The commissioner must determine
2.13 that a licensed real estate appraiser has met the continuing education requirements of
2.14 this chapter before the commissioner renews a license. This determination must be
2.15 based on, for a resident appraiser, course completion records uploaded electronically
2.16 in a manner prescribed by the commissioner and, for a nonresident appraiser, course
2.17 completion records presented by electronic transmission or uploaded electronically in a
2.18 manner prescribed by the commissioner.

2.19 The basic continuing education requirement for renewal of a license is the
2.20 completion by the applicant either as a student or as an instructor, during the immediately
2.21 preceding term of licensing, of at least 30 classroom hours of instruction in courses or
2.22 seminars that have received the approval of the commissioner. Classroom hour credit
2.23 must not be accepted for courses of less than two hours. As part of the continuing
2.24 education requirements of this section, the commissioner must require that all real estate
2.25 appraisers successfully complete the seven-hour national USPAP update course every two
2.26 years. If the applicant's immediately preceding term of licensing consisted of six or more
2.27 months, but fewer than 24 months, the applicant must provide evidence of completion
2.28 of 15 hours of instruction during the license period. The credit hours required under this
2.29 section may be credited to a person for distance education courses that meet Appraiser
2.30 Qualifications Board criteria. An approved prelicense education course may be taken
2.31 for continuing education credit.

2.32 (b) The 15-hour USPAP course cannot be used to satisfy the requirement to complete
2.33 the seven-hour national USPAP update course every two years.

3.1 ~~(e) Notwithstanding section 326.56, subdivision 2, a licensed real estate appraiser~~
 3.2 ~~returning from active military duty may be placed in active status for a period of up to 90~~
 3.3 ~~days pending completion of all continuing education requirements.~~

3.4 Sec. 4. Minnesota Statutes 2012, section 82B.19, is amended by adding a subdivision
 3.5 to read:

3.6 Subd. 1a. **Deferral.** (a) Deferrals may not be granted to appraisers, except in the
 3.7 case of individuals returning from active military duty, or individuals impacted by a
 3.8 state-declared or federally declared disaster. The commissioner may allow appraisers
 3.9 returning from active military duty to be placed in active status for a period of up to 90
 3.10 days pending completion of all continuing education requirements. The commissioner
 3.11 may allow appraisers impacted by a state-declared or federally declared disaster that
 3.12 occurs within 90 days before the end of the continuing education cycle to remain or
 3.13 be placed in active status for a period of up to 90 days after the end of the appraiser's
 3.14 continuing education cycle, pending completion of all continuing education requirements.

3.15 (b) This subdivision supersedes any conflicting provision in section 326.56,
 3.16 subdivision 2.

3.17 Sec. 5. Minnesota Statutes 2012, section 82B.19, subdivision 3, is amended to read:

3.18 **Subd. 3. Reinstatements.** A license as a real estate appraiser that has been ~~revoked~~
 3.19 suspended for less than two years as a result of disciplinary action by the commissioner
 3.20 may not be reinstated unless the applicant presents evidence of completion of the
 3.21 continuing education required by this chapter. This requirement may not be imposed upon
 3.22 an applicant for reinstatement who has been required to successfully complete the current
 3.23 experience, education, and examination requirements for real estate appraiser licensure as
 3.24 a condition to reinstatement of a license.

3.25 Sec. 6. **REPEALER.**

3.26 Minnesota Statutes 2012, section 82B.10, subdivision 7, is repealed.

3.27 **ARTICLE 2**

3.28 **PETROFUND**

3.29 Section 1. Minnesota Statutes 2012, section 115C.02, subdivision 16, is amended to
 3.30 read:

4.1 Subd. 16. **Tank in transport.** "Tank in transport" means a liquid fuel cargo tank
4.2 with a capacity of greater than 250 gallons used to deliver petroleum into storage tanks
4.3 or dispense petroleum into mobile tanks.

4.4 Sec. 2. Minnesota Statutes 2012, section 115C.09, subdivision 1, is amended to read:

4.5 Subdivision 1. **Reimbursable costs.** (a) The board shall provide reimbursement to
4.6 eligible applicants for reimbursable costs.

4.7 (b) The following costs are reimbursable for purposes of this chapter:

4.8 (1) corrective action costs incurred by the applicant and documented in a form
4.9 prescribed by the board, except the costs related to the physical removal of a tank, unless
4.10 the removal of the tank was ordered by the agency and is determined by the agency not to
4.11 be a source of a release;

4.12 (2) costs that the responsible person is legally obligated to pay as damages to third
4.13 parties for bodily injury, property damage, or corrective action costs incurred by a third
4.14 party caused by a release where the responsible person's liability for the costs has been
4.15 established by a court order or court-approved settlement; and

4.16 (3) up to 180 days of interest costs associated with the financing of corrective action
4.17 and incurred by the applicant in a written extension of credit or loan that has been signed by
4.18 the applicant and executed after July 1, 2002, provided that the applicant documents that:

4.19 (i) the interest costs are incurred as a result of an extension of credit or loan from a
4.20 financial institution; and

4.21 (ii) the board has not considered the application within the applicable time frame
4.22 specified in subdivision 2a, paragraph (c).

4.23 Interest costs meeting the requirements of this clause are eligible only when they are
4.24 incurred between the date a complete initial application is received by the board, or the
4.25 date a complete supplemental application is received by the board, and the date that the
4.26 board first notifies the applicant of its reimbursement determination. An application is
4.27 complete when the information reasonably required or requested by the board's staff
4.28 from the applicant has been received by the board's staff. Interest costs are not eligible
4.29 for reimbursement to the extent they exceed two percentage points above the adjusted
4.30 prime rate charged by banks, as defined in section 270C.40, subdivision 5, at the time the
4.31 extension of credit or loan was executed.

4.32 (c) A cost for liability to a third party is incurred by the responsible person when an
4.33 order or court-approved settlement is entered that sets forth the specific costs attributed
4.34 to the liability. Except as provided in this paragraph, reimbursement may not be made
4.35 for costs of liability to third parties until all eligible corrective action costs have been

5.1 reimbursed. If a corrective action is expected to continue in operation for more than one
5.2 year after it has been fully constructed or installed, the board may estimate the future
5.3 expense of completing the corrective action and, after subtracting this estimate from the
5.4 total reimbursement available under subdivision 3, reimburse the costs for liability to third
5.5 parties. The total reimbursement may not exceed the limit set forth in subdivision 3.

5.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.7 Sec. 3. Minnesota Statutes 2012, section 115C.09, subdivision 2a, is amended to read:

5.8 Subd. 2a. **Application for reimbursement.** (a) Applications for reimbursement
5.9 may be submitted for consideration by the board at the following stages:

5.10 (1) after costs have been incurred, and the associated tasks completed, for excavation
5.11 basin soil sampling, excavation of contaminated soil, treatment of contaminated soil, or
5.12 remedial investigation tasks such as soil boring drilling, monitoring well installation,
5.13 vapor risk assessment, and groundwater receptor survey; corrective action costs relating to
5.14 the construction and installation of a comprehensive corrective action design system are
5.15 not reimbursable at this stage; and

5.16 (2) after costs have been incurred, and the associated tasks completed, for tasks related
5.17 to the construction and installation of a comprehensive corrective action design system, but
5.18 only if the commissioner has approved a comprehensive plan for corrective action that will
5.19 adequately address the entire release, including groundwater contamination if necessary.

5.20 (b) An applicant shall not submit an application for reimbursement more frequently
5.21 than four times per 12-month period unless the application is for more than \$2,000
5.22 in reimbursement.

5.23 (c) The commissioner shall review a plan, and provide an approval or disapproval to
5.24 the applicant and the board, within 60 days in the case of a plan submitted under paragraph
5.25 (a), clause (1), and within 120 days in the case of a plan submitted under paragraph (a),
5.26 clause (2), or the commissioner shall explain to the board why additional time is necessary.
5.27 The board shall consider a complete initial application within 60 days of its submission,
5.28 and shall consider a complete supplemental application within 120 days of its submission,
5.29 or the board shall explain for the record why additional time is necessary. Board staff may
5.30 review applications submitted to the board at the same time the commissioner considers
5.31 the appropriateness of the corrective action, but the board may not act on the application
5.32 until after the commissioner's approval is received.

5.33 (d) A reimbursement may not be made unless the board determines that the
5.34 commissioner has determined that the corrective action was appropriate in terms of
5.35 protecting public health, welfare, and the environment.

6.1 (e) A reimbursement may not be made unless the application was submitted within
6.2 seven years after the corrective action services for which reimbursement has been
6.3 requested were performed.

6.4 **EFFECTIVE DATE; APPLICATION.** This section is effective July 1, 2015, and
6.5 applies to applications for reimbursement on or after that date.

6.6 Sec. 4. Minnesota Statutes 2012, section 115C.09, subdivision 3, is amended to read:

6.7 Subd. 3. **Reimbursements; subrogation; appropriation.** (a) The board shall
6.8 reimburse an eligible applicant from the fund for 90 percent of the total reimbursable costs
6.9 incurred at the site, except that the board may reimburse an eligible applicant from the
6.10 fund for greater than 90 percent of the total reimbursable costs, if the applicant previously
6.11 qualified for a higher reimbursement rate. For costs associated with a release from a
6.12 tank in transport, the board may reimburse ~~90 percent of costs over \$10,000, with the a~~
6.13 ~~maximum reimbursement not to exceed~~ of \$100,000.

6.14 Not more than \$1,000,000 may be reimbursed for costs associated with a single
6.15 release, regardless of the number of persons eligible for reimbursement, and not more than
6.16 \$2,000,000 may be reimbursed for costs associated with a single tank facility.

6.17 (b) A reimbursement may not be made from the fund under this chapter until the
6.18 board has determined that the costs for which reimbursement is requested were actually
6.19 incurred and were reasonable.

6.20 (c) When an applicant has obtained responsible competitive bids or proposals
6.21 according to rules promulgated under this chapter prior to June 1, 1995, the eligible costs
6.22 for the tasks, procedures, services, materials, equipment, and tests of the low bid or proposal
6.23 are presumed to be reasonable by the board, unless the costs of the low bid or proposal are
6.24 substantially in excess of the average costs charged for similar tasks, procedures, services,
6.25 materials, equipment, and tests in the same geographical area during the same time period.

6.26 (d) When an applicant has obtained a minimum of two responsible competitive bids
6.27 or proposals on forms prescribed by the board and where the rules promulgated under
6.28 this chapter after June 1, 1995, designate maximum costs for specific tasks, procedures,
6.29 services, materials, equipment and tests, the eligible costs of the low bid or proposal are
6.30 deemed reasonable if the costs are at or below the maximums set forth in the rules.

6.31 (e) Costs incurred for change orders executed as prescribed in rules promulgated
6.32 under this chapter after June 1, 1995, are presumed reasonable if the costs are at or below
6.33 the maximums set forth in the rules, unless the costs in the change order are above those in
6.34 the original bid or proposal or are unsubstantiated and inconsistent with the process and
6.35 standards required by the rules.

7.1 (f) A reimbursement may not be made from the fund in response to either an initial
7.2 or supplemental application for costs incurred after June 4, 1987, that are payable under
7.3 an applicable insurance policy, except that if the board finds that the applicant has made
7.4 reasonable efforts to collect from an insurer and failed, the board shall reimburse the
7.5 applicant.

7.6 (g) If the board reimburses an applicant for costs for which the applicant has
7.7 insurance coverage, the board is subrogated to the rights of the applicant with respect to
7.8 that insurance coverage, to the extent of the reimbursement by the board. The board may
7.9 request the attorney general to bring an action in district court against the insurer to enforce
7.10 the board's subrogation rights. Acceptance by an applicant of reimbursement constitutes
7.11 an assignment by the applicant to the board of any rights of the applicant with respect to
7.12 any insurance coverage applicable to the costs that are reimbursed. Notwithstanding this
7.13 paragraph, the board may instead request a return of the reimbursement under subdivision
7.14 5 and may employ against the applicant the remedies provided in that subdivision, except
7.15 where the board has knowingly provided reimbursement because the applicant was denied
7.16 coverage by the insurer.

7.17 (h) Money in the fund is appropriated to the board to make reimbursements under
7.18 this chapter. A reimbursement to a state agency must be credited to the appropriation
7.19 account or accounts from which the reimbursed costs were paid.

7.20 (i) The board may reduce the amount of reimbursement to be made under this
7.21 chapter if it finds that the applicant has not complied with a provision of this chapter, a
7.22 rule or order issued under this chapter, or one or more of the following requirements:

7.23 (1) the agency was given notice of the release as required by section 115.061;

7.24 (2) the applicant, to the extent possible, fully cooperated with the agency in
7.25 responding to the release;

7.26 (3) the state rules applicable after December 22, 1993, to operating an underground
7.27 storage tank and appurtenances without leak detection;

7.28 (4) the state rules applicable after December 22, 1998, to operating an underground
7.29 storage tank and appurtenances without corrosion protection or spill and overflow
7.30 protection; and

7.31 (5) the state rule applicable after November 1, 1998, to operating an aboveground
7.32 tank without a dike or other structure that would contain a spill at the aboveground tank site.

7.33 (j) The reimbursement may be reduced as much as 100 percent for failure by
7.34 the applicant to comply with the requirements in paragraph (i), clauses (1) to (5). In
7.35 determining the amount of the reimbursement reduction, the board shall consider:

- 8.1 (1) the reasonable determination by the agency that the noncompliance poses a
 8.2 threat to the environment;
- 8.3 (2) whether the noncompliance was negligent, knowing, or willful;
- 8.4 (3) the deterrent effect of the award reduction on other tank owners and operators;
- 8.5 (4) the amount of reimbursement reduction recommended by the commissioner; and
- 8.6 (5) the documentation of noncompliance provided by the commissioner.
- 8.7 (k) An applicant may request that the board issue a multiparty check that includes each
 8.8 lender who advanced funds to pay the costs of the corrective action or to each contractor
 8.9 or consultant who provided corrective action services. This request must be made by filing
 8.10 with the board a document, in a form prescribed by the board, indicating the identity of the
 8.11 applicant, the identity of the lender, contractor, or consultant, the dollar amount, and the
 8.12 location of the corrective action. The applicant must submit a request for the issuance
 8.13 of a multiparty check for each application submitted to the board. Payment under this
 8.14 paragraph does not constitute the assignment of the applicant's right to reimbursement
 8.15 to the consultant, contractor, or lender. The board has no liability to an applicant for a
 8.16 payment issued as a multiparty check that meets the requirements of this paragraph.

8.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

8.18 **ARTICLE 3**

8.19 **ADMINISTRATIVE SERVICES**

8.20 Section 1. Minnesota Statutes 2012, section 62A.65, is amended by adding a
 8.21 subdivision to read:

8.22 Subd. 6a. **Guaranteed issue.** Guaranteed issue is required for all health plans,
 8.23 except grandfathered plans.

8.24 **EFFECTIVE DATE; APPLICATION.** This section is effective retroactively from
 8.25 January 1, 2014, and applies to all health plans, except grandfathered plans, beginning on
 8.26 that date.

8.27 Sec. 2. Minnesota Statutes 2013 Supplement, section 239.761, subdivision 8, is
 8.28 amended to read:

8.29 Subd. 8. **Diesel fuel oil.** (a) When diesel fuel oil is not blended with biodiesel, it
 8.30 must comply with ASTM specification D975-12a.

8.31 (b) When diesel fuel oil is a blend of up to five volume percent biodiesel, the diesel
 8.32 component must comply with ASTM specification D975-12a and the biodiesel component
 8.33 must comply with ASTM specification ~~D675-11b~~ D6751-11b.

9.1 Sec. 3. Minnesota Statutes 2012, section 239.785, subdivision 6, is amended to read:

9.2 Subd. 6. **Liquefied petroleum gas account.** A liquefied petroleum gas account in
 9.3 the special revenue fund is established in the state treasury. Fees and penalties collected
 9.4 under this section must be deposited in the state treasury and credited to the liquefied
 9.5 petroleum gas account. Money in that account, including interest earned, is appropriated
 9.6 to the commissioner of ~~education~~ commerce for programs to improve the energy efficiency
 9.7 of residential liquefied petroleum gas heating equipment in low-income households, and,
 9.8 when necessary, to provide weatherization services to the homes.

9.9 Sec. 4. **REPEALER.**

9.10 Subdivision 1. **2013 repeal and amendment actions reconciled.** Laws 2013,
 9.11 chapter 84, article 1, sections 25; and 30, are repealed effective January 1, 2014.

9.12 Subd. 2. **Weatherization assistance.** Minnesota Rules, parts 3300.0800;
 9.13 3300.0900; 3300.1000; 3300.1100; 3300.1200; 3300.1300; 3300.1400; 3300.1500;
 9.14 3300.1600; 3300.1700; 3300.1800; and 3300.1900, are repealed.

9.15 Subd. 3. **Energy conservation investment loan program.** Minnesota Rules,
 9.16 parts 7607.0100; 7607.0110; 7607.0120; 7607.0130; 7607.0140; 7607.0150; 7607.0160;
 9.17 7607.0170; and 7607.0180, are repealed.

9.18 Subd. 4. **Electric utilities; extended forecasts.** Minnesota Rules, part 7610.0300,
 9.19 is repealed.

9.20 Subd. 5. **Cooling systems replacement; energy efficiency criteria.** Minnesota
 9.21 Rules, parts 7685.0100; 7685.0120; 7685.0130; and 7685.0140, are repealed.

9.22 ARTICLE 4

9.23 ENFORCEMENT

9.24 Section 1. Minnesota Statutes 2012, section 45.027, subdivision 7, is amended to read:

9.25 Subd. 7. **Actions against licensees.** (a) In addition to any other actions authorized
 9.26 by this section, the commissioner may, by order, deny, suspend, or revoke the authority
 9.27 or license of a person subject to the duties and responsibilities entrusted to the
 9.28 commissioner, as described under section 45.011, subdivision 4, or censure that person if
 9.29 the commissioner finds that:

9.30 (1) the order is in the public interest; and

9.31 (2) the person has violated any law, rule, or order related to the duties and
 9.32 responsibilities entrusted to the commissioner; or

9.33 (3) the person has provided false, misleading, or incomplete information to the
 9.34 commissioner or has refused to allow a reasonable inspection of records or premises; or

10.1 (4) the person has engaged in an act or practice, whether or not the act or practice
10.2 directly involves the business for which the person is licensed or authorized, which
10.3 demonstrates that the applicant or licensee is untrustworthy, financially irresponsible, or
10.4 otherwise incompetent or unqualified to act under the authority or license granted by
10.5 the commissioner.

10.6 (b) ~~The commissioner shall issue an order requiring a licensee or applicant for a~~
10.7 ~~license to show cause why the license should not be revoked or suspended, or the licensee~~
10.8 ~~censured, or the application denied. The order must be calculated to give reasonable~~
10.9 ~~notice of the time and place for a hearing on the action, and must state the reasons for the~~
10.10 ~~entry of the order. The commissioner may, by order, summarily suspend a license pending~~
10.11 ~~final determination of an order to show cause. If a license is suspended pending final~~
10.12 ~~determination of an order to show cause, a hearing on the merits must be held within 30~~
10.13 ~~days of the issuance of the order of suspension. All hearings must be conducted according~~
10.14 ~~to chapter 14. After the hearing, the commissioner shall enter an order disposing of the~~
10.15 ~~matter as the facts require. If the licensee or applicant fails to appear at a hearing after~~
10.16 ~~having been duly notified of it, the person is considered in default, and the proceeding~~
10.17 ~~may be determined against the licensee or applicant upon consideration of the order to~~
10.18 ~~show cause, the allegations of which may be considered true. The summary suspension~~
10.19 ~~or summary revocation procedures does not apply to action by the commissioner against~~
10.20 ~~the certificate of authority of an insurer authorized to do business in Minnesota. An~~
10.21 ~~order issued under paragraph (a) is effective on the date it is issued. Upon issuance of~~
10.22 ~~an order, the commissioner shall promptly serve each person subject to the order with a~~
10.23 ~~copy of the order and a notice that the order has been issued. The order must include a~~
10.24 ~~statement of whether the commissioner will seek a civil penalty, a statement of whether~~
10.25 ~~the commissioner will seek costs of the investigation, a statement of the reasons for the~~
10.26 ~~order, and a notice that, if a person subject to the order timely requests in writing a~~
10.27 ~~hearing, the commissioner will, within 15 days after receipt of the written hearing request,~~
10.28 ~~obtain a date or dates for a hearing of the matter. If a person subject to the order does not~~
10.29 ~~request in writing a hearing within 30 days after the date of service of the order on the~~
10.30 ~~person or a hearing is not ordered by the commissioner, the order becomes final as to that~~
10.31 ~~person by operation of law. The final order may include a civil penalty and the costs of the~~
10.32 ~~investigation if a civil penalty and costs were sought in statements included in the order. If~~
10.33 ~~a hearing is timely requested in writing by a person subject to the order or is ordered by~~
10.34 ~~the commissioner, the commissioner may modify or vacate the order or extend the order~~
10.35 ~~until the commissioner issues a final order in the matter as provided in paragraph (c).~~

11.1 (c) If a hearing is requested or ordered pursuant to paragraph (b), the hearing must
11.2 be conducted in accordance with chapter 14. A final order issued by the commissioner
11.3 must: (1) be in writing; (2) be based on the record; and (3) include findings of fact and
11.4 conclusions of law on all material issues in accordance with chapter 14. The final order
11.5 may make final, vacate, or modify the order issued under paragraph (a).

11.6 (d) In a final order under paragraph (c), the commissioner may impose a civil penalty
11.7 up to \$10,000 for each violation.

11.8 (e) In a final order, the commissioner may charge the actual cost of the investigation
11.9 or the proceeding.

11.10 (f) If an order comes final because a person subject to the order does not timely
11.11 request a hearing as provided in paragraph (b) or if a petition for judicial review is not
11.12 timely filed after a hearing and a final order is issued by the commissioner as provided
11.13 in paragraph (c), the commissioner may file a certified copy of the final order with the
11.14 clerk of a court of competent jurisdiction. The final order so filed has the same effect as a
11.15 judgment of the court and may be recorded, enforced, or satisfied in the same manner as
11.16 a judgment of the court.

11.17 (g) If a person does not comply with a final order under this section, the
11.18 commissioner may petition a court of competent jurisdiction to enforce the order. The
11.19 court may not require the commissioner to post a bond in an action or proceeding under
11.20 this section. If the court finds, after service and opportunity for hearing, that the person
11.21 was not in compliance with the order, the court may adjudge the person in civil contempt
11.22 of the order. The court may impose a further civil penalty against the person for contempt
11.23 in an amount up to \$10,000 for each violation and may grant any other relief the court
11.24 determines is just and proper in the circumstances.

11.25 (h) Except for information classified as confidential under sections 60A.03,
11.26 subdivision 9; 60A.031; 60A.93; and 60D.22, the commissioner may make any data
11.27 otherwise classified as private or confidential pursuant to this section accessible to an
11.28 appropriate person or agency if the commissioner determines that the access will aid the
11.29 law enforcement process, promote public health or safety, or dispel widespread rumor or
11.30 unrest. If the commissioner determines that private or confidential information should
11.31 be disclosed, the commissioner shall notify the attorney general as to the information
11.32 to be disclosed, the purpose of the disclosure, and the need for the disclosure. The
11.33 attorney general shall review the commissioner's determination. If the attorney general
11.34 believes that the commissioner's determination does not satisfy the purpose and intent of
11.35 this provision, the attorney general shall advise the commissioner in writing that the
11.36 information may not be disclosed. If the attorney general believes the commissioner's

12.1 determination satisfies the purpose and intent of this provision, the attorney general shall
 12.2 advise the commissioner in writing, accordingly.

12.3 After disclosing information pursuant to this ~~provision~~ paragraph, the commissioner
 12.4 shall advise the chairs of the senate and house of representatives judiciary committees of
 12.5 the disclosure and the basis for it.

12.6 Sec. 2. Minnesota Statutes 2012, section 58.12, subdivision 1, is amended to read:

12.7 Subdivision 1. **Powers of commissioner.** (a) The commissioner may by order
 12.8 take any or all of the following actions:

12.9 (1) bar a person from engaging in residential mortgage origination or servicing;

12.10 (2) deny, suspend, or revoke a residential mortgage originator or a servicer license;

12.11 (3) censure a licensee;

12.12 (4) impose a civil penalty as provided for in section 45.027, subdivision 6; or

12.13 (5) revoke an exemption or certificate of exemption.

12.14 (b) In order to take the action in paragraph (a), the commissioner must find:

12.15 (1) that the order is in the public interest; and

12.16 (2) that the residential mortgage originator, servicer, applicant, or other person, an
 12.17 officer, director, partner, employee, or agent or any person occupying a similar status or
 12.18 performing similar functions, or a person in control of the originator, servicer, applicant,
 12.19 or other person has:

12.20 (i) violated any provision of this chapter or rule or order under this chapter;

12.21 (ii) filed an application for a license that is incomplete in any material respect or
 12.22 contains a statement that, in light of the circumstances under which it is made, is false or
 12.23 misleading with respect to a material fact;

12.24 (iii) failed to maintain compliance with the affirmations made under section 58.06,
 12.25 subdivision 2;

12.26 (iv) violated a standard of conduct or engaged in a fraudulent, coercive, deceptive,
 12.27 or dishonest act or practice, whether or not the act or practice involves the residential
 12.28 mortgage lending business including, but not limited to, negligently making a false
 12.29 statement or knowingly and willfully omitting a material fact;

12.30 (v) engaged in an act or practice, whether or not the act or practice involves the
 12.31 business of making a residential mortgage loan, that demonstrates untrustworthiness,
 12.32 financial irresponsibility, or incompetence;

12.33 (vi) pled guilty, with or without explicitly admitting guilt, pled nolo contendere,
 12.34 or been convicted of a felony, gross misdemeanor, or a misdemeanor involving moral
 12.35 turpitude;

- 13.1 (vii) paid a civil penalty or been the subject of disciplinary action by the
 13.2 commissioner, or an order of suspension or revocation, cease and desist order or injunction
 13.3 order or order barring involvement in an industry or profession issued by this or any other
 13.4 state or federal regulatory agency or by the Secretary of Housing and Urban Development;
 13.5 (viii) been found by a court of competent jurisdiction to have engaged in conduct
 13.6 evidencing gross negligence, fraud, misrepresentation, or deceit;
 13.7 (ix) refused to cooperate with an investigation or examination by the commissioner;
 13.8 (x) failed to pay any fee or assessment imposed by the commissioner; or
 13.9 (xi) failed to comply with state and federal tax obligations.

13.10 Sec. 3. Minnesota Statutes 2012, section 60A.10, subdivision 1, is amended to read:

13.11 Subdivision 1. **Domestic companies.** (1) **Deposit as security for all policyholders**
 13.12 **required.** No company in this state, other than farmers' mutual, or real estate title
 13.13 ~~insurance companies~~ insurers, shall do business in this state unless it has on deposit with
 13.14 the commissioner, for the protection of both its resident and nonresident policyholders,
 13.15 securities to an amount, the actual market value of which, exclusive of interest, shall
 13.16 never be less than \$500,000 or one-half the applicable financial requirement set forth in
 13.17 sections 60A.07, 66A.32, and 66A.33, whichever is less. The securities shall be retained
 13.18 under the control of the commissioner as long as any policies of the depositing company
 13.19 remain in force.

13.20 (2) **Securities defined.** For the purpose of this subdivision, the word "securities"
 13.21 means bonds or other obligations of, or bonds or other obligations insured or guaranteed
 13.22 by, the United States, any state of the United States, any municipality of this state, or any
 13.23 agency or instrumentality of the foregoing.

13.24 (3) **Protection of deposit from levy.** No judgment creditor or other claimant may
 13.25 levy upon any securities held on deposit with, or for the account of, the commissioner.
 13.26 Upon the entry of an order by a court of competent jurisdiction for the rehabilitation,
 13.27 liquidation or conservation of any depositing company as provided in chapter 60B, that
 13.28 company's deposit together with any accrued income thereon shall be transferred to the
 13.29 commissioner as rehabilitator, liquidator, or conservator.

13.30 Sec. 4. Minnesota Statutes 2012, section 60K.54, subdivision 2, is amended to read:

13.31 Subd. 2. **Criminal prosecutions.** Within 30 days of the ~~initial pretrial hearing~~ date
 13.32 criminal prosecution begins, a producer shall report to the commissioner any criminal
 13.33 prosecution of the producer taken in any jurisdiction. The report must include a copy of
 13.34 the initial complaint filed, the order resulting from the hearing, and any other relevant legal

14.1 documents. In addition, a producer shall report to the commissioner within ten days any
 14.2 conviction, guilty plea, or plea of nolo contendere to any felony or gross misdemeanor.

14.3 For purposes of this subdivision, the date the criminal prosecution begins is the date
 14.4 the indictment is returned or the date the criminal complaint is filed.

14.5 Sec. 5. Minnesota Statutes 2012, section 66A.01, is amended to read:

14.6 **66A.01 SCOPE OF CHAPTER.**

14.7 This chapter shall apply to mutual insurance companies other than: assessment
 14.8 benefit associations, fraternal benefit societies, township mutual insurance companies and
 14.9 title ~~insurance companies~~ insurers. Sections 66A.08 to 66A.311 do not apply to mutual
 14.10 life insurance companies.

14.11 Sections 60A.07, subdivision 1, clauses (1) and (2); 66A.34; 66A.35; 66A.36;
 14.12 66A.37; 66A.38; and 66A.39, do not apply to mutual property and casualty insurance
 14.13 companies.

14.14 Sec. 6. Minnesota Statutes 2012, section 68A.01, subdivision 2, is amended to read:

14.15 Subd. 2. **Guaranty fund and investment thereof.** Before issuing any policy or other
 14.16 contract of guaranty or insurance, every real estate title ~~insurance company~~ insurer shall set
 14.17 apart and keep separate a guaranty fund of \$100,000 or an amount equal to two-fifths of its
 14.18 capital stock whichever is the greater. The guaranty fund shall be invested according to law.

14.19 Sec. 7. Minnesota Statutes 2012, section 68A.02, subdivision 1, is amended to read:

14.20 Subdivision 1. **1964-2001 premium reserve.** Upon issuance of each contract of
 14.21 title insurance issued on or after January 1, 1964, through January 1, 2001, by a domestic
 14.22 real estate title ~~insurance company~~ insurer, there shall be reserved initially a sum equal
 14.23 to ten percent of the original premium charged therefor. At the end of each calendar
 14.24 year following the year in which the contract of title insurance is issued, there shall be
 14.25 a reduction in the sum so reserved in the amount of one-twentieth of such sum. On any
 14.26 contract of title insurance issued prior to January 1, 1964, by a domestic real estate title
 14.27 ~~insurance company~~ insurer, a reserve shall be set up on January 1, 1964, and thereafter
 14.28 maintained in such sum as would have been required if the foregoing requirements with
 14.29 respect to title insurance reserves had existed at and after the date of the contract of title
 14.30 insurance. Such sums herein required to be reserved shall at all times and for all purposes
 14.31 be considered and constitute unearned portions of the original premiums on such contracts
 14.32 of title insurance, shall be charged as a reserve liability of the real estate title ~~insurance~~
 14.33 ~~company~~ insurer in determining its financial condition, and, for the purpose of applying the

15.1 provisions of section 60A.23, subdivision 4, shall be deemed to constitute the whole amount
 15.2 of the premiums on the unexpired risks of such real estate title ~~insurance company~~ insurer.

15.3 Sec. 8. Minnesota Statutes 2012, section 68A.04, subdivision 1, is amended to read:

15.4 Subdivision 1. **Direct risk premiums.** For purposes of this chapter, "direct risk
 15.5 premiums" means the charge for title insurance made by a title ~~insurance company~~ insurer
 15.6 or its agents according to the ~~company's~~ insurer's rate filing approved by the commissioner
 15.7 of commerce without a deduction for commissions paid to or retained by the agent and
 15.8 is that portion of the fee charged by a title ~~insurance company~~ insurer to an insured or
 15.9 an applicant for insurance for the assumption by the title ~~insurance company~~ insurer of
 15.10 the risk created by the issuance of the title insurance policy. Direct risk premiums of a
 15.11 title ~~insurance company~~ insurer do not include any other charge or fee for abstracting,
 15.12 searching, or examining the title, or for escrow, closing, or other related services.

15.13 Sec. 9. Minnesota Statutes 2012, section 82.55, subdivision 4, is amended to read:

15.14 Subd. 4. **Closing agent; real estate closing agent.** "Closing agent" or "real estate
 15.15 closing agent" means any person whether or not acting as an agent for a title ~~company~~
 15.16 insurance agent, a licensed attorney, real estate broker, or real estate salesperson, who for
 15.17 another and with or without a commission, fee, or other valuable consideration or with
 15.18 or without the intention or expectation of receiving a commission, fee, or other valuable
 15.19 consideration, directly or indirectly provides closing services incident to the sale, trade,
 15.20 lease, or loan of residential real estate, including drawing or assisting in drawing papers
 15.21 incident to the sale, trade, lease, or loan, or advertises or claims to be engaged in these
 15.22 activities.

15.23 Sec. 10. Minnesota Statutes 2012, section 82.641, subdivision 6, is amended to read:

15.24 Subd. 6. **Exemption.** The following persons, when acting as closing agents,
 15.25 are exempt from the requirements of this section and sections 82.75 and 82.81 unless
 15.26 otherwise required in this chapter:

15.27 (1) a direct employee of a title ~~insurance company~~ insurer authorized to do business
 15.28 in this state, or a direct employee of a title ~~company~~ insurance agent, or a person who
 15.29 has an agency agreement with a title ~~insurance company~~ insurer or a title ~~company~~
 15.30 insurance agent in which the agent agrees to perform closing services on the title ~~insurance~~
 15.31 ~~company's~~ insurer's or title ~~company's~~ agent's behalf and the title ~~insurance company~~
 15.32 insurer or title ~~company~~ agent assumes responsibility for the actions of the agent as if the
 15.33 agent were a direct employee of the title ~~insurance company~~ insurer or title ~~company~~ agent;

- 16.1 (2) a licensed attorney or a direct employee of a licensed attorney;
- 16.2 (3) a licensed real estate broker or salesperson;
- 16.3 (4) a direct employee of a licensed real estate broker if the broker maintains all funds
16.4 received in connection with the closing services in the broker's trust account;
- 16.5 (5) a bank, trust company, savings association, credit union, industrial loan and thrift
16.6 company, regulated lender under chapter 56, public utility, or land mortgage or farm loan
16.7 association organized under the laws of this state or the United States, when engaged in
16.8 the transaction of businesses within the scope of its corporate powers as provided by law;
- 16.9 (6) a title ~~insurance company~~ insurer authorized to do business in this state; and
- 16.10 (7) a title ~~company agent~~ that has a contractual agency relationship with a title
16.11 ~~insurance company~~ insurer authorized to do business in this state, where the title ~~insurance~~
16.12 ~~company~~ insurer assumes responsibility for the actions of the title ~~company agent~~ and its
16.13 employees or agents as if they were employees or agents of the title ~~insurance company~~
16.14 insurer.

16.15 Sec. 11. Minnesota Statutes 2012, section 82.81, subdivision 8, is amended to read:

16.16 Subd. 8. **Closing services.** No real estate broker, salesperson, or closing agent shall
16.17 require a person to use any particular lender, licensed attorney, real estate broker, real
16.18 estate salesperson, real estate closing agent, or title ~~company agent~~ in connection with
16.19 a residential real estate closing.

16.20 Sec. 12. Minnesota Statutes 2012, section 297I.01, subdivision 9, is amended to read:

16.21 Subd. 9. **Gross premiums.** "Gross premiums" means total premiums paid by
16.22 policyholders and applicants of policies, whether received in the form of money or other
16.23 valuable consideration, on property, persons, lives, interests and other risks located,
16.24 resident, or to be performed in this state, but excluding consideration and premiums for
16.25 reinsurance assumed from other insurance companies.

16.26 (a) "Gross premiums" includes the total consideration paid to bail bond agents
16.27 for bail bonds.

16.28 (b) For title ~~insurance companies~~ insurers, "gross premiums" means the charge for
16.29 title insurance made by a title ~~insurance company~~ insurer or its agents according to the
16.30 ~~company's~~ insurer's rate filing approved by the commissioner of commerce without a
16.31 deduction for commissions paid to or retained by the agent. Gross premiums of a title
16.32 ~~insurance company~~ insurer does not include any other charge or fee for abstracting,
16.33 searching, or examining the title, or escrow, closing, or other related services.

17.1 (c) "Gross premiums" includes any workers' compensation special compensation
 17.2 fund premium surcharge pursuant to section 176.129.

17.3 (d) "Gross premiums" for nonadmitted insurance includes any payment made as
 17.4 consideration for an insurance contract for such insurance, including premium deposits,
 17.5 assessments, fees, and any other compensation given in consideration for a contract
 17.6 of insurance. Gross premiums does not include the stamping fee, as provided under
 17.7 section 60A.2085, subdivision 7, nor the operating assessment, as provided under section
 17.8 60A.208, subdivision 8.

17.9 Sec. 13. Minnesota Statutes 2012, section 327C.095, subdivision 11, is amended to read:

17.10 Subd. 11. **Affidavit of compliance.** After a park is sold, a park owner or other
 17.11 person with personal knowledge may record an affidavit with the county recorder or
 17.12 registrar of titles in the county in which the park is located certifying compliance with
 17.13 subdivision 6 or 7 or that subdivisions 6 and 7 are not applicable. The affidavit may be
 17.14 used as proof of the facts stated in the affidavit. A person acquiring an interest in a park
 17.15 or a title ~~insurance company~~ insurer or attorney who prepares, furnishes, or examines
 17.16 evidence of title may rely on the truth and accuracy of statements made in the affidavit and
 17.17 is not required to inquire further as to the park owner's compliance with subdivisions 6
 17.18 and 7. When an affidavit is recorded, the right to purchase provided under subdivisions 6
 17.19 and 7 terminate, and if registered property, the registrar of titles shall delete the memorials
 17.20 of the notice and affidavit from future certificates of title.

17.21 Sec. 14. Minnesota Statutes 2013 Supplement, section 332A.02, subdivision 8, is
 17.22 amended to read:

17.23 Subd. 8. **Debt management services provider.** "Debt management services
 17.24 provider" means any person offering or providing debt management services to a debtor
 17.25 domiciled in this state, regardless of whether or not a fee is charged for the services and
 17.26 regardless of whether the person maintains a physical presence in the state. This term
 17.27 includes any person to whom debt management services are delegated, and does not
 17.28 include services performed by the following when engaged in the regular course of their
 17.29 respective businesses and professions:

17.30 (1) exempt attorneys at law, escrow agents, accountants, broker-dealers in securities;

17.31 (2) state or national banks, credit unions, trust companies, savings associations, title
 17.32 ~~insurance companies~~ insurers, insurance companies, and all other lending institutions duly
 17.33 authorized to transact business in Minnesota;

18.1 (3) persons who, as employees on a regular salary or wage of an employer not
 18.2 engaged in the business of debt management, perform credit services for their employer;

18.3 (4) public officers acting in their official capacities and persons acting as a debt
 18.4 management services provider pursuant to court order;

18.5 (5) any person while performing services incidental to the dissolution, winding up,
 18.6 or liquidation of a partnership, corporation, or other business enterprise;

18.7 (6) the state, its political subdivisions, public agencies, and their employees;

18.8 (7) collection agencies, provided that the services are provided to a creditor;

18.9 (8) "qualified organizations" designated as representative payees for purposes of the
 18.10 Social Security and Supplemental Security Income Representative Payee System and the
 18.11 federal Omnibus Budget Reconciliation Act of 1990, Public Law 101-508;

18.12 (9) accelerated mortgage payment providers. "Accelerated mortgage payment
 18.13 providers" are persons who, after satisfying the requirements of sections 332.30 to 332.303,
 18.14 receive funds to make mortgage payments to a lender or lenders, on behalf of mortgagors,
 18.15 in order to exceed regularly scheduled minimum payment obligations under the terms of
 18.16 the indebtedness. The term does not include: (i) persons or entities described in clauses (1)
 18.17 to (8); (ii) mortgage lenders or servicers, industrial loan and thrift companies, or regulated
 18.18 lenders under chapter 56; or (iii) persons authorized to make loans under section 47.20,
 18.19 subdivision 1. For purposes of this clause and sections 332.30 to 332.303, "lender" means
 18.20 the original lender or that lender's assignee, whichever is the current mortgage holder;

18.21 (10) trustees, guardians, and conservators; and

18.22 (11) debt settlement services providers.

18.23 Sec. 15. Minnesota Statutes 2012, section 386.66, is amended to read:

18.24 **386.66 BOND OR ABSTRACTER'S LIABILITY INSURANCE POLICY.**

18.25 Before a license shall be issued, the applicant shall file with the commissioner an
 18.26 annual bond or abstracter's liability insurance policy for each license year, to be approved
 18.27 by the commissioner, running to the state of Minnesota in the penal sum of at least
 18.28 \$100,000 conditioned for the payment by such abstracter of any damages that may be
 18.29 sustained by or accrue to any person by reason of or on account of any error, deficiency or
 18.30 mistake arising wrongfully or negligently in any abstract, or continuation thereof, or in
 18.31 any certificate showing ownership of, or interest in, or liens upon any lands in the state of
 18.32 Minnesota, whether registered or not, made by and issued by such abstracter, provided
 18.33 however, that the aggregate liability of the surety to all persons under such bond shall
 18.34 in no event exceed the amount of such bond. If the applicant intends to engage in the
 18.35 business of abstracting in any county having more than 200,000 inhabitants, the bond or

19.1 insurance policy required herein shall be in the penal sum of at least \$250,000. Applicants
 19.2 that are title ~~insurance companies~~ insurers regulated by chapter 68A and licensed pursuant
 19.3 to sections 60A.02 and 60A.06, subdivision 1, clause (7), and their employees or those
 19.4 having cash or securities on deposit with the state of Minnesota in an amount equal to the
 19.5 said bond or insurance policy shall be exempt from furnishing the bond or an insurance
 19.6 policy herein required but shall be liable to the same extent as if a bond or insurance policy
 19.7 has been given and filed. The bond or insurance policy required hereunder shall be written
 19.8 by some surety or other company authorized to do business in this state issuing bonds or
 19.9 abstracter's liability insurance policies and shall be issued for a period of one or more
 19.10 years, and renewed for one year at the date of expiration as principal continues in business.

19.11 Sec. 16. Minnesota Statutes 2012, section 507.401, subdivision 1, is amended to read:

19.12 Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this
 19.13 section.

19.14 (b) "Assignment of rents and profits" means an assignment, whether in a separate
 19.15 document or in a mortgage, of any of the benefits accruing under a recorded or unrecorded
 19.16 lease or tenancy existing, or subsequently created, on property encumbered by a mortgage,
 19.17 which is given as additional security for the debt secured by the mortgage.

19.18 (c) "Mortgage" means a mortgage or mortgage lien, including any assignment of
 19.19 rents and profits given as additional security for the debt secured by that lien, on an
 19.20 interest in real property in this state given to secure a loan in the original principal amount
 19.21 of \$1,500,000 or less.

19.22 (d) "Mortgagee" means:

19.23 (1) the grantee of a mortgage; or

19.24 (2) if a mortgage has been assigned of record, the last person to whom the mortgage
 19.25 has been assigned of record.

19.26 (e) "Mortgage servicer" means the last person to whom a mortgagor or the
 19.27 mortgagor's successor in interest has been instructed by a mortgagee to send payments on
 19.28 a loan secured by a mortgage. A person transmitting a payoff statement is the mortgage
 19.29 servicer for the mortgage described in the payoff statement.

19.30 (f) "Mortgagor" means the grantor of a mortgage.

19.31 (g) "Partial release" means the release of specified parcels of land from a mortgage.

19.32 (h) "Payoff statement" means a statement of the amount of:

19.33 (1) the unpaid balance of a loan secured by a mortgage, including principal, interest,
 19.34 and any other charges properly due under or secured by the mortgage, and interest on a
 19.35 per day basis for the unpaid balance; or

20.1 (2) the portion of the unpaid balance of the loan secured by the mortgage required
20.2 by the mortgagee or mortgage servicer to be paid as a condition for the issuance of a
20.3 partial release.

20.4 (i) "Record" means to record with the county recorder or file with the registrar of titles.

20.5 (j) "Title ~~insurance company~~ insurer" means a corporation or other business entity
20.6 authorized and licensed to transact the business of insuring titles to interests in real
20.7 property in this state under chapter 68A.

20.8 Sec. 17. Minnesota Statutes 2012, section 507.401, subdivision 2, is amended to read:

20.9 Subd. 2. **Certificate of release.** An officer or duly appointed agent of a title
20.10 ~~insurance company~~ insurer may, on behalf of a mortgagor or a person who acquired from
20.11 the mortgagor title to all or a part of the property described in a mortgage, execute a
20.12 certificate of release that complies with the requirements of this section and record the
20.13 certificate of release in the real property records of each county in which the mortgage is
20.14 recorded if a satisfaction or release of the mortgage has not been executed and recorded
20.15 after the date payment in full of the loan secured by the mortgage was sent in accordance
20.16 with a payoff statement furnished by the mortgagee or the mortgage servicer.

20.17 Sec. 18. Minnesota Statutes 2012, section 507.401, subdivision 3, is amended to read:

20.18 Subd. 3. **Contents.** A certificate of release executed under this section must contain
20.19 substantially all of the following:

20.20 (1) the name of the mortgagor, the name of the original mortgagee, and, if applicable,
20.21 the mortgage servicer, the date of the mortgage, the date of recording, and volume and
20.22 page or document number in the real property records where the mortgage is recorded,
20.23 together with similar information for the last recorded assignment of the mortgage;

20.24 (2) if applicable, the date of any assignment of rents and profits, the date of its
20.25 recording, and its volume and page or document number in the real property records
20.26 where it has been recorded or filed, together with similar information for the last recorded
20.27 assignment thereof;

20.28 (3) a statement that the mortgage was in the original principal amount of \$1,500,000
20.29 or less;

20.30 (4) a statement that the person executing the certificate of release is an officer or a duly
20.31 appointed agent of a title ~~insurance company~~ insurer authorized and licensed to transact
20.32 the business of insuring titles to interests in real property in this state under chapter 68A;

21.1 (5) a statement that the certificate of release is made on behalf of the mortgagor or a
 21.2 person who acquired title from the mortgagor to all or a part of the property described in
 21.3 the mortgage;

21.4 (6) a statement that the mortgagee or mortgage servicer provided a payoff statement
 21.5 which was used to make full or partial payment of the unpaid balance of the loan secured
 21.6 by the mortgage;

21.7 (7) a statement that full or partial payment of the unpaid balance of the loan secured
 21.8 by the mortgage was made in accordance with the written or verbal payoff statement; and

21.9 (8) where the certificate of release affects only a portion of the land encumbered by
 21.10 the mortgage, a legal description of the portion being released.

21.11 Sec. 19. Minnesota Statutes 2012, section 507.401, subdivision 4, is amended to read:

21.12 Subd. 4. **Execution.** (a) A certificate of release authorized by subdivision 2 must be
 21.13 executed and acknowledged as required by law in the case of a deed and may be executed
 21.14 by a duly appointed agent of a title ~~insurance company~~ insurer, but such delegation to an
 21.15 agent by a title ~~insurance company~~ insurer shall not relieve the title ~~insurance company~~
 21.16 insurer of any liability for damages caused by its agent for the wrongful or erroneous
 21.17 execution of a certificate of release.

21.18 (b) The appointment of agent must be executed and acknowledged as required by
 21.19 law in the case of a deed and must state:

21.20 (1) the title ~~insurance company~~ insurer as the grantor;

21.21 (2) the identity of the person, partnership, or corporation authorized to act as agent
 21.22 to execute and record certificates of release provided for in this section on behalf of the
 21.23 title ~~insurance company~~ insurer;

21.24 (3) that the agent has the full authority to execute and record certificates of release
 21.25 provided for in this section on behalf of the title ~~insurance company~~ insurer;

21.26 (4) the term of appointment of the agent; and

21.27 (5) that the agent has consented to and accepts the terms of the appointment.

21.28 (c) A single appointment of agent may be recorded in each county in each recording
 21.29 or filing office. A separate appointment of agent shall not be necessary for each certificate
 21.30 of release. For registered land the appointment of agent shall be shown as a memorial on
 21.31 each certificate of title on which a mortgage to be released by a certificate of release under
 21.32 this section is a memorial. The appointment of agent may be rerecorded where necessary
 21.33 to establish authority of the agent, but such authority shall continue until a revocation of
 21.34 appointment is recorded in the office of the county recorder, or registrar of titles, where
 21.35 the appointment of agent was recorded.

22.1 Sec. 20. Minnesota Statutes 2012, section 507.401, subdivision 5, is amended to read:

22.2 Subd. 5. **Effect.** For purposes of releasing the mortgage, a certificate of release
 22.3 containing the information and statements provided for in subdivision 3 and executed as
 22.4 provided in this section is prima facie evidence of the facts contained in it, is entitled to be
 22.5 recorded with the county recorder or registrar of titles, and operates as a release of the
 22.6 mortgage described in the certificate of release. The county recorder and the registrar of
 22.7 titles shall rely upon it to release the mortgage. Recording of a wrongful or erroneous
 22.8 certificate of release by a title ~~insurance company~~ insurer or its agent shall not relieve
 22.9 the mortgagor, or the mortgagor's successors or assigns, from any personal liability on
 22.10 the loan or other obligations secured by the mortgage. In addition to any other remedy
 22.11 provided by law, a title ~~insurance company~~ insurer wrongfully or erroneously recording a
 22.12 certificate of release under this section shall be liable to the mortgagee for actual damage
 22.13 sustained due to the recordings of the certificate of release.

22.14 Sec. 21. Minnesota Statutes 2012, section 507.45, subdivision 4, is amended to read:

22.15 Subd. 4. **Choice of closer; notice.** (a) No real estate salesperson, broker, attorney,
 22.16 auctioneer, builder, title ~~company~~ agent, financial institution, or other person making a
 22.17 mortgage loan may require a person to use any particular licensed attorney, real estate
 22.18 broker, real estate salesperson, or real estate closing agent in connection with a residential
 22.19 real estate closing.

22.20 (b) All listing agreements must include a notice informing sellers of their rights
 22.21 under this subdivision. The notice must require the seller to indicate in writing whether it
 22.22 is acceptable to the seller to have the licensee arrange for closing services or whether the
 22.23 seller wishes to arrange for others to conduct the closing. The notice must also include the
 22.24 disclosure of any controlled business arrangement, as the term is defined in United States
 22.25 Code, title 12, section 1602, between the licensee and the real estate closing agent through
 22.26 which the licensee proposes to arrange closing services.

22.27 Sec. 22. Minnesota Statutes 2012, section 515B.4-109, is amended to read:

22.28 **515B.4-109 ESCROW DEPOSITS.**

22.29 All earnest money paid or deposits made in connection with the purchase or
 22.30 reservation of units from or with a declarant shall be deposited in an escrow account
 22.31 controlled jointly by the declarant and the purchaser, or controlled by a licensed title
 22.32 ~~insurance company~~ insurer or agent thereof, an attorney representing either the declarant
 22.33 or the purchaser, a licensed real estate broker, an independent bonded escrow company, or
 22.34 a governmental agency or instrumentality. The escrow account shall be in an institution

23.1 whose deposits are insured by a governmental agency or instrumentality. The money or
 23.2 deposits shall be held in the escrow account until (i) delivered to the declarant at closing;
 23.3 (ii) delivered to the declarant because of the purchaser's default under a reservation
 23.4 agreement or a contract to purchase the unit; (iii) delivered to the purchaser pursuant to
 23.5 the provisions of section 515B.4-106 or the provisions of a reservation agreement or a
 23.6 contract to purchase; or (iv) delivered for payment of construction costs pursuant to a
 23.7 written agreement between the declarant and the purchaser.

23.8 Sec. 23. Minnesota Statutes 2013 Supplement, section 559.202, subdivision 3, is
 23.9 amended to read:

23.10 Subd. 3. **Content of the notice.** The notice must contain the following verbatim
 23.11 language:

23.12 **"IMPORTANT INFORMATION ABOUT CONTRACTS FOR DEED**

23.13 **Know What You Are Getting Into**

23.14 (1) A contract for deed is a complex legal agreement. You are NOT a tenant. Mortgage
 23.15 foreclosure laws don't apply.

23.16 (2) You should know ALL of your obligations and rights before you sign a purchase
 23.17 agreement or contract for deed.

23.18 (3) You (seller must circle one):

23.19 (a) DO DO NOT have to pay homeowner's insurance.

23.20 (b) DO DO NOT have to pay property taxes.

23.21 (c) DO DO NOT have to make and pay for some or all of the repairs or
 23.22 maintenance, as described in the contract for deed.

23.23 (4) After some time, you may need to make a large lump sum payment (called a "balloon
 23.24 payment"). Know when it is due and how much it will be. You'll probably need to get a
 23.25 new mortgage, another financial arrangement, or pay for the balance in cash at that time.

23.26 (5) If you miss just a single payment or can't make the balloon payment, the seller can
 23.27 cancel your contract. You will likely lose all the money you have already paid. You will
 23.28 likely lose your ability to purchase the home. The seller can begin an eviction action
 23.29 against you in just a few months.

23.30 (6) Within four months of signing the contract for deed, you must "record" it in the office
 23.31 of the county recorder or registrar of titles in the county in which the property is located.
 23.32 If you do not do so, you could face a fine.

23.33 **Key Things Highly Recommended Before You Sign**

24.1 (1) Get advice from a lawyer or the Minnesota Home Ownership Center at 1-866-462-6466
 24.2 or go to www.hocmn.org. To find a lawyer through the Minnesota State Bar Association,
 24.3 go to www.mnfindalawyer.com.

24.4 (2) Get an independent, professional appraisal of the property to learn what it is worth.

24.5 (3) Get an independent, professional inspection of the property.

24.6 (4) Buy title insurance or ask a real estate lawyer for a "title opinion."

24.7 (5) Check with the city or county to find out if there are inspection reports or unpaid
 24.8 utility bills.

24.9 (6) Check with a title ~~company~~ agent or the county where the property is located to find out
 24.10 if there is a mortgage or other lien on the property and if the property taxes have been paid.

24.11 (7) Ensure that your interest rate does not exceed the maximum allowed by law by
 24.12 calling the Department of Commerce to get a recorded message for the current month's
 24.13 maximum rate.

24.14 **If You Are Entering into a Purchase Agreement**

24.15 (1) If you haven't already signed the contract for deed, you can cancel the purchase
 24.16 agreement (and get all your money back) if you do so within five business days after
 24.17 getting this notice.

24.18 (2) To cancel the purchase agreement, you must follow the provisions of Minnesota
 24.19 Statutes, section 559.217, subdivision 4. Ask a lawyer for help."

24.20 Sec. 24. **[609.476] PROTECTIVE OR RESTRAINING ORDER AUTHORIZED;**
 24.21 **PROCEDURES; PENALTIES.**

24.22 Subdivision 1. **Order for protection; restraining order.** A public employer who
 24.23 knows or has reason to believe that an employee is, or will become, a victim of a crime
 24.24 as a consequence of any actions taken by the employee while acting in the employee's
 24.25 scope of employment may on its own initiative seek an order for protection or restraining
 24.26 order, as appropriate, in the manner provided in this section.

24.27 Subd. 2. **Court jurisdiction.** An application for relief under this section must be filed
 24.28 in the district court. Actions under this section must be given docket priority by the court.

24.29 Subd. 3. **Contents of petition.** A petition for relief must allege the existence of
 24.30 a circumstance or circumstances described in subdivision 1, and must be accompanied
 24.31 by an affidavit made under oath stating the specific facts and circumstances from which
 24.32 relief is sought. The court shall provide simplified forms and clerical assistance to help
 24.33 with the writing and filing of a petition under this section.

25.1 Subd. 4. **Hearing on application; notice.** (a) Upon receipt of the petition, the
 25.2 court shall order a hearing which must be held no later than 14 days from the date of the
 25.3 order. Personal service must be made upon the respondent not less than five days before
 25.4 the hearing. In the event that personal service cannot be completed in time to give the
 25.5 respondent the minimum notice required under this paragraph, the court may set a new
 25.6 hearing date.

25.7 (b) Notwithstanding the provisions of paragraph (a), service may be made by one
 25.8 week published notice, as provided under section 645.11, provided the petitioner files with
 25.9 the court an affidavit stating that an attempt at personal service made by a sheriff was
 25.10 unsuccessful because the respondent is avoiding service by concealment or otherwise,
 25.11 and that a copy of the petition and notice of hearing has been mailed to the respondent at
 25.12 the respondent's residence or that the residence is not known to the petitioner. Service
 25.13 under this paragraph is complete seven days after publication. The court shall set a new
 25.14 hearing date if necessary to allow the respondent the five-day minimum notice required
 25.15 under paragraph (a).

25.16 Subd. 5. **Relief by the court.** Upon notice and hearing, the court may order that the
 25.17 respondent cease and desist from committing further acts described in subdivision 1 and
 25.18 cease to have further contact with the employee. Relief granted by the court in the order
 25.19 for protection must be for a fixed period of time determined by the court.

25.20 Subd. 6. **Service of order.** An order issued under this section must be served
 25.21 personally on the respondent. Upon the request of the petitioner, the court shall order the
 25.22 sheriff to assist in the execution or service of the order for protection.

25.23 Subd. 7. **Violation of order.** A violation of an order issued under this section
 25.24 constitutes contempt of court and the respondent is subject to the penalties provided
 25.25 under chapter 588.

25.26 **ARTICLE 5**

25.27 **MODEL HOLDING COMPANY ACT CHANGES**

25.28 Section 1. Minnesota Statutes 2012, section 60D.09, is amended to read:

25.29 **60D.09 ~~CRIMINAL PROCEEDINGS~~ PENALTIES.**

25.30 Subdivision 1. **Failure to file registration statement; civil penalty.** An insurer
 25.31 failing, without just cause, to file a registration statement as required in section 60D.19
 25.32 shall pay a penalty of \$1,000 for each day's delay, to be recovered by the commissioner
 25.33 and paid into the general fund. The commissioner may reduce the penalty if the insurer

26.1 demonstrates to the commissioner that the imposition of the penalty would constitute a
 26.2 financial hardship to the insurer.

26.3 Subd. 2. **Failure to provide notice and filing regarding affiliated transaction**
 26.4 **or agreement; civil penalty.** An insurer failing, without just cause, to provide the
 26.5 appropriate notice and filing under section 60D.20 regarding an affiliated transaction or
 26.6 agreement, shall pay a penalty of \$5,000, to be recovered by the commissioner and paid
 26.7 into the general fund.

26.8 Subd. 3. **Certain contracts and agreements; cease and desist and void orders.**
 26.9 Whenever it appears to the commissioner that an insurer subject to sections 60D.15 to
 26.10 60D.29 or a director, officer, employee, or agent of an insurer has engaged in a transaction
 26.11 or entered into a contract that is subject to section 60D.20 and that would have been
 26.12 disapproved by the commissioner, the commissioner may order the insurer to cease and
 26.13 desist immediately any further activity under that transaction or contract. After notice and
 26.14 hearing, the commissioner may also order the insurer to void any contracts and restore the
 26.15 status quo if the action is in the best interest of the policyholders, creditors, or the public.

26.16 Subd. 4. **Criminal penalties.** Whenever it appears to the commissioner that any
 26.17 insurer or any director, officer, employee or agent thereof has committed a willful violation
 26.18 of sections 60D.15 to 60D.29, the commissioner may cause criminal proceedings to be
 26.19 instituted by the district court for the county in which the principal office of the insurer
 26.20 is located or if such insurer has no such office in the state, then by the District Court for
 26.21 Ramsey County against such insurer or the responsible director, officer, employee or agent
 26.22 thereof. Any person who willfully violates sections 60D.15 to 60D.29 shall be guilty, for the
 26.23 first offense, of a misdemeanor, and for each subsequent offense, of a gross misdemeanor.

26.24 Sec. 2. Minnesota Statutes 2012, section 60D.15, is amended by adding a subdivision
 26.25 to read:

26.26 Subd. 4a. **Enterprise risk.** "Enterprise risk" means an activity, circumstance, event,
 26.27 or series of events involving one or more affiliates of an insurer that, if not remedied
 26.28 promptly, is likely to have a material adverse effect upon the financial condition or
 26.29 liquidity of the insurer or its insurance holding company system as a whole, including,
 26.30 but not limited to, anything that would cause the insurer's risk-based capital to fall into
 26.31 company action level as set forth in sections 60A.50 to 60A.696 or would cause the insurer
 26.32 to be in hazardous financial condition in accordance with the standards of section 60G.20.

26.33 Sec. 3. Minnesota Statutes 2012, section 60D.17, subdivision 1, is amended to read:

27.1 Subdivision 1. **Filing requirements.** (a) No person other than the issuer shall: (1)
27.2 make a tender offer for or a request or invitation for tenders of, or enter into any agreement
27.3 to exchange securities or, seek to acquire, or acquire, in the open market or otherwise,
27.4 any voting security of a domestic insurer if, after the consummation thereof, the person
27.5 would, directly or indirectly, or by conversion or by exercise of any right to acquire, be in
27.6 control of the insurer; or (2) enter into an agreement to merge with or otherwise to acquire
27.7 control of a domestic insurer or any person controlling a domestic insurer unless, at the
27.8 time the offer, request, or invitation is made or the agreement is entered into, or before
27.9 the acquisition of the securities if no offer or agreement is involved, the person has filed
27.10 with the commissioner and has sent to the insurer, a statement containing the information
27.11 required by this section and the offer, request, invitation, agreement, or acquisition has
27.12 been approved by the commissioner in the manner prescribed in this section.

27.13 (b) For purposes of this section, a controlling person of a domestic insurer seeking to
27.14 divest its controlling interest in the domestic insurer, in any manner, shall file with the
27.15 commissioner, with a copy to the insurer, confidential notice of its proposed divestiture
27.16 at least 30 days before the cessation of control. The commissioner shall determine those
27.17 instances in which the party or parties seeking to divest or to acquire a controlling interest
27.18 in an insurer will be required to file for and obtain approval of the transaction.

27.19 (c) With respect to a transaction subject to this section, the acquiring person must
27.20 also file a preacquisition notification with the commissioner, which must contain the
27.21 information set forth in section 60D.18, subdivision 3, paragraph (b). A failure to file the
27.22 notification may be subject to penalties specified in section 60D.18, subdivision 5.

27.23 (d) For purposes of this section, a domestic insurer includes a person controlling a
27.24 domestic insurer unless the person as determined by the commissioner is either directly or
27.25 through its affiliates primarily engaged in business other than the business of insurance.
27.26 ~~However, the person shall file a preacquisition notification with the commissioner~~
27.27 ~~containing the information set forth in section 60D.18, subdivision 3, paragraph (b),~~
27.28 ~~30 days before the proposed effective date of the acquisition. Failure to file is subject~~
27.29 ~~to section 60D.18, subdivision 5. For the purposes of this section, "person" does not~~
27.30 include any securities broker holding, in the usual and customary brokers function, less
27.31 than 20 percent of the voting securities of an insurance company or of any person that
27.32 controls an insurance company.

27.33 (e) The statement filed with the commissioner pursuant to subdivision 2 must
27.34 remain confidential until the transaction is approved by the commissioner, except that all
27.35 attachments filed with the statement remain confidential after the approval unless the

28.1 commissioner, in the commissioner's discretion, determines that confidential treatment of
28.2 any of this information will interfere with enforcement of this section.

28.3 Sec. 4. Minnesota Statutes 2012, section 60D.17, subdivision 2, is amended to read:

28.4 Subd. 2. **Content of statement.** The statement to be filed with the commissioner
28.5 shall be made under oath or affirmation and shall contain the following ~~information~~:

28.6 (a) The name and address of each person by whom or on whose behalf the merger
28.7 or other acquisition of control referred to in subdivision 1 is to be effected, hereinafter
28.8 called "acquiring party"; and

28.9 (1) if the person is an individual, the principal occupation and all offices and
28.10 positions held during the past five years, and any conviction of crimes other than minor
28.11 traffic violations during the past ten years; and

28.12 (2) if the person is not an individual, a report of the nature of its business operations
28.13 during the past five years or for a lesser period as the person and any predecessors have
28.14 been in existence; an informative description of the business intended to be done by the
28.15 person and the person's subsidiaries; and a list of all individuals who are or who have
28.16 been selected to become directors or executive officers of such person, or who perform
28.17 or will perform functions appropriate to such positions. The list must include for each
28.18 individual the information required by clause (1).

28.19 (b) The source, nature, and amount of the consideration used or to be used in
28.20 effecting the merger or other acquisition of control, a description of any transaction in
28.21 which funds were or are to be obtained for this purpose, including any pledge of the
28.22 insurer's stock, or the stock of any of its subsidiaries or controlling affiliates, and the
28.23 identity of persons furnishing the consideration, provided, however, that where a source of
28.24 the consideration is a loan made in the lender's ordinary course of business, the identity of
28.25 the lender shall remain confidential, if the person filing the statement so requests.

28.26 (c) Fully audited financial information as to the earnings and financial condition of
28.27 each acquiring party for the preceding five fiscal years of each acquiring party, or for a
28.28 lesser period as the acquiring party and any predecessors have been in existence, and similar
28.29 unaudited information as of a date not earlier than 90 days before the filing of the statement.

28.30 (d) Any plans or proposals that each acquiring party may have to liquidate the
28.31 insurer, to sell its assets or merge or consolidate it with any person, or to make any other
28.32 material change in its business or corporate structure or management.

28.33 (e) The number of shares of any security referred to in subdivision 1 that each
28.34 acquiring party proposes to acquire, and the terms of the offer, request, invitation,

29.1 agreement, or acquisition referred to in subdivision 1 and a statement as to the method by
29.2 which the fairness of the proposal was arrived at.

29.3 (f) The amount of each class of any security referred to in subdivision 1 that is
29.4 beneficially owned or concerning which there is a right to acquire beneficial ownership
29.5 by each acquiring party.

29.6 (g) A full description of any contracts, arrangements, or understandings with
29.7 respect to any security referred to in subdivision 1 in which any acquiring party is
29.8 involved, including but not limited to, transfer of any of the securities, joint ventures, loan
29.9 or option arrangements, puts or calls, guarantees of loans, guarantees against loss or
29.10 guarantees of profits, division of losses or profits, or the giving or withholding of proxies.
29.11 The description must identify the persons with whom the contracts, arrangements, or
29.12 understandings have been entered into.

29.13 (h) A description of the purchase of any security referred to in subdivision 1 during
29.14 the 12 calendar months preceding the filing of the statement, by any acquiring party,
29.15 including the dates of purchase, names of the purchasers, and consideration paid or
29.16 agreed to be paid for it.

29.17 (i) A description of any recommendations to purchase any security referred to in
29.18 subdivision 1 made during the 12 calendar months preceding the filing of the statement,
29.19 by any acquiring party, or by anyone based upon interviews or at the suggestion of the
29.20 acquiring party.

29.21 (j) Copies of all tender offers for, requests, or invitations for tenders of, exchange
29.22 offers for, and agreements to acquire or exchange any securities referred to in subdivision
29.23 1 and, if distributed, of additional soliciting material relating to them.

29.24 (k) The term of any agreement, contract, or understanding made with or proposed to
29.25 be made with any broker-dealer as to solicitation of securities referred to in subdivision 1
29.26 for tender, and the amount of any fees, commissions, or other compensation to be paid to
29.27 broker-dealers with regard to it.

29.28 (l) An agreement by the person required to file the statement referred to in
29.29 subdivision 1 that it will provide the annual report, specified in section 60D.19, subdivision
29.30 11a, for so long as control exists.

29.31 (m) A consent by the person required to file the statement referred to in subdivision
29.32 1 that the person and all subsidiaries within its control in the insurance holding company
29.33 system will provide information to the commissioner upon request as necessary to
29.34 evaluate enterprise risk to the insurer.

29.35 (n) Additional information the commissioner may by rule prescribe as necessary
29.36 or appropriate for the protection of policyholders of the insurer or in the public interest.

30.1 If the person required to file the statement referred to in subdivision 1 is a
30.2 partnership, limited partnership, syndicate, or other group, the commissioner may require
30.3 that the information called for by paragraphs (a) to ~~(h)~~ (n) must be given with respect to
30.4 each partner of the partnership or limited partnership, each member of the syndicate
30.5 or group, and each person who controls the partner or member. If a partner, member,
30.6 or person is a corporation, or the person required to file the statement referred to in
30.7 subdivision 1 is a corporation the commissioner may require that the information called
30.8 for by paragraphs (a) to ~~(h)~~ (n) be given with respect to the corporation, each officer and
30.9 director of the corporation, and each person who is directly or indirectly the beneficial
30.10 owner of more than ten percent of the outstanding voting securities of the corporation.

30.11 If any material change occurs in the facts set forth in the statement filed with the
30.12 commissioner and sent to the insurer pursuant to this section, an amendment setting forth
30.13 the change, together with copies of all documents and other material relevant to the
30.14 change, must be filed with the commissioner and sent to the insurer within two business
30.15 days after the person learns of the change.

30.16 Sec. 5. Minnesota Statutes 2012, section 60D.17, subdivision 4, is amended to read:

30.17 Subd. 4. **Approval by commissioner; hearings.** (a) The commissioner shall
30.18 approve any merger or other acquisition of control referred to in subdivision 1 unless, after
30.19 a public hearing, the commissioner finds that:

30.20 (1) after the change of control, the domestic insurer referred to in subdivision 1
30.21 would not be able to satisfy the requirements for the issuance of a license to write the line
30.22 or lines of insurance for which it is presently licensed, unless the domestic insurer is in
30.23 rehabilitation or other court-ordered supervision and the acquiring party commits to a plan
30.24 that would enable the domestic insurer to satisfy the requirements for the issuance of a
30.25 license within a reasonable amount of time;

30.26 (2) the effect of the merger or other acquisition of control would be substantially
30.27 to lessen competition in insurance in this state or tend to create a monopoly therein in
30.28 applying the competitive standard in this subdivision:

30.29 (i) the informational requirements of section 60D.18, subdivision 3, paragraph (b),
30.30 and the standards of section 60D.18, subdivision 4, paragraph (c), shall apply;

30.31 (ii) the merger or other acquisition shall not be disapproved if the commissioner finds
30.32 that any of the situations meeting the criteria provided by section 60D.18, subdivision 4,
30.33 paragraph (c), exist; and

30.34 (iii) the commissioner may condition the approval of the merger or other acquisition
30.35 on the removal of the basis of disapproval within a specified period of time;

31.1 (3) the financial condition of any acquiring party is such as might jeopardize the
31.2 financial stability of the insurer, or prejudice the interest of its policyholders;

31.3 (4) the plans or proposals that the acquiring party has to liquidate the insurer, sell its
31.4 assets, or consolidate or merge it with any person, or to make any other material change
31.5 in its business or corporate structure or management, are unfair and unreasonable to
31.6 policyholders of the insurer and not in the public interest;

31.7 (5) the competence, experience, and integrity of those persons who would control
31.8 the operation of the insurer are such that it would not be in the interest of policyholders of
31.9 the insurer and of the public to permit the merger or other acquisition of control; or

31.10 (6) the acquisition is likely to be hazardous or prejudicial to the insurance buying
31.11 public.

31.12 (b) The public hearing referred to in paragraph (a) must be held 30 days after the
31.13 statement required by subdivision 1 is filed, and at least 20 days' notice of it shall be
31.14 given by the commissioner to the person filing the statement. Not less than seven days
31.15 notice of the public hearing shall be given by the person filing the statement to the insurer
31.16 and to other persons designated by the commissioner. The commissioner shall make a
31.17 determination within 30 days after the conclusion of the hearing. At the hearing, the
31.18 person filing the statement, the insurer, any person to whom notice of hearing was sent,
31.19 and any other person whose interest may be affected by it may present evidence, examine
31.20 and cross-examine witnesses, and offer oral and written arguments and may conduct
31.21 discovery proceedings in the same manner as is presently allowed in the district courts of
31.22 this state. All discovery proceedings must be concluded not later than three days before
31.23 the start of the public hearing.

31.24 (c) If the proposed acquisition of control will require the approval of more
31.25 than one commissioner, the public hearing referred to in paragraph (b) may be held
31.26 on a consolidated basis upon request of the person filing the statement referred to in
31.27 subdivision 1. The person shall file the statement referred to in subdivision 1 with the
31.28 National Association of Insurance Commissioners (NAIC) within five days of making
31.29 the request for a public hearing. A commissioner may opt out of a consolidated hearing,
31.30 and shall provide notice to the applicant of the opt-out within ten days of the receipt of
31.31 the statement referred to in subdivision 1. A hearing conducted on a consolidated basis
31.32 must be public and must be held within the United States before the commissioners of
31.33 the states in which the insurers are domiciled. The commissioners shall hear and receive
31.34 evidence. A commissioner may attend the hearing, in person or by telecommunication.
31.35 In this paragraph, the term "commissioner" when used in reference to an official from a

32.1 state other than Minnesota means the state official charged with the responsibility of
 32.2 supervising the business of insurance in that state.

32.3 (d) In connection with a change of control of a domestic insurer, any determination
 32.4 by the commissioner that the person acquiring control of the insurer shall be required
 32.5 to maintain or restore the capital of the insurer to the level required by the laws and
 32.6 regulations of this state shall be made not later than 60 days after the date of notification of
 32.7 the change in control submitted pursuant to section 60D.17, subdivision 1.

32.8 (e) (e) The commissioner may retain at the acquiring person's expense any attorneys,
 32.9 actuaries, accountants, and other experts not otherwise a part of the commissioner's staff
 32.10 as may be reasonably necessary to assist the commissioner in reviewing the proposed
 32.11 acquisition of control.

32.12 Sec. 6. Minnesota Statutes 2012, section 60D.17, subdivision 6, is amended to read:

32.13 Subd. 6. **Violations.** The following are violations of this section:

32.14 (1) the failure to file any statement, amendment, or other material required to be filed
 32.15 pursuant to subdivision 1 or 2; or

32.16 (2) the effectuation or any attempt to effectuate an acquisition of control of,
 32.17 divestiture of, or merger with, a domestic insurer unless the commissioner has approved it.

32.18 Sec. 7. Minnesota Statutes 2012, section 60D.17, subdivision 7, is amended to read:

32.19 Subd. 7. **Jurisdiction, consent to service of process.** The courts of this state have
 32.20 jurisdiction over every person not resident, domiciled, or authorized to do business in this
 32.21 state who files a statement with the commissioner under this section, and overall actions
 32.22 involving the person arising out of violations of this section, and the person is deemed to
 32.23 have performed acts equivalent to and constituting an appointment by the person of the
 32.24 commissioner to be the person's true and lawful attorney upon whom may be served all
 32.25 lawful process in any action, suit, or proceeding arising out of violations of this section.
 32.26 Copies of all lawful process shall be served on the commissioner ~~and transmitted by~~
 32.27 ~~registered or certified mail by the commissioner to the person at the person's last known~~
 32.28 address in compliance with section 45.028, subdivision 2.

32.29 Sec. 8. Minnesota Statutes 2012, section 60D.18, subdivision 2, is amended to read:

32.30 Subd. 2. **Scope.** (a) Except as exempted in paragraph (b), this section applies to any
 32.31 acquisition in which there is a change in control of an insurer authorized to do business in
 32.32 this state.

32.33 (b) This section does not apply to the following:

33.1 ~~(1) an acquisition subject to approval or disapproval by the commissioner pursuant~~
 33.2 ~~to section 60D.17;~~

33.3 ~~(2)~~ (1) a purchase of securities solely for investment purposes so long as such
 33.4 securities are not used by voting or otherwise to cause or attempt to cause the substantial
 33.5 lessening of competition in any insurance market in this state. If a purchase of securities
 33.6 results in a presumption of control under section 60D.15, subdivision 4, it is not solely for
 33.7 investment purposes unless the commissioner of the insurer's state of domicile accepts a
 33.8 disclaimer of control or affirmatively finds that control does not exist and such disclaimer
 33.9 action or affirmative finding is communicated by the domiciliary commissioner to the
 33.10 commissioner of this state;

33.11 ~~(3)~~ (2) the acquisition of a person by another person when both persons are
 33.12 neither directly nor through affiliates primarily engaged in the business of insurance, if
 33.13 preacquisition notification is filed with the commissioner in accordance with subdivision 3,
 33.14 paragraph (a), 30 days before the proposed effective date of the acquisition. However, the
 33.15 preacquisition notification is not required for exclusion from this section, if the acquisition
 33.16 would otherwise be excluded from this section by any other clause of this paragraph;

33.17 ~~(4)~~ (3) the acquisition of already affiliated persons;

33.18 ~~(5)~~ (4) an acquisition if, as an immediate result of the acquisition;

33.19 (i) in no market would the combined market share of the involved insurers exceed
 33.20 five percent of the total market;

33.21 (ii) there would be no increase in any market share; or

33.22 (iii) in no market would the combined market share of the involved insurers exceed
 33.23 12 percent of the total market; and the market share increases by more than two percent
 33.24 of the total market.

33.25 For the purpose of this clause, a market means direct written insurance premium in
 33.26 this state for a line of business as contained in the annual statement required to be filed by
 33.27 insurers licensed to do business in this state;

33.28 ~~(6)~~ (5) an acquisition for which a preacquisition notification would be required
 33.29 pursuant to this section due solely to the resulting effect on the ocean marine insurance
 33.30 line of business; and

33.31 ~~(7)~~ (6) an acquisition of an insurer whose domiciliary commissioner affirmatively
 33.32 finds that the insurer is in failing condition; there is a lack of feasible alternative to
 33.33 improving the condition; the public benefits of improving the insurer's condition through
 33.34 the acquisition exceed the public benefits that would arise from not lessening competition;
 33.35 and the findings are communicated by the domiciliary commissioner to the commissioner
 33.36 of this state.

34.1 Sec. 9. Minnesota Statutes 2012, section 60D.18, subdivision 6, is amended to read:

34.2 Subd. 6. **Inapplicable provisions.** Sections 60D.24, paragraphs (b) and (c)
 34.3 subdivisions 2 and 3; and ~~60D.26~~ 60D.25 do not apply to acquisitions covered under
 34.4 subdivision 2.

34.5 Sec. 10. Minnesota Statutes 2012, section 60D.19, subdivision 1, is amended to read:

34.6 Subdivision 1. **Registration.** Every domestic insurer ~~that is authorized to do~~
 34.7 ~~business in this state and~~ that is a member of an insurance holding company system
 34.8 shall register with the commissioner, ~~except a foreign insurer subject to registration~~
 34.9 ~~requirements and standards adopted by statute or regulation in the jurisdiction of its~~
 34.10 ~~domicile that are substantially similar to those contained in:~~

34.11 (1) ~~this section;~~

34.12 (2) ~~section 60D.20, subdivisions 1, paragraph (a); 2; and 4; and~~

34.13 (3) ~~either section 60D.20, subdivision 1, paragraph (b), or a provision such as the~~
 34.14 ~~following: Each registered insurer shall keep current the information required to be~~
 34.15 ~~disclosed in its registration statement by reporting all material changes or additions within~~
 34.16 ~~15 days after the end of the month in which it learns of each such change or addition.~~

34.17 Any insurer that is subject to registration under this section shall register within 15
 34.18 days after it becomes subject to registration, and annually thereafter by June 1 of each year
 34.19 for the previous calendar year, unless the commissioner for good cause shown extends
 34.20 the time for registration, and then within such extended time. The commissioner may
 34.21 require any insurer authorized to do business in the state that is a member of a an insurance
 34.22 holding company system, and that is not subject to registration under this section, to
 34.23 furnish a copy of the registration statement, the summary specified in subdivision 3 or
 34.24 other information filed by the insurance company with the insurance regulatory authority
 34.25 of domiciliary jurisdiction.

34.26 Sec. 11. Minnesota Statutes 2012, section 60D.19, subdivision 2, is amended to read:

34.27 Subd. 2. **Information and form required.** Every insurer subject to registration
 34.28 shall file the registration statement with the commissioner on a form and in a format
 34.29 prescribed by the National Association of Insurance Commissioners, ~~which shall contain~~
 34.30 containing the following current information:

34.31 (1) the capital structure, general financial condition, ownership, and management of
 34.32 the insurer and any person controlling the insurer;

34.33 (2) the identity and relationship of every member of the insurance holding company
 34.34 system;

35.1 (3) the following agreements in force, and transactions currently outstanding or that
 35.2 have occurred during the last calendar year between the insurer and its affiliates:

35.3 (i) loans, other investments, or purchases, sales, or exchanges of securities of the
 35.4 affiliates by the insurer or of the insurer by its affiliates;

35.5 (ii) purchases, sales, or exchange of assets;

35.6 (iii) transactions not in the ordinary course of business;

35.7 (iv) guarantees or undertakings for the benefit of an affiliate which result in an actual
 35.8 contingent exposure of the insurer's assets to liability, other than insurance contracts
 35.9 entered into in the ordinary course of the insurer's business;

35.10 (v) all management agreements, service contracts, and all cost-sharing arrangements;

35.11 (vi) reinsurance agreements;

35.12 (vii) dividends and other distributions to shareholders; and

35.13 (viii) consolidated tax allocation agreements;

35.14 (4) any pledge of the insurer's stock, including stock of any subsidiary or controlling
 35.15 affiliate, for a loan made to any member of the insurance holding company system; and

35.16 (5) if requested by the commissioner, financial statements of or within an insurance
 35.17 holding company system and all affiliates including, but not limited to, annual audited
 35.18 financial statements filed with the United States Securities and Exchange Commission
 35.19 (SEC) pursuant to the Securities Act of 1933, as amended, or the Securities Exchange
 35.20 Act of 1934, as amended. An insurer required to file financial statements pursuant to this
 35.21 clause may satisfy the request by providing the commissioner with the most recently filed
 35.22 parent corporation financial statements that have been filed with the SEC;

35.23 ~~(5)~~ (6) other matters concerning transactions between registered insurers and any
 35.24 affiliates as may be included from time to time in any registration forms adopted or
 35.25 approved by the commissioner;

35.26 (7) statements that the insurer's board of directors oversees corporate governance
 35.27 and internal controls and that the insurer's officers or senior management have approved
 35.28 and implemented, and continue to maintain and monitor, corporate governance and
 35.29 internal control procedures; and

35.30 (8) any other information required by the commissioner by rule.

35.31 Sec. 12. Minnesota Statutes 2012, section 60D.19, subdivision 3, is amended to read:

35.32 Subd. 3. **Summary of changes to registration statement.** All registration
 35.33 statements must contain a summary outlining all items in the current registration statement
 35.34 representing changes from the prior registration statement.

36.1 Sec. 13. Minnesota Statutes 2012, section 60D.19, subdivision 11, is amended to read:

36.2 Subd. 11. **Disclaimer.** Any person may file with the commissioner a disclaimer of
36.3 affiliation with any authorized insurer or the disclaimer may be filed by the insurer or any
36.4 member of an insurance holding company system. The disclaimer shall fully disclose all
36.5 material relationships and bases for affiliation between the person and the insurer as well
36.6 as the basis for disclaiming the affiliation. ~~After a disclaimer has been filed, the insurer~~
36.7 ~~shall be relieved of any duty to register or report under this section that may arise out of~~
36.8 ~~the insurer's relationship with the person unless and until the commissioner disallows~~
36.9 ~~the disclaimer. The commissioner shall disallow the disclaimer only after furnishing~~
36.10 ~~all parties in interest with notice and opportunity to be heard and after making specific~~
36.11 ~~findings of fact to support the disallowance.~~ A disclaimer of affiliation is deemed to have
36.12 been granted unless the commissioner, within 30 days following receipt of a complete
36.13 disclaimer, notifies the filing party that the disclaimer is disallowed. In the event of
36.14 disallowance, the disclaiming party may request an administrative hearing, which must
36.15 be granted. The disclaiming party is relieved of its duty to register under this section if
36.16 approval of the disclaimer has been granted by the commissioner, or if the disclaimer is
36.17 deemed to have been approved.

36.18 Sec. 14. Minnesota Statutes 2012, section 60D.19, is amended by adding a subdivision
36.19 to read:

36.20 Subd. 11a. **Enterprise risk filing.** The ultimate controlling person of an insurer
36.21 subject to registration shall also file an annual enterprise risk report. The report must, to
36.22 the best of the ultimate controlling person's knowledge and belief, identify the material
36.23 risks within the insurance holding company system that could pose enterprise risk to the
36.24 insurer. The report must be filed with the lead state commissioner of the insurance holding
36.25 company system as determined by the procedures within the Financial Analysis Handbook
36.26 adopted by the National Association of Insurance Commissioners.

36.27 Sec. 15. Minnesota Statutes 2012, section 60D.19, subdivision 12, is amended to read:

36.28 Subd. 12. **Violations.** The failure to file a registration statement or any summary
36.29 of the registration statement or enterprise risk filing required by this section within the
36.30 time specified for the filing is a violation of this section.

36.31 Sec. 16. Minnesota Statutes 2012, section 60D.20, subdivision 1, is amended to read:

37.1 Subdivision 1. **Transactions within a an insurance holding company system.** (a)
37.2 Transactions within a an insurance holding company system to which an insurer subject to
37.3 registration is a party are subject to the following standards:

37.4 (1) the terms shall be fair and reasonable;

37.5 (2) agreements for cost-sharing services and management shall include the
37.6 provisions required by rule issued by the commissioner;

37.7 ~~(2)~~ (3) charges or fees for services performed shall be reasonable;

37.8 ~~(3)~~ (4) expenses incurred and payment received shall be allocated to the insurer in
37.9 conformity with customary insurance accounting practices consistently applied;

37.10 ~~(4)~~ (5) the books, accounts, and records of each party to all such transactions shall be
37.11 so maintained as to clearly and accurately disclose the nature and details of the transactions
37.12 including this accounting information as is necessary to support the reasonableness of the
37.13 charges or fees to the respective parties; and

37.14 ~~(5)~~ (6) the insurer's surplus as regards policyholders following any dividends or
37.15 distributions to shareholder affiliates shall be reasonable in relation to the insurer's
37.16 outstanding liabilities and adequate to its financial needs.

37.17 (b) The following transactions involving a domestic insurer and any person in its
37.18 insurance holding company system, including amendments or modifications of affiliate
37.19 agreements previously filed pursuant to this section, which are subject to any materiality
37.20 standards contained in clauses (1) to (5), may not be entered into unless the insurer has
37.21 notified the commissioner in writing of its intention to enter into the transaction at least 30
37.22 days prior thereto, or a shorter period the commissioner permits, and the commissioner
37.23 has not disapproved it within this period. The notice for amendments or modifications
37.24 must include the reasons for the change and the financial impact on the domestic insurer.
37.25 Informal notice must be reported, within 30 days after a termination of a previously filed
37.26 agreement , to the commissioner for determination of the type of filing required, if any:

37.27 (1) sales, purchases, exchanges, loans or extensions of credit, guarantees, or
37.28 investments provided the transactions are equal to or exceed: (i) with respect to nonlife
37.29 insurers, the lesser of three percent of the insurer's admitted assets, or 25 percent of surplus
37.30 as regards policyholders; (ii) with respect to life insurers, three percent of the insurer's
37.31 admitted assets; each as of the 31st day of December next preceding;

37.32 (2) loans or extensions of credit to any person who is not an affiliate, where the
37.33 insurer makes the loans or extensions of credit with the agreement or understanding that
37.34 the proceeds of the transactions, in whole or in substantial part, are to be used to make
37.35 loans or extensions of credit to, to purchase assets of, or to make investments in, any
37.36 affiliate of the insurer making such loans or extensions of credit provided the transactions

38.1 are equal to or exceed: (i) with respect to nonlife insurers, the lesser of three percent of
38.2 the insurer's admitted assets or 25 percent of surplus as regards policyholders; (ii) with
38.3 respect to life insurers, three percent of the insurer's admitted assets; each as of the 31st
38.4 day of December next preceding;

38.5 (3) reinsurance agreements or modifications to those agreements, including: (i) all
38.6 reinsurance pooling agreements; and (ii) agreements in which the reinsurance premium or
38.7 a change in the insurer's liabilities, or the projected reinsurance premium or a change in
38.8 the insurer's liabilities in any of the next three years, equals or exceeds five percent of the
38.9 insurer's surplus as regards policyholders, as of the 31st day of December next preceding,
38.10 including those agreements which may require as consideration the transfer of assets
38.11 from an insurer to a nonaffiliate, if an agreement or understanding exists between the
38.12 insurer and nonaffiliate that any portion of such assets will be transferred to one or more
38.13 affiliates of the insurer;

38.14 (4) all management agreements, service contracts, tax allocation agreements,
38.15 guarantees, and all cost-sharing arrangements; and

38.16 (5) guarantees when made by a domestic insurer; provided, however, that a
38.17 guarantee which is quantifiable as to amount is not subject to the notice requirements
38.18 of this paragraph unless it exceeds the lesser of one-half of one percent of the insurer's
38.19 admitted assets or ten percent of surplus as regards policyholders as of the 31st day of
38.20 December next preceding. Further, all guarantees which are not quantifiable as to amount
38.21 are subject to the notice requirements of this paragraph;

38.22 (6) direct or indirect acquisitions or investments in a person that controls the insurer
38.23 or in an affiliate of the insurer in an amount which, together with its present holdings in the
38.24 investments, exceeds two and one-half percent of the insurer's surplus to policyholders.
38.25 Direct or indirect acquisitions or investments in subsidiaries acquired pursuant to section
38.26 60D.16, or in nonsubsidiary insurance affiliates that are subject to the provisions of
38.27 sections 60D.15 to 60D.29, are exempt from this requirement; and

38.28 ~~(5)~~ (7) any material transactions, specified by regulation, which the commissioner
38.29 determines may adversely affect the interests of the insurer's policyholders.

38.30 Nothing contained in this section authorizes or permits any transactions that, in the
38.31 case of an insurer not a member of the same insurance holding company system, would be
38.32 otherwise contrary to law.

38.33 (c) A domestic insurer may not enter into transactions which are part of a plan or
38.34 series of like transactions with persons within the insurance holding company system if
38.35 the purpose of those separate transactions is to avoid the statutory threshold amount and
38.36 thus avoid the review that would occur otherwise. If the commissioner determines that

39.1 the separate transactions were entered into over any 12-month period for the purpose, the
 39.2 commissioner may exercise the authority under section 60D.25.

39.3 (d) The commissioner, in reviewing transactions pursuant to paragraph (b), shall
 39.4 consider whether the transactions comply with the standards set forth in paragraph (a), and
 39.5 whether they may adversely affect the interests of policyholders.

39.6 (e) The commissioner shall be notified within 30 days of any investment of the
 39.7 domestic insurer in any one corporation if the total investment in the corporation by
 39.8 the insurance holding company system exceeds ten percent of the corporation's voting
 39.9 securities.

39.10 Sec. 17. Minnesota Statutes 2012, section 60D.20, subdivision 3, is amended to read:

39.11 Subd. 3. **Management of domestic insurers subject to registration.** (a)
 39.12 Notwithstanding the control of a domestic insurer by any person, the officers and directors
 39.13 of the insurer shall not thereby be relieved of any obligation or liability to which they
 39.14 would otherwise be subject by law, and the insurer shall be managed so as to assure its
 39.15 separate operating identity consistent with ~~this chapter~~ sections 60D.15 to 60D.29.

39.16 (b) Nothing in ~~this chapter~~ sections 60D.15 to 60D.29 precludes a domestic insurer
 39.17 from having or sharing a common management or cooperative or joint use of personnel,
 39.18 property, or services with one or more other persons under arrangements meeting the
 39.19 standards of subdivision 1, paragraph (a), clause (1).

39.20 (c) Not less than one-third of the directors of a ~~publicly traded~~ domestic insurer, and
 39.21 not less than one-third of the members of each committee of the board of directors of any
 39.22 ~~publicly traded~~ domestic insurer shall be persons who are not officers or employees of
 39.23 the insurer or of any entity controlling, controlled by, or under common control with the
 39.24 insurer and who are not beneficial owners of a controlling interest in the voting stock of
 39.25 the insurer or any such entity. At least one such person must be included in any quorum
 39.26 for the transaction of business at any meeting of the board of directors or any committee
 39.27 of the board.

39.28 (d) The board of directors of a ~~publicly traded~~ domestic insurer shall establish an one
 39.29 or more ~~audit committee having a majority~~ committees comprised solely of directors who
 39.30 are not officers or employees of the insurer or of any entity controlling, controlled by, or
 39.31 under common control with the insurer and who are not beneficial owners of a controlling
 39.32 interest in the voting stock of the insurer or any such entity. The committee or committees
 39.33 shall have responsibility for ~~selecting independent certified public accountants and~~
 39.34 ~~reviewing the scope and results of the independent audit and any internal audit~~ nominating
 39.35 candidates for director for election by shareholders or policyholders, evaluating the

40.1 performance of officers deemed to be principal officers of the insurer, and recommending
 40.2 to the board of directors the selection and compensation of the principal officers.

40.3 (e) Paragraphs (c) and (d) do not apply to a domestic insurer if the person controlling
 40.4 the insurer is, such as an insurer, or a general business corporation the principal business
 40.5 of which is insurance, having a mutual insurance holding company, or a publicly
 40.6 held corporation, has a board of directors and committees of the board that meet the
 40.7 requirements of paragraphs (c) and (d) with respect to the controlling entity.

40.8 (f) An insurer may make application to the commissioner for a waiver from the
 40.9 requirements of this subdivision, if the insurer's annual direct written and assumed
 40.10 premium, excluding premiums reinsured with the Federal Crop Insurance Corporation and
 40.11 Federal Flood Program, is less than \$300,000,000. An insurer may also make application
 40.12 to the commissioner for a waiver from the requirements of this subdivision based upon
 40.13 unique circumstances. The commissioner may consider various factors including, but not
 40.14 limited to, the type of business entity, volume of business written, availability of qualified
 40.15 board members, or ownership or organizational structure of the entity.

40.16 Sec. 18. Minnesota Statutes 2012, section 60D.21, subdivision 1, is amended to read:

40.17 Subdivision 1. **Power of commissioner.** Subject to the limitation contained in this
 40.18 section and in addition to the powers that the commissioner has under chapter 60A relating
 40.19 to the examination of insurers, the commissioner shall also have the power to ~~order any~~
 40.20 ~~insurer registered under section 60D.19 to produce records, books, or other information~~
 40.21 ~~papers in the possession of the insurer or its affiliates as are reasonably necessary to~~
 40.22 ~~ascertain the financial condition of the insurer or to determine compliance with this~~
 40.23 ~~chapter. In the event the insurer fails to comply with the order, the commissioner shall~~
 40.24 ~~have the power to examine the affiliates to obtain the information~~ examine an insurer
 40.25 registered under section 60D.19 and its affiliates to ascertain the financial condition of the
 40.26 insurer, including the enterprise risk to the insurer by the ultimate controlling party, or by
 40.27 an entity or combination of entities within the insurance holding company system, or by
 40.28 the insurance holding company system on a consolidated basis.

40.29 Sec. 19. Minnesota Statutes 2012, section 60D.21, is amended by adding a subdivision
 40.30 to read:

40.31 Subd. 1a. **Access to books and records.** (a) The commissioner may order an insurer
 40.32 registered under section 60D.19 to produce the records, books, or other information papers
 40.33 in the possession of the insurer or its affiliates that are reasonably necessary to determine
 40.34 compliance with sections 60D.15 to 60D.29.

41.1 (b) To determine compliance with sections 60D.15 to 60D.29, the commissioner
 41.2 may order an insurer registered under section 60D.19 to produce information not in the
 41.3 possession of the insurer if the insurer can obtain access to the information pursuant to
 41.4 contractual relationships, statutory obligations, or other method. In the event the insurer
 41.5 cannot obtain the information requested by the commissioner, the insurer shall provide
 41.6 the commissioner a detailed explanation of the reason that the insurer cannot obtain the
 41.7 information and the identity of the holder of the information. Whenever it appears to
 41.8 the commissioner that the detailed explanation is without merit, the commissioner may
 41.9 require, after notice and hearing, the insurer to pay a penalty of \$5,000 for each day's
 41.10 delay, or may suspend or revoke the insurer's license.

41.11 Sec. 20. Minnesota Statutes 2012, section 60D.21, is amended by adding a subdivision
 41.12 to read:

41.13 Subd. 4. **Compelling production.** In the event the insurer fails to comply with
 41.14 an order, the commissioner may examine the affiliates to obtain the information. The
 41.15 commissioner may also issue subpoenas, administer oaths, and to examine under oath
 41.16 any person for purposes of determining compliance with this section. Upon the failure
 41.17 or refusal of a person to obey a subpoena, the commissioner may petition a court of
 41.18 competent jurisdiction, and upon proper showing, the court may enter an order compelling
 41.19 the witness to appear and testify or produce documentary evidence. Failure to obey the
 41.20 court order is punishable as contempt of court. Every person is obliged to attend as a
 41.21 witness at the place specified in the subpoena, when subpoenaed, anywhere within the
 41.22 state. The person is entitled to the same fees and mileage, if claimed, as a witness in
 41.23 district court. The fees, mileage, and actual expense, if any, necessarily incurred in
 41.24 securing the attendance of witnesses and their testimony, must be itemized and charged
 41.25 against, and be paid by, the company being examined.

41.26 Sec. 21. **[60D.215] SUPERVISORY COLLEGES.**

41.27 Subdivision 1. **Power of commissioner.** With respect to any insurer registered
 41.28 under section 60D.19, and in accordance with subdivision 3, the commissioner may also
 41.29 participate in a supervisory college for a domestic insurer that is part of an insurance
 41.30 holding company system with international operations in order to determine compliance
 41.31 by the insurer with sections 60D.15 to 60D.29. The powers of the commissioner with
 41.32 respect to supervisory colleges include, but are not limited to, the following:

41.33 (1) initiating the establishment of a supervisory college;

42.1 (2) clarifying the membership and participation of other supervisors in the
 42.2 supervisory college;

42.3 (3) clarifying the functions of the supervisory college and the role of other regulators,
 42.4 including the establishment of a groupwide supervisor;

42.5 (4) coordinating the ongoing activities of the supervisory college, including planning
 42.6 meetings, supervisory activities, and processes for information sharing; and

42.7 (5) establishing a crisis management plan.

42.8 Subd. 2. **Expenses.** Each registered insurer subject to this section is liable for and
 42.9 shall pay the reasonable expenses of the commissioner's participation in a supervisory
 42.10 college in accordance with subdivision 3, including reasonable travel expenses. For
 42.11 purposes of this section, a supervisory college may be convened as either a temporary
 42.12 or permanent forum for communication and cooperation between the regulators charged
 42.13 with the supervision of the insurer or its affiliates, and the commissioner may establish a
 42.14 regular assessment to the insurer for the payment of these expenses.

42.15 Subd. 3. **Supervisory college.** In order to assess the business strategy, financial
 42.16 position, legal and regulatory position, risk exposure, risk management, and governance
 42.17 processes, and as part of the examination of individual insurers in accordance with section
 42.18 60D.21, the commissioner may participate in a supervisory college with other regulators
 42.19 charged with supervision of the insurer or its affiliates, including other state, federal,
 42.20 and international regulatory agencies. The commissioner may enter into agreements
 42.21 in accordance with section 60D.22 providing the basis for cooperation between the
 42.22 commissioner and the other regulatory agencies, and the activities of the supervisory
 42.23 college. Nothing in this section delegates to the supervisory college the authority of the
 42.24 commissioner to regulate or supervise the insurer or its affiliates within its jurisdiction.

42.25 Sec. 22. Minnesota Statutes 2012, section 60D.22, is amended to read:

42.26 **60D.22 CONFIDENTIAL TREATMENT CONFIDENTIALITY.**

42.27 **Subdivision 1. **Classification protection and use of information by commissioner.****

42.28 ~~All information, documents, and copies of them obtained by or disclosed to the~~
 42.29 ~~commissioner or any other person in the course of an examination or investigation~~
 42.30 ~~made pursuant to section 60D.20 and all information reported pursuant to sections~~
 42.31 ~~60D.18 and 60D.19, shall be given confidential treatment and shall not be subject to~~
 42.32 ~~subpoena and shall not be made public by the commissioner, the National Association~~
 42.33 ~~of Insurance Commissioners, or any other person, except to insurance departments of~~
 42.34 ~~other states, without the prior written consent of the insurer to which it pertains unless~~
 42.35 ~~the commissioner, after giving the insurer and its affiliates who would be affected, notice~~

43.1 ~~and opportunity to be heard, determines that the interest of policyholders or the public~~
 43.2 ~~will be served by the publication, in which event the commissioner may publish all or~~
 43.3 ~~any part in the manner the commissioner considers appropriate. Documents, materials,~~
 43.4 ~~or other information in the possession or control of the department that are obtained by~~
 43.5 ~~or disclosed to the commissioner or any other person in the course of an examination or~~
 43.6 ~~investigation made pursuant to section 60D.21 and all information reported pursuant to~~
 43.7 ~~sections 60D.17, except as provided in section 60D.17, subdivision 1, paragraph (e);~~
 43.8 ~~60D.18; 60D.19; and 60D.20, are classified as confidential and protected nonpublic,~~
 43.9 ~~are not subject to subpoena, and are not subject to discovery or admissible in evidence~~
 43.10 ~~in a private civil action. However, the commissioner may use the documents, materials,~~
 43.11 ~~or other information in the furtherance of any regulatory or legal action brought as a~~
 43.12 ~~part of the commissioner's official duties. The commissioner shall not otherwise make~~
 43.13 ~~the documents, materials, or other information public without the prior written consent~~
 43.14 ~~of the insurer to which it pertains unless the commissioner, after giving the insurer and~~
 43.15 ~~its affiliates who would be affected by this action notice and opportunity to be heard,~~
 43.16 ~~determines that the interest of policyholders, shareholders, or the public will be served by~~
 43.17 ~~the publication of it, in which event the commissioner may publish all or any part in the~~
 43.18 ~~manner the commissioner deems appropriate.~~

43.19 Subd. 2. **Testimonial privilege.** Neither the commissioner nor any person who
 43.20 received documents, materials, or other information while acting under the authority
 43.21 of the commissioner or with whom these documents, materials, or other information
 43.22 are shared pursuant to sections 60D.15 to 60D.29 is permitted or required to testify in a
 43.23 private civil action concerning confidential documents, materials, or information subject
 43.24 to subdivision 1.

43.25 Subd. 3. **Sharing of information.** In order to assist in the performance of the
 43.26 commissioner's duties, the commissioner:

43.27 (1) may share documents, materials, or other information, including the confidential
 43.28 and privileged documents, materials, or information subject to this section, with other
 43.29 state, federal, and international regulatory agencies, with the NAIC and its affiliates
 43.30 and subsidiaries, and with state, federal, and international law enforcement authorities,
 43.31 including members of any supervisory college described in section 60D.215, provided
 43.32 that the recipient agrees in writing to maintain the confidentiality and privileged status
 43.33 of the document, material, or other information, and has verified in writing the legal
 43.34 authority to maintain confidentiality;

43.35 (2) notwithstanding clause (1), may only share confidential and privileged
 43.36 documents, materials, or information reported pursuant to section 60D.19 with

44.1 commissioners of states having statutes or regulations substantially similar to subdivision
 44.2 1 and who have agreed in writing not to disclose this information;

44.3 (3) may receive documents, materials, or information, including otherwise
 44.4 confidential and privileged documents, materials, or information from the NAIC and its
 44.5 affiliates and subsidiaries and from regulatory and law enforcement officials of other
 44.6 foreign or domestic jurisdictions, and shall maintain as confidential or privileged any
 44.7 document, material, or information received with notice or the understanding that it is
 44.8 confidential or privileged under the laws of the jurisdiction that is the source of the
 44.9 document, material, or information; and

44.10 (4) may enter into written agreements with the NAIC governing sharing and use of
 44.11 information provided pursuant to sections 60D.15 to 60D.29 consistent with this clause
 44.12 that shall:

44.13 (i) specify procedures and protocols regarding the confidentiality and security of
 44.14 information shared with the NAIC and its affiliates and subsidiaries pursuant to sections
 44.15 60D.15 to 60D.29, including procedures and protocols for sharing by the NAIC with other
 44.16 state, federal, or international regulators;

44.17 (ii) specify that ownership of information shared with the NAIC and its affiliates and
 44.18 subsidiaries pursuant to sections 60D.15 to 60D.29 remains with the commissioner and
 44.19 the NAIC's use of the information is subject to the direction of the commissioner;

44.20 (iii) require prompt notice to be given to an insurer whose confidential information in
 44.21 the possession of the NAIC pursuant to sections 60D.15 to 60D.29 is subject to a request
 44.22 or subpoena to the NAIC for disclosure or production; and

44.23 (iv) require the NAIC and its affiliates and subsidiaries to consent to intervention by
 44.24 an insurer in any judicial or administrative action in which the NAIC and its affiliates and
 44.25 subsidiaries may be required to disclose confidential information about the insurer shared
 44.26 with the NAIC and its affiliates and subsidiaries pursuant to sections 60D.15 to 60D.29.

44.27 Subd. 4. **Responsibility for administration, execution, and enforcement.** The
 44.28 sharing of information by the commissioner pursuant to sections 60D.15 to 60D.29 does
 44.29 not constitute a delegation of regulatory authority or rulemaking, and the commissioner is
 44.30 solely responsible for the administration, execution, and enforcement of the provisions of
 44.31 sections 60D.15 to 60D.29.

44.32 Subd. 5. **Disclosure not deemed to be waiver of privilege or confidentiality.** No
 44.33 waiver of any applicable privilege or claim of confidentiality in the documents, materials,
 44.34 or information occurs as a result of disclosure to the commissioner under this section or as
 44.35 a result of sharing as authorized in subdivision 3.

45.1 Subd. 6. **Classification protection and use by others.** Documents, materials, or
 45.2 other information in the possession or control of the NAIC pursuant to sections 60D.15 to
 45.3 60D.29 are confidential and privileged, are not subject to subpoena, and are not subject to
 45.4 discovery or admissible in evidence in a private civil action.

45.5 Sec. 23. Minnesota Statutes 2012, section 60D.23, is amended to read:

45.6 **60D.23 RULES.**

45.7 The commissioner may adopt the rules and orders that are necessary to carry out
 45.8 the provisions of this chapter and may adopt expedited rules under section 14.389 for the
 45.9 purpose of adopting the Insurance Holding Company System Model Regulation With
 45.10 Reporting Forms and Instructions adopted by the National Association of Insurance
 45.11 Commissioners, December 2010.

45.12 **ARTICLE 6**

45.13 **RISK ASSESSMENT AND OWN RISK AND SOLVENCY**
 45.14 **ASSESSMENT MODEL ACT**

45.15 Section 1. **[60D.50] PURPOSE AND SCOPE.**

45.16 (a) The purpose of sections 60D.50 to 60D.58 is to provide the requirements for
 45.17 maintaining a risk management framework and completing an Own Risk and Solvency
 45.18 Assessment (ORSA) and provide guidance and instructions for filing an ORSA Summary
 45.19 Report with the commissioner.

45.20 (b) Sections 60D.50 to 60D.58 apply to all insurers domiciled in this state unless
 45.21 exempt pursuant to section 60D.55.

45.22 Sec. 2. **[60D.51] DEFINITIONS.**

45.23 Subdivision 1. **Scope.** For purposes of sections 60D.50 to 60D.58, the terms in
 45.24 this section have the meanings given them.

45.25 Subd. 2. **Insurance group.** For the purpose of conducting an ORSA, "insurance
 45.26 group" means those insurers and affiliates included within an insurance holding company
 45.27 system as defined in section 60D.15, subdivision 5.

45.28 Subd. 3. **Insurer.** "Insurer" has the meaning given in section 60D.15, subdivision
 45.29 6, except that it does not include agencies, authorities, or instrumentalities of the United
 45.30 States, its possessions or territories, the Commonwealth of Puerto Rico, the District of
 45.31 Columbia, or a state or political subdivision of a state.

45.32 Subd. 4. **Own Risk and Solvency Assessment or ORSA.** "Own Risk and Solvency
 45.33 Assessment" or "ORSA" means a confidential internal assessment, appropriate to the

46.1 nature, scale, and complexity of an insurer or insurance group, conducted by that insurer or
46.2 insurance group of the material and relevant risks associated with the insurer's or insurance
46.3 group's current business plan, and the sufficiency of capital resources to support those risks.

46.4 Subd. 5. **ORSA Guidance Manual.** "ORSA Guidance Manual" means the current
46.5 version of the Own Risk and Solvency Assessment Guidance Manual developed and
46.6 adopted by the National Association of Insurance Commissioners (NAIC) and as amended
46.7 from time to time. A change in the ORSA Guidance Manual is effective on the January 1
46.8 following the calendar year in which the changes have been adopted by the NAIC.

46.9 Subd. 6. **ORSA Summary Report.** "ORSA Summary Report" means a confidential
46.10 high-level summary of an insurer's or insurance group's ORSA.

46.11 **Sec. 3. [60D.52] RISK MANAGEMENT FRAMEWORK.**

46.12 An insurer shall maintain a risk management framework to assist the insurer with
46.13 identifying, assessing, monitoring, managing, and reporting on its material and relevant
46.14 risks. This requirement may be satisfied if the insurance group of which the insurer is a
46.15 member maintains a risk management framework applicable to the operations of the insurer.

46.16 **Sec. 4. [60D.53] ORSA REQUIREMENT.**

46.17 Subject to section 60D.55, an insurer, or the insurance group of which the insurer
46.18 is a member, shall regularly conduct an ORSA consistent with a process comparable to
46.19 the ORSA Guidance Manual. The ORSA must be conducted no less than annually but
46.20 also at any time when there are significant changes to the risk profile of the insurer or the
46.21 insurance group of which the insurer is a member.

46.22 **Sec. 5. [60D.54] ORSA SUMMARY REPORT.**

46.23 Subdivision 1. **Required submission.** Upon the commissioner's request, an insurer
46.24 shall submit to the commissioner an ORSA Summary Report or any combination of
46.25 reports that together contain the information described in the ORSA Guidance Manual,
46.26 applicable to the insurer or the insurance group of which it is a member. Notwithstanding
46.27 any request from the commissioner, if the insurer is a member of an insurance group, the
46.28 insurer shall submit the reports required by this subdivision if the commissioner is the
46.29 lead state commissioner of the insurance group as determined by the procedures adopted
46.30 by the National Association of Insurance Commissioners.

46.31 Subd. 2. **Attestation.** The reports in subdivision 1 shall include a signature of the
46.32 insurer's or insurance group's chief risk officer or other executive having responsibility for
46.33 the oversight of the insurer's enterprise risk management process attesting to the best of the

47.1 executive's belief and knowledge that the insurer applies the enterprise risk management
47.2 process described in the ORSA Summary Report and that a copy of the report has been
47.3 provided to the insurer's board of directors or the appropriate committee of the board.

47.4 Subd. 3. **Alternative compliance.** An insurer may comply with subdivision 1
47.5 by providing the most recent and substantially similar reports provided by the insurer
47.6 or another member of an insurance group of which the insurer is a member to the
47.7 commissioner of another state, or to a supervisor or regulator of a foreign jurisdiction, if
47.8 that report provides information that is comparable to the information described in the
47.9 ORSA Guidance Manual. A report in a language other than English must be accompanied
47.10 by a translation of the report into the English language.

47.11 Sec. 6. **[60D.55] EXEMPTION.**

47.12 Subdivision 1. **Annual premium levels.** An insurer is exempt from the requirements
47.13 of sections 60D.50 to 60D.58 if:

47.14 (1) the insurer has annual direct written and unaffiliated assumed premium,
47.15 including international direct and assumed premium but excluding premiums reinsured
47.16 with the Federal Crop Insurance Corporation and Federal Flood Program, less than
47.17 \$500,000,000; and

47.18 (2) the insurance group of which the insurer is a member has annual direct written
47.19 and unaffiliated assumed premium, including international direct and assumed premium
47.20 but excluding premiums reinsured with the Federal Crop Insurance Corporation and
47.21 Federal Flood Program, less than \$1,000,000,000.

47.22 Subd. 2. **Summary report required.** (a) If an insurer qualifies for exemption
47.23 pursuant to subdivision 1, clause (1), but the insurance group of which the insurer is a
47.24 member does not qualify for exemption pursuant to subdivision 1, clause (2), then the
47.25 ORSA Summary Report that may be required pursuant to section 60D.54 must include
47.26 every insurer within the insurance group. This requirement may be satisfied by the
47.27 submission of more than one ORSA Summary Report for any combination of insurers,
47.28 provided any combination of reports includes every insurer within the insurance group.

47.29 (b) If an insurer does not qualify for exemption pursuant to subdivision 1, clause
47.30 (1), but the insurance group of which it is a member qualifies for exemption pursuant to
47.31 subdivision 1, clause (2), then the only ORSA Summary Report that may be required
47.32 pursuant to section 60D.54 is the report applicable to that insurer.

47.33 Subd. 3. **Waiver.** An insurer that does not qualify for exemption pursuant to
47.34 subdivision 1 may apply to the commissioner for a waiver from the requirements of
47.35 sections 60D.50 to 60D.58 based on unique circumstances. In deciding whether to grant

48.1 the insurer's request for waiver, the commissioner may consider the type and volume
48.2 of business written, ownership and organizational structure, and any other factor the
48.3 commissioner considers relevant to the insurer or insurance group of which the insurer is
48.4 a member. If the insurer is part of an insurance group with insurers domiciled in more
48.5 than one state, the commissioner shall coordinate with the lead state commissioner and
48.6 with the other domiciliary commissioners in considering whether to grant the insurer's
48.7 request for a waiver.

48.8 Subd. 4. **Additional requirements.** Notwithstanding the exemptions in this section,
48.9 the commissioner may require that an insurer maintain a risk management framework,
48.10 conduct an ORSA, and file an ORSA Summary Report:

48.11 (1) based on unique circumstances including, but not limited to, the type and volume
48.12 of business written, ownership and organizational structure, federal agency requests,
48.13 and international supervisor requests; and

48.14 (2) if the insurer has risk-based capital for a company action level event as set forth
48.15 in section 60A.52 or 60A.62, meets one or more of the standards of an insurer deemed to
48.16 be in a hazardous financial condition pursuant to section 60G.20, or otherwise exhibits
48.17 qualities of a troubled insurer as determined by the commissioner.

48.18 Subd. 5. **Consequences of loss of exemption.** If an insurer that qualifies for an
48.19 exemption pursuant to subdivision 1 subsequently no longer qualifies for that exemption
48.20 due to changes in premium as reflected in the insurer's most recent annual statement or in
48.21 the most recent annual statements of the insurers within the insurance group of which the
48.22 insurer is a member, the insurer has one year following the year the threshold is exceeded
48.23 to comply with sections 60D.50 to 60D.58.

48.24 Sec. 7. **[60D.56] CONTENTS OF ORSA SUMMARY REPORT.**

48.25 Subdivision 1. **Preparation and documentation.** The ORSA Summary Report
48.26 shall be prepared by the insurer consistent with the ORSA Guidance Manual, subject
48.27 to the requirements of subdivision 2. Documentation and supporting information shall
48.28 be maintained by the insurer and made available upon examination or upon request of
48.29 the commissioner.

48.30 Subd. 2. **Review.** The review of the ORSA Summary Report, and any additional
48.31 requests for information, shall be made by the commissioner using similar procedures
48.32 currently used in the analysis and examination of multistate or global insurers and
48.33 insurance groups.

48.34 Sec. 8. **[60D.57] CONFIDENTIALITY.**

49.1 Subdivision 1. **Classification protection and use of information by commissioner.**
49.2 Documents, materials, or other information, including the ORSA Summary Report, in the
49.3 possession of or control of the department that are obtained by, created by, or disclosed to
49.4 the commissioner or any other person under sections 60D.50 to 60D.58 are recognized by
49.5 this state as being confidential and containing trade secrets. Those documents, materials,
49.6 or other information are classified as confidential or protected nonpublic, are not subject
49.7 to subpoena, and are not subject to discovery or admissible in evidence in a private
49.8 civil action. However, the commissioner may use the documents, materials, or other
49.9 information in the furtherance of a regulatory or legal action brought as a part of the
49.10 commissioner's official duties. The commissioner shall not otherwise make the documents,
49.11 materials, or other information public without the prior written consent of the insurer.

49.12 Subd. 2. **Testimonial privilege.** Neither the commissioner nor any person who
49.13 received documents, materials, or other ORSA-related information, through examination
49.14 or otherwise, while acting under the authority of the commissioner or with whom the
49.15 documents, materials, or other information are shared pursuant to sections 60D.50 to
49.16 60D.58 is permitted or required to testify in a private civil action concerning confidential
49.17 documents, materials, or information subject to subdivision 1.

49.18 Subd. 3. **Sharing of information.** In order to assist in the performance of the
49.19 commissioner's regulatory duties, the commissioner:

49.20 (1) may, upon request, share documents, materials, or other ORSA-related
49.21 information, including the confidential and privileged documents, materials, or
49.22 information subject to subdivision 1, including proprietary and trade secret documents
49.23 and materials with other state, federal, and international financial regulatory agencies,
49.24 including members of a supervisory college, as defined in section 60D.215, with the
49.25 National Association of Insurance Commissioners and with third-party consultants
49.26 designated by the commissioner, provided that the recipient agrees in writing to maintain
49.27 the confidentiality and privileged status of the ORSA-related documents, materials, or
49.28 other information and has verified in writing the legal authority to maintain confidentiality;

49.29 (2) may receive documents, materials, or other ORSA-related information, including
49.30 otherwise confidential and privileged documents, materials, or information, including
49.31 proprietary and trade secret information or documents, from regulatory officials of other
49.32 foreign or domestic jurisdictions, including members of a supervisory college, as defined
49.33 in section 60D.215, and from the National Association of Insurance Commissioners, and
49.34 shall maintain as confidential or privileged documents, materials, or information received
49.35 with notice or the understanding that it is confidential or privileged under the laws of the
49.36 jurisdiction that is the source of the document, material, or information; and

50.1 (3) may enter into a written agreement with the National Association of Insurance
50.2 Commissioners or a third-party consultant governing sharing and use of information
50.3 provided pursuant to sections 60D.50 to 60D.58, consistent with this subdivision that:

50.4 (i) specifies procedures and protocols regarding the confidentiality and security
50.5 of information shared with the National Association of Insurance Commissioners or a
50.6 third-party consultant pursuant to sections 60D.50 to 60D.58, including procedures and
50.7 protocols for sharing by the National Association of Insurance Commissioners with other
50.8 state regulators from states in which the insurance group has domiciled insurers. The
50.9 agreement must provide that the recipient agrees in writing to maintain the confidentiality
50.10 and privileged status of the ORSA-related documents, materials, or other information and
50.11 has verified in writing the legal authority to maintain confidentiality;

50.12 (ii) specifies that ownership of information shared with the National Association
50.13 of Insurance Commissioners or a third-party consultant pursuant to sections 60D.50
50.14 to 60D.58 remains with the commissioner and the National Association of Insurance
50.15 Commissioner's or a third-party consultant's use of the information is subject to the
50.16 direction of the commissioner;

50.17 (iii) prohibits the National Association of Insurance Commissioners or a third-party
50.18 consultant from storing the information shared pursuant to sections 60D.50 to 60D.58 in a
50.19 permanent database after the underlying analysis is completed;

50.20 (iv) requires prompt notice to be given to an insurer whose confidential information
50.21 in the possession of the National Association of Insurance Commissioners or a third-party
50.22 consultant pursuant to sections 60D.50 to 60D.58 is subject to a request or subpoena to
50.23 the National Association of Insurance Commissioners or a third-party consultant for
50.24 disclosure or production;

50.25 (v) requires the National Association of Insurance Commissioners or a third-party
50.26 consultant to consent to intervention by an insurer in any judicial or administrative action
50.27 in which the National Association of Insurance Commissioners or a third-party consultant
50.28 may be required to disclose confidential information about the insurer shared with the
50.29 National Association of Insurance Commissioners or a third-party consultant pursuant to
50.30 sections 60D.50 to 60D.58; and

50.31 (vi) in the case of an agreement involving a third-party consultant, provides for the
50.32 insurer's written consent.

50.33 Subd. 4. **Responsibility for administration, execution, and enforcement.** The
50.34 sharing of information and documents by the commissioner pursuant to sections 60D.50 to
50.35 60D.58 does not constitute a delegation of regulatory authority or rulemaking, and the

51.1 commissioner is solely responsible for the administration, execution, and enforcement of
51.2 sections 60D.50 to 60D.58.

51.3 Subd. 5. **Disclosure not deemed to be waiver of privilege or confidentiality.** No
51.4 waiver of an applicable privilege or claim of confidentiality in the documents, proprietary
51.5 and trade secret materials, or other ORSA-related information occurs as a result of
51.6 disclosure of ORSA-related information or documents to the commissioner under this
51.7 subdivision or as a result of sharing as authorized in sections 60D.50 to 60D.58.

51.8 Subd. 6. **Classification, protection, and use of information by others.**
51.9 Documents, materials, or other information in the possession or control of the National
51.10 Association of Insurance Commissioners or a third-party consultant pursuant to sections
51.11 60D.50 to 60D.58 are confidential and privileged, are not subject to subpoena, and are
51.12 not subject to discovery or admissible in evidence in a private civil action, except as
51.13 required by an order of a court of law.

51.14 Sec. 9. **[60D.58] SANCTIONS.**

51.15 An insurer failing, without just cause, to timely file the ORSA Summary Report as
51.16 required in sections 60D.50 to 60D.58 shall pay a penalty of \$1,000 for each day's delay to
51.17 be recovered by the commissioner and to be paid into the general fund. The commissioner
51.18 may reduce the penalty if the insurer demonstrates to the commissioner that the imposition
51.19 of the penalty would constitute a financial hardship to the insurer.

51.20 Sec. 10. **EFFECTIVE DATE.**

51.21 The requirements of sections 1 to 9 are effective January 1, 2015. The first filing of
51.22 the ORSA Summary Report is in 2015 pursuant to Minnesota Statutes, section 60D.54.

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Article locations in 14-3612

ARTICLE 1	LICENSING	Page.Ln 1.28
ARTICLE 2	PETROFUND	Page.Ln 3.27
ARTICLE 3	ADMINISTRATIVE SERVICES	Page.Ln 8.18
ARTICLE 4	ENFORCEMENT	Page.Ln 9.22
ARTICLE 5	MODEL HOLDING COMPANY ACT CHANGES	Page.Ln 25.26
	RISK ASSESSMENT AND OWN RISK AND SOLVENCY	
ARTICLE 6	ASSESSMENT MODEL ACT	Page.Ln 45.12

82B.10 EXAMINATIONS.

Subd. 7. **Reciprocity.** This section may be waived by the commissioner for individuals of other jurisdictions if: (1) a written reciprocal licensing agreement is in effect between the commissioner and the licensing officials of that jurisdiction, (2) the individual is licensed in that jurisdiction, and (3) the licensing requirements of that jurisdiction are substantially similar to the provisions of this chapter.

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Laws 2013, chapter 84, article 1, section 25

Sec. 25. Minnesota Statutes 2012, section 62A.615, is amended to read:

62A.615 PREEXISTING CONDITIONS DISCLOSED AT TIME OF APPLICATION.

No insurer may cancel or rescind a health insurance policy for a preexisting condition of which the application or other information provided by the insured reasonably gave the insurer notice. No insurer may restrict coverage for a preexisting condition of which the application or other information provided by the insured reasonably gave the insurer notice unless the coverage is restricted at the time the policy is issued and the restriction is disclosed in writing to the insured at the time the policy is issued. In addition, no health plan may restrict coverage for a preexisting condition for an individual who is under 19 years of age. This section does not apply to individual health plans that are grandfathered plans.

EFFECTIVE DATE. This section is effective the day following final enactment.

Laws 2013, chapter 84, article 1, section 30

Sec. 30. Minnesota Statutes 2012, section 62A.65, subdivision 6, is amended to read:

Subd. 6. **Guaranteed issue required.** (a) Nothing in this section requires a health carrier to initially issue a health plan to a Minnesota resident who is age 19 or older on the date the health plan becomes effective if the effective date is prior to January 1, 2014, except as otherwise expressly provided in subdivision 4 or 5.

(b) Guaranteed issue is required for all health plans, except grandfathered plans, beginning January 1, 2014.

EFFECTIVE DATE. This section is effective the day following final enactment.

3300.0800 PURPOSE.

The purpose of parts 3300.0800 to 3300.1900 is to develop and implement a state weatherization assistance program under the authority of Minnesota Statutes, section 268.37 in the dwellings of low-income persons in order both to aid those persons least able to afford higher utility costs and to conserve needed energy.

3300.0900 ADMINISTRATION OF GRANTS.

Grants awarded under parts 3300.0800 to 3300.1900 shall be administered in accordance with the following:

A. Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments, issued as Office of Management and Budget Circular A-102 Revised and found in the Federal Register, volume 42, pages 45828-45891 (1977);

B. Grants and Agreements With Institutions of Higher Education, Hospitals, and other Nonprofit Organizations, issued as Office of Management and Budget Circular A-110 and found in the Federal Register, volume 41, pages 32016-32037 (1976);

C. Audit of Federal Operations and Programs, issued as Office of Management and Budget Circular A-73 and found in the Federal Register, volume 43, pages 12404-12406 (1978);

D. Cost Principles for State and Local Governments, issued as Office of Management and Budget Circular A-87 and found in the Federal Register, volume 46, pages 9548-9554 (1981);

E. Evaluation, Review and Coordination of Federal and Federally Assisted Programs and Projects, issued as Office of Management and Budget Circular A-95 and found in the Federal Register, volume 40, pages 2052-2065 (1976);

F. Notification to States of Grant-in-Aid Information, issued as United States Treasury Circular 1082 and found in the Federal Register, volume 41, page 2652 (1976); and

G. Withdrawal of Cash From the Treasury for Advances Under Federal Grant and Other Programs, issued as United States Treasury Circular 1075 and found in the Code of Federal Regulations, title 31, part 205 (1980).

3300.1000 DEFINITIONS.

Subpart 1. **Scope.** As used in parts 3300.0800 to 3300.1900 the following terms have the meanings given them.

Subp. 2. **Agency.** "Agency" means an organization that receives funds under parts 3300.0800 to 3300.1900 to operate a weatherization program.

Subp. 3. **Assistant commissioner.** "Assistant commissioner" means the assistant commissioner of the Division of Training and Community Services of the Department of Employment and Economic Development.

Subp. 4. **Community action agency.** "Community action agency" means a private corporation or public agency as defined in Minnesota Statutes, section 256E.31, subdivision 1.

Subp. 5. **Commissioner.** "Commissioner" means the commissioner of the Department of Employment and Economic Development.

Subp. 6. **Conditioned space.** "Conditioned space" means an area inside the building envelope where the air temperature can be altered by a heating or cooling device.

Subp. 7. **Cosmetic items.** "Cosmetic items" means items that only enhance the aesthetic appearance of the property. Some examples of "cosmetic items" are finishes, decorative fenestration, and elevation materials such as aluminum siding, board and batten, clapboard, brick, stone, shakes, and asphalt siding.

Subp. 8. **Cost of employment.** "Cost of employment" means compensation for services as defined in Office of Management and Budget Circular A-87, Attachment B, A.10, A.13, and A.14, as cited in part 3300.0900, item D.

Subp. 9. **Department.** "Department" means the Department of Employment and Economic Development.

Subp. 10. **Dwelling unit.** "Dwelling unit" means a house or household. It includes stationary mobile homes, homes, apartments, and groups of rooms or single rooms occupied as separate living quarters.

Subp. 11. **Elderly person.** "Elderly person" means a person who is 60 years of age or older.

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Subp. 12. **Eligible dwelling unit.** "Eligible dwelling unit" means a dwelling unit that is occupied by a low-income family unit.

Subp. 13. **Family unit.** "Family unit" means all persons living together in a dwelling unit.

Subp. 14. **Grantee.** "Grantee" means an organization that receives funds under this rule to operate a weatherization program.

Subp. 15. **Grantor.** "Grantor" means the Division of Training and Community Services, Department of Employment and Economic Development, state of Minnesota.

Subp. 16. [Renumbered subp 25a]

Subp. 17. **Heating degree days.** "Heating degree days" means the difference in temperature, in degrees Fahrenheit between the mean temperature for the day and 65 degrees Fahrenheit on any day when the mean temperature is less than 65 degrees Fahrenheit. Data for this factor is from Monthly Normals of Temperature, Precipitation and Heating and Cooling Degree Days, 1941 to 1970, issued by the National Oceanic and Atmospheric Administration (United States Department of Commerce, 1973).

Subp. 18. **Heating or cooling source.** "Heating or cooling source" means a device that can raise or lower temperatures in a dwelling unit as part of the permanent heating, ventilating, and air conditioning system installed in the dwelling unit. It includes furnaces, heat pumps, stoves, boilers, heaters, fireplaces, air conditioners, fans, and solar devices.

Subp. 19. **Independent contractor.** "Independent contractor" means an entity that furnishes materials or provides labor or both in the weatherization of buildings of low-income persons.

Subp. 20. **Indian tribe.** "Indian tribe" means any tribe, band, nation, or other organized group or community of Native Americans, including any Alaska native village, or regional or village corporation as defined in or established under the Alaska Native Claims Settlement Act, United States Code, title 43, sections 1601 to 1628 (1977 and Supplement III 1980), which:

A. is recognized as eligible for special programs and services provided by the United States to Native Americans because of its status as Native American; or

B. is located on or near a federal or state reservation or rancheria.

Subp. 21. **Low-income.** "Low-income" means having a total household income in relation to family size which:

A. is at or below 125 percent of the poverty level determined in accordance with criteria established by the Director of the Federal Office of Management and Budget in Code of Federal Regulations, title 45, section 1060 (1981); or

B. is the basis for which cash assistance payments have been paid during the preceding 12-month period under titles IV and XVI of the Social Security Act, Statutes at Large, volume 49, page 620, chapter 531 (1935), codified in scattered sections of United States Code, volume 42.

Subp. 22. **Mechanical equipment.** "Mechanical equipment" means control devices or apparatus that is primarily designed to improve the heating or cooling efficiency of a dwelling unit and that will be permanently affixed to an existing heating or cooling source. It includes a flue damper, clock setback thermostat, filter, and replacement limit switches.

Subp. 23. **Multifamily dwelling unit.** "Multifamily dwelling unit" means a dwelling unit that is located in a structure containing more than one dwelling unit.

Subp. 24. **Number of low-income, owner-occupied dwelling units in the county.** "Number of low-income, owner-occupied dwelling units in the county" means the number of those dwelling units in a county as determined by the department.

Subp. 25. **Number of low-income, renter-occupied dwelling units in the county.** "Number of low-income, renter-occupied dwelling units in the county" means the number of those dwelling units in a county as determined by the department.

Subp. 25a. **Person with a disability.** "Person with a disability" means a person who, in the opinion of a qualified medical person, is permanently physically or mentally disabled. "Qualified medical person" means a qualified physician or chiropractor authorized to practice in the state of Minnesota.

Subp. 26. **Repair material.** "Repair material" means an item necessary for the effective performance or preservation of weatherization materials. "Repair material" includes lumber used to frame or repair windows and doors that could not otherwise be caulked or weather-stripped, and protective materials, such as paint, used to seal materials installed under this program. "Repair material" also includes furnace efficiency modifications limited to:

A. replacement burners;

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B. devices for modifying fuel openings, including one-time replacement of furnace filters; and

C. electrical or mechanical furnace ignition systems that replace standing gas pilot lights.

Subp. 27. **Regional clearinghouse.** "Regional clearinghouse" means the local regional development commission that has the authority under title IV of the Intergovernmental Cooperation Act of 1968, United States Code, volume 42, sections 4231 to 4233 (1977), to review and comment with respect to projects funded by the federal and state governments.

Subp. 28. **Rental dwelling unit.** "Rental dwelling unit" means a dwelling unit occupied by a person who pays periodic sums of money to occupy the dwelling unit.

Subp. 29. **Separate living quarters.** "Separate living quarters" means those in which the occupants do not regularly live and eat with any other persons in the structure and which have either direct access from the outside of the building or through a common hall, or complete kitchen facilities for the exclusive use of the occupants. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Subp. 30. **Single-family dwelling unit.** "Single-family dwelling unit" means a structure containing no more than one dwelling unit.

Subp. 31. **State.** "State" means the state of Minnesota.

Subp. 32. **Weatherization crew.** "Weatherization crew" means a group of weatherization laborers with a weatherization supervisor.

Subp. 33. **Weatherization laborer.** "Weatherization laborer" means a person who performs weatherization and repair activities necessary to complete work on eligible dwelling units. The work may include auditing, inspecting, delivery, and physical warehousing of weatherization materials and equipment.

Subp. 34. **Weatherization project.** "Weatherization project" means a project conducted in a single geographical area which undertakes to weatherize dwelling units that are thermally inefficient.

Subp. 35. **Weatherization supervisor.** "Weatherization supervisor" means a person who inspects weatherization and repair activities and who is responsible for crew laborers' conduct, performance, and evaluation.

Subp. 36. **Weatherization materials.** "Weatherization materials" means materials used to weatherize homes as defined in Code of Federal Regulations, title 10, sections 456.101 to 456.914 (1980) amended by Federal Register, volume 45, pages 63449, 63453, 63793 (1980).

3300.1100 ALLOCATION OF FUNDS.

Subpart 1. **Determination.** The department shall allocate funds by county to eligible grantees with a demonstrated ability to administer and deliver weatherization services. The department shall determine whether or not a grantee has a demonstrated ability to administer and deliver weatherization services by taking into account the criteria in subpart 4. Equal weight shall be given to each of the criteria. The department shall also allocate funds to eligible grantees who have been engaged in contracting for the construction and repair of real property.

Subp. 2. **Contracts.** All contracts between the state and a grantee will run for six months beginning July 1.

Subp. 3. **Termination of grant.** A grant shall be terminated if the department determines, after a public hearing conducted by the Office of Administrative Hearings, that the grantee has been ineffective in meeting the purpose of Minnesota Statutes, section 268.37.

Subp. 4. **Criteria.** In making a determination under subpart 3, the department shall evaluate the performance of the grantee and shall consider:

A. how quickly the weatherization project achieves the goals of Minnesota Statutes, section 268.37;

B. whether the grantee has adhered to the plan submitted;

C. the quality of work performed through the grantee; and

D. the number, qualifications, and experience of staff members of the grantee.

3300.1200 GRANT APPLICATIONS.

Subpart 1. **Application procedure.** Applications to the department must contain a plan for the use of state funds which is submitted not later than 30 days after receipt of written notice from

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the department of the availability of funds for each year. The department shall review each timely application and if the submission complies with the applicable provisions of this rule, approve a final budget and issue a notice of grant award.

Subp. 2. **Application.** Each application must include:

- A. the name and address of the grantee responsible for administering the program;
- B. a financial schedule which indicates the monthly funding requirements based on projected production;
- C. staffing patterns for all weatherization personnel to allow local program grantees to attain production goals;
- D. a written review of the plan by the regional clearinghouse; and
- E. a statement by grantee ensuring that:
 - (1) no dwelling unit may be weatherized without written documentation that the unit is eligible for weatherization as provided in parts 3300.0800 to 3300.1900;
 - (2) there is an outreach process used to obtain applications together with a description of that process; and
 - (3) it will establish a priority system for client applications.

Each application must state the minimum number of dwelling units to be completed by each grantee which are to be established by the department.

Subp. 3. **Maximum amount of material in dwelling unit.** The grantee shall ensure that no eligible dwelling unit receives more than \$750 in material and that each dwelling unit is weatherized according to the priority list established by the department as found in subparts 4 and 5. The department shall waive the \$750 restriction for individual eligible dwelling units on written application documenting that the material costs on the applicant's dwelling exceed \$750 and that all activities are eligible according to the agency's priority list. A waiver will be granted if the eligible dwelling exceeds 1,500 square feet, or is two story, or requires more than 16 storm windows. If a waiver is granted, the total material expenditures may not exceed \$1,000. For purposes of subparts 4 and 5, home types have the following meanings:

- A. "Type I" means homes with accessible attics;
- B. "Type II" means homes with inaccessible basements;
- C. "Type III" means homes with solid walls;
- D. "Type IV" means homes with knee wall construction;
- E. "Type V" means mobile homes.

Subp. 4. **Department's memorandum; weatherization priorities for home types I-IV, 8-28-81.** The following list of priorities is a departmental memorandum:

Weatherization deliverers will follow the priority list given below. If the particular activity listed currently exists or cannot be done, then an explanation must be made on the Retro Tech Job Sheet. If the client will not permit certain activities, then a statement with an explanation of the refusal to permit work, signed by the client, must be in the file.

Priorities

I. General Heat Waste

- A. Caulk all exterior envelope infiltration points including:
 - 1. Window and door frames.
 - 2. Sill plates.
 - 3. Foundation cracks.
 - 4. Corners of buildings.
 - 5. Under door sills.
 - 6. Around all electrical & plumbing entrances.
 - 7. All other infiltration areas.
- B. Install hot water heater jackets except where a vent damper is present.
- C. Insulate hot water pipes in accessible unheated space.
- D. Weatherstrip movable windows and doors between conditioned and unconditioned space, including basement doors, attic scuttles and knee wall entrances.
- E. Install gaskets on electrical boxes located on the interior side of exterior walls.
- F. Replace or reset broken or loose glass.

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II. Insulate Attic area

A. To R-38

B. Vent in accordance with FHA/HUD Minimum Property Standards. (No vapor barrier 1 to 150 ratio; with vapor barrier 1 to 300 ratio.)

C. Insulate attic scuttle doors to R-30; dam access area allowing entry to attic.

III. Insulate exterior walls to minimum of R-11.

IV. Insulate rim joist area to a minimum of R-19 with vapor barrier on warm side.

V. Insulate above-grade foundation walls to R-11. When insulation is applied to interior side of the foundation wall, extend insulation 2 feet below grade.

On crawl space, either insulate perimeter foundation wall to R-11 or floor to minimum of R-19 where freezing of pipes is not a factor.

VI. Install storm windows on single-glazed windows where storm windows are missing or existing storm windows are deteriorated beyond repair.

VII. Install new primary doors and windows only where old ones are beyond repair and cannot be weatherstripped.

Optional Items – Only after all of the required items are completed and if maximum material limit has not been reached.

I. Clock set back thermostats.

II. Storm doors.

Subp. 5. **Department's memorandum; mobile home priorities, 8-28-81.** The following list of priorities is a departmental memorandum:

Priorities for Type V Home

I. General Heat Waste

A. Caulk all exterior envelope infiltration points including:

1. Window and door frames.
2. Corners of buildings.
3. Under door sills.
4. Around all electrical and plumbing entrances.
5. Along all siding seams.
6. Around all "through the wall" accessories.

B. Install hot water heater jackets on electrical water heaters, or
Insulate water heater closet on gas and oil fired water heaters.

C. Insulate hot water pipes where accessible.

D. Replace all worn weather stripping on all movable windows.

E. Weatherstrip all exterior prime doors.

F. Replace or reset broken or loose glass.

II. Insulate ceiling to maximum extent possible not to exceed R-38 and install at least two 8-inch round vents or equivalent.

III. Insulate floor to maximum extent possible not to exceed R-38.

IV. Install storm windows on those single glazed windows where the original storm is either missing or damaged beyond repair.

V. Install new prime doors and windows where existing ones are beyond repair.

Optional Items (Only after all required items are completed.)

I. Replace damaged or missing storm door.

II. Repair and tighten skirting – certify that permanent vent equaling 36 sq. in. per 25 lineal feet of skirt is installed if skirting repair is done.

3300.1300 ALLOWABLE EXPENDITURES.

Expenditures shall be limited to:

- A. the cost of purchase, delivery, and storage of weatherization materials;
- B. transportation of weatherization materials, tools, equipment, and work crews to a storage site and to the dwelling work site;
- C. maintenance, operation, and insurance of vehicles to transport items in item B;

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- D. maintenance of tools and equipment;
- E. purchases of tools, equipment, and vehicles;
- F. payments to an independent contractor for furnishing materials or providing labor or both in the weatherization of dwellings of low-income persons;
- G. the cost of employment of weatherization supervisors;
- H. the cost of employment of weatherization laborers;
- I. the cost, not to exceed \$150 per dwelling unit, for repair materials and repairs to the heating source necessary to make the installation of weatherization materials effective;
- J. building permits where applicable;
- K. the cost of liability insurance for weatherization projects for personal injury and property damage;
- L. administrative expenses not to exceed 7.5 percent of each grantee's allocation; and
- M. weatherization of a building containing eligible rental dwelling units if at least 66 percent of the rental units in the building are eligible dwelling units and if the landlord or landlord's agent agrees in writing that the grantee may do the weatherization work and that rents will not be raised because of the weatherization work.

All purchases in item E with an acquisition value of \$300 or more must have written approval from the department. Purchasing must follow procedures outlined in Office of Management and Budget Circulars A-87, A-102, and A-110, as cited in part 3300.0900.

3300.1400 UNALLOWABLE EXPENDITURES.

Grant funds may not be used for any of the following purposes:

- A. to weatherize a dwelling unit that has been weatherized previously with grant funds from the United States Department of Energy or state assistance under Minnesota Statutes, section 268.37 or parts 3300.0800 to 3300.1900, unless the dwelling unit has been damaged by fire, flood, or an act of God, and repair of the damage to weatherization materials is not paid for by insurance;
- B. to weatherize a dwelling unit that is vacant or designated for acquisition or clearance by a federal, state, or local government program within 12 months from the date weatherization of the dwelling unit would be scheduled to be completed; or
- C. to purchase cosmetic items, remodeling items, or a heating or cooling source.

3300.1500 OVERSIGHT RESPONSIBILITY.

The department shall supervise the projects of the grantees in the following manner:

- A. At least once every three months the department shall monitor and evaluate the operation of projects carried out by the grantees receiving financial assistance under parts 3300.0800 to 3300.1900 through on-site inspections, reviews of reports submitted by grantees, and inspection of their books and records.
- B. The grantee shall give the department access, for the purpose of audit and examination, to any books, documents, papers, information, and records of any weatherization project receiving financial assistance under parts 3300.0800 to 3300.1900.
- C. The commissioner shall conduct an annual audit of the records of a grantee receiving financial assistance under parts 3300.0800 to 3300.1900.

3300.1600 RECORD KEEPING.

Record keeping shall be in accordance with Office of Management and Budget Circular A-87 as cited in part 3300.0900, item D. Each grantee receiving state financial assistance under parts 3300.0800 to 3300.1900 shall keep records the department requires, including records which fully disclose the amount and disposition by each grantee of funds received under parts 3300.0800 to 3300.1900, the total cost of the weatherization project for which the assistance was given or used, including all sources and amounts of funds for the project or program, and other records the department deems necessary for an effective audit and performance evaluation.

3300.1700 MONTHLY REPORTS.

Each grantee receiving financial assistance under parts 3300.0800 to 3300.1900 shall submit a monthly program performance report and a monthly financial report or invoice to the department.

3300.1800 GRANTING PROCESS.

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When the department approves an application for a grant, it shall notify the grantee, in writing, of the approval. The department and the grantee shall sign a grant contract. The grant contract must specify what report requirements and other grant requirements must be met prior to any obligation of funds. Payments on grant contracts shall be made on the basis of grantee activity in the program. Cash on hand in excess of 30-day program requirements shall not be delivered. Payments to grantees shall be reviewed in comparison to expenditures to determine cash needs. Grantees shall report expenditures monthly on forms to be supplied by the department. The department shall require the grantees to project the next month's cash needs on the previous month's expenditure report. If the grantee determines that it cannot fulfill its obligations under the plan in whole or part, the grantee may request an amendment or revision of the existing approved plan and resubmit a new plan or amendments within 30 days after the written notice of request for consideration. The request from the grantee must be in writing detailing its specific views with supporting data and arguments.

3300.1900 VARIANCES.

Subpart 1. **Granting of variance.** The department shall grant a variance to the use of materials required by part 3300.1000, subpart 36, if it appears that:

- A. product or test standards have changed; and
- B. granting the variance would not adversely affect the public health or safety; and
- C. granting the variance would not conflict with applicable building codes.

Subp. 2. **Written request for a variance.** A grantee may submit to the department a written request for a variance documenting the need to include or exclude additional or existing materials required by part 3300.1000, subpart 36. If the agency initiates the variance as a result of a United States Department of Energy directive it will notify all grantees in accordance with subpart 3. If the agency denies a request for a variance it shall notify the applicant, in writing, of the reasons for the denial.

Subp. 3. **Notification of variance.** The department shall notify all grantees, in writing, that a variance has been granted. Notification will be issued within 30 days after the granting of the variance.

7607.0100 DEFINITIONS.

Subpart 1. **Scope.** The terms defined in this part and in Minnesota Statutes, section 216C.37, subdivision 1, apply to parts 7607.0110 to 7607.0180.

Subp. 2. **Applicant.** "Applicant" means an eligible municipality.

Subp. 3. **Municipality.** "Municipality" means any county, statutory or home rule charter city, town, school district, or any combination of those units under an agreement to jointly undertake projects authorized in this section.

Subp. 4. **Authority.** "Authority" means the Minnesota Public Facilities Authority.

Subp. 5. **Project.** "Project" means all proposed work set forth in an application for a loan to a municipality.

Subp. 6. **Maxi-audit.** "Maxi-audit" means a detailed analysis of energy-saving improvements to existing buildings or stationary energy-using systems, including:

- A. modifications to building structures;
- B. heating, ventilating, and air conditioning systems;
- C. operation practice;
- D. lighting; and
- E. other factors that relate to energy use.

The primary purpose of the engineering analysis is to quantify the economic and engineering feasibility of energy-saving improvements that require capital expenditures of major operational modifications.

A maxi-audit must be performed by or under the direction of and signed by a professional mechanical or electrical engineer or by an architect registered in Minnesota.

Subp. 7. **Conservation measure.** "Conservation measure" means an energy conservation measure that is an installation to a building on stationary energy-using system, and that is primarily intended to reduce energy consumption or allow the use of an alternate energy source including solar, wind, peat, wood, and agricultural residue.

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Subp. 8. **Building.** "Building" means an existing building owned and operated by a municipality.

Subp. 9. **Stationary energy-using system.** A "stationary energy-using system" means any permanent structure or system owned and operated by a municipality that requires energy consumption for its function.

Subp. 10. **Payback.** "Payback" means the simple payback that is equal to the design, acquisition, and installation costs of a conservation measure divided by the estimated first year energy cost savings attributable to that measure.

7607.0110 MUNICIPAL ENERGY LOAN ELIGIBILITY CRITERIA.

Subpart 1. **In general.** The authority shall approve energy loans to municipalities to cover the costs of capital expenditures that are conservation measures that have paybacks of ten years or less as specified in a maxi-audit in compliance with Minnesota Statutes, section 216C.37, and parts 7607.0110 to 7607.0140.

Loans are available to municipalities that have not previously received or been offered loan funds under this program, for new projects in municipalities that previously received or were offered loan funds under this program, and as amendments to loans for conservation measures in progress that are experiencing cost overruns or for previously unidentified but related work necessary to successful implementation of a previously approved conservation measure if the payback remains at ten years or less. With the exception of amendments as described above, the authority shall not approve more than one loan for the same conservation measure in the same building or stationary energy-using systems.

Subp. 2. **Prior approval required.** Except for a loan amendment under subpart 1, projects that have been contracted for or begun before the authority notifies the municipality that the loan application is approved are not eligible. This prior approval requirement applies to the acquisition and installation costs as identified in the maxi-audit.

Subp. 3. **New construction.** Only projects for existing buildings and energy-using systems are eligible. New construction is not eligible except if it is a necessary part of successful implementation of a conservation measure for an existing building or energy-using system.

7607.0120 MAXIMUM LOAN AMOUNT.

To assure equitable statewide distribution of loan funds, given that loans will be issued on a first-come, first-served basis, the authority shall establish a maximum loan amount of \$1,500,000 for each municipality.

7607.0130 MUNICIPAL ENERGY LOAN APPLICATION.

Subpart 1. **In general.** A municipality shall submit an application to the authority on a form provided by the authority. An application must be completed, dated, and signed in ink by a duly authorized official of the applicant and must include the authorized official's title.

Subp. 2. **Contents.** The application must contain:

- A. the municipality name or school district or vocational center number;
- B. the complete mailing address of the applicant, including the county;
- C. the contact person's name, title, and telephone number;
- D. the federal employer identification number;
- E. a list of buildings and stationary energy-using systems included in the request and the dollar amount requested per building or system;
- F. the name and address of each building or system, including the county;
- G. the total floor area in square feet for each building;
- H. the original construction date for each system, building, and building additions;
- I. the state legislative district;
- J. a summary description of each conservation measure, its maxi-audit item number, its estimated cost, the loan amount requested, its estimated annual energy-cost savings, its estimated annual fuel and electric savings, its estimated payback, and the estimated dates the conservation measure will be started and completed; and
- K. a certification to assure proper and efficient operation of the building or system once the project is completed.

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An application must also contain an irrevocable resolution of the governing body of the municipality to annually levy or otherwise collect sufficient funds to guarantee loan repayment and a maxi-audit for each building and energy-using system involved in the project. One copy of the application is required.

7607.0140 MUNICIPAL ENERGY LOAN APPLICATION REVIEW.

Subpart 1. **Administrative review.** The authority shall examine the loan application to verify that the applicant is eligible, that the required forms and reports are included and are correctly completed, that an irrevocable resolution of the governing body of the municipality is included, and that the estimated start and end dates of the conservation measures included in the project are reasonable.

Subp. 2. **Technical review.** The authority shall forward a copy of the application to the commissioner of commerce. The commissioner of commerce shall prepare and submit to the authority a technical evaluation of the application. The technical evaluation must be on the forms provided by the authority.

Conservation measures with paybacks of ten years or less that are identified and described in maxi-audits are eligible. The minimum requirements for maxi-audits are as provided in Code of Federal Regulations, title 10, section 455.42 (May 21, 1981). Loans may not be awarded to buildings or systems with a remaining useful life less than or equal to the payback of the conservation measures proposed. Loans may not be awarded for a conservation measure if the payback of the conservation measure proposed is greater than or equal to the useful life of the measure.

The commissioner of commerce shall examine a maxi-audit that accompanies a loan application to verify that conservation measures requested are analyzed with adequate details of the existing conditions and proposed changes using appropriate calculation procedures, and that the proposed measures are eligible.

Subp. 3. **Review results.** The commissioner of commerce shall forward the technical evaluation of an application to the authority. The authority shall accept, reject, or modify a loan application request as necessary based on the administrative and the technical review. The authority shall give to an applicant whose application is rejected a notice of problems encountered in the review process and options available to correct them for resubmission of the application.

7607.0150 LOAN APPROVAL; DISBURSEMENT OF FUNDS.

Subpart 1. **Authority approval; priority.** The authority shall approve loans that comply with Minnesota Statutes, section 216C.37, and with parts 7607.0110 to 7607.0140, on a first-come, first-served basis based on the order in which eligible and complete loan applications are received by the authority. If eligible and complete loan applications received at the same time cannot all be funded due to a lack of available funds, the authority shall first approve loans to school districts. If funds are not available for all eligible applications from school districts, the authority shall approve loans so that each affected district receives an equal percentage of the eligible loan amount request. If the available funds are adequate to fully fund all eligible applications from school districts, but not all other eligible applications, the authority shall approve loans to school districts for the full eligible loan amount request and approve loans to other eligible municipalities so that each affected applicant receives an equal percentage of the eligible loan amount request.

Subp. 2. **Execution of loan contract and disbursement of funds.** Upon approval of a municipal energy loan, the authority shall send a loan contract to the applicant. The authority shall attach to a loan contract a loan repayment schedule based on the approved loan application according to Minnesota Statutes, section 216C.37, subdivision 4, paragraph (b). The applicant shall have a duly authorized official execute and return the loan contract to the Department of Management and Budget for execution of the loan contract by state officials and for disbursement of the loan funds. Loan funds must be disbursed for the reimbursement of eligible project costs upon execution of and according to the terms of the loan contract.

7607.0160 MONITORING MUNICIPAL ENERGY LOANS, REPORTS.

Subpart 1. **In general.** A municipality that receives a loan from the authority shall submit the reports listed in subparts 2 to 5.

Subp. 2. **Annual project status report.** The municipality shall submit to the authority, on forms provided by the authority, an annual project status report covering the period from July 1 to June 30. This report is due each July 31 until the project is completed. The project status report must indicate the progress of the implementation of the measures funded, problems encountered,

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the effect of the problems on the project, and the corrective action taken. If at any time the municipality fails to substantially comply with the start and end dates given in the loan application as approved, and if the municipality cannot reasonably justify to the authority its lack of progress, the entire loan amount may become due and payable at the discretion of the authority.

Subp. 3. **Quarterly financial report.** A municipality shall submit to the authority, on forms provided by the authority, a quarterly financial status report that indicates expenditures of loan funds through the last date of each quarter. This report is due within 30 days of the end of each calendar quarter until the project is completed.

Subp. 4. **Final report.** Within 60 days of the completion of the project, the municipality shall submit to the authority, on forms provided by the authority, a final project status report and a financial status report that gives actual expenditures of the measures implemented.

Subp. 5. **Annual energy report.** The municipality shall submit to the commissioner of commerce, on forms provided by the authority, an annual energy use and energy expenditure report by fuel type. The report is due each October 31 for the duration of the loan contract period, or for a minimum of three years after project completion if the loan is paid in less than three years, unless the authority cancels this requirement before the end of the loan contract period.

7607.0170 MUNICIPAL ENERGY LOAN PROGRAM EVALUATION.

The authority shall evaluate the program's effectiveness in reducing the energy costs of participating municipalities. The municipalities shall provide the authority with information that is reasonably needed to conduct an evaluation of the loan program, including the reports required in part 8300.2507.

7607.0180 CLOSURE OF MUNICIPAL ENERGY LOAN ACCOUNT.

If the authority determines that the project that was approved for loan funds has been implemented, it shall authorize closure of the loan account upon full repayment.

7610.0300 WHO MUST FILE.

The following utilities must file the information required by parts 7610.0100 to 7610.0700: Northern States Power Company, Minnesota Power, Otter Tail Power Company, Interstate Power Company, Minnkota Power Cooperative, Cooperative Power Association, United Power Association and Dairyland Power Cooperative, and the Southern Minnesota Municipal Power Agency. Data that is compiled within the same calendar year for either an extended forecast or a certificate of need application may be substituted interchangeably to satisfy those portions of both sets of rules that have identical data requirements. For these cases, references to the material substituted and a copy of the appropriate reference material must be submitted to meet the reporting requirements.

7685.0100 AUTHORITY, APPLICABILITY, AND PURPOSE.

Subpart 1. **Authority.** The commissioner is authorized by Minnesota Statutes, section 446A.21, subdivision 2, to establish energy efficiency criteria for replacement cooling systems.

Subp. 2. **Applicability.** This chapter applies to all applications for loans for replacement of once-through cooling systems with environmentally acceptable cooling systems under Minnesota Statutes, section 446A.21.

Subp. 3. **Purpose.** Loans for replacement of once-through cooling systems with environmentally acceptable cooling systems under Minnesota Statutes, section 446A.21, must not be approved unless the system complies with the energy efficiency criteria of part 7685.0130.

7685.0120 DEFINITIONS.

Subpart 1. **Scope.** The definitions in this part apply to parts 7685.0100 to 7685.0140.

Subp. 2. **CFC.** "CFC" means a chlorofluorocarbon refrigerant.

Subp. 3. **Commissioner.** "Commissioner" means the commissioner of commerce.

Subp. 4. **Cooling efficiency.** "Cooling efficiency" means an expression of energy or energy performance in items A to C.

A. Kilowatts per ton (kW/ton) is the total electrical input (kW) divided by the net cooling capacity (in tons).

B. Coefficient of performance is the net cooling capacity divided by the energy input rate, when both are expressed in the same unit of measure.

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C. One ton of cooling capacity equals 12,000 Btu's per hour, or 3.516 kilowatts.

Subp. 5. **Once-through cooling system.** "Once-through cooling system" means a once-through system that has been issued a permit by the Department of Natural Resources to use in excess of 5,000,000 gallons of water annually from a groundwater source.

Subp. 6. **Once-through system.** "Once-through system" means a space heating, ventilation, air conditioning (HVAC), or refrigeration system used for any type of temperature or humidity control application, using groundwater that circulates through the system and is then discharged without reusing it for a higher priority purpose.

7685.0130 ENERGY EFFICIENCY CRITERIA.

Subpart 1. **Cooling efficiency.** All systems must meet the cooling efficiency criteria established in this subpart.

A. The cooling efficiency of a new centrifugal or rotary screw chiller must be 0.61 kW/ton or less (or equivalent if other energy sources are used) at standard rating conditions specified in ARI Standard 550-1992.

B. The cooling efficiency of a previously used (existing) centrifugal or rotary screw chiller that has been rebuilt or modified must be 0.70 kW/ton or less (or equivalent if other energy sources are used) at standard rating conditions specified in ARI Standard 550-1992.

C. The coefficient of performance of a new absorption chiller must be at least 0.90 at standard rating conditions specified in ARI Standard 560-1992.

D. The cooling efficiency of district cooling systems must be at least one kW/ton based on seasonal performance of the district cooling system.

Subp. 2. **Noncompliance of CFC systems.** A system using CFC refrigerants does not comply with the energy efficiency criteria of this part.

Subp. 3. **Cooling efficiency certification.** The cooling efficiency of a system must be certified by a mechanical engineer registered in Minnesota using data provided by the equipment manufacturer.

7685.0140 INCORPORATIONS BY REFERENCE.

Subpart 1. **Incorporated items.** The standards in items A and B are incorporated by reference.

A. ARI Standard 550-1992, Standard for Centrifugal and Rotary Screw Water-Chilling Packages.

B. ARI Standard 560-1992, Standard for Absorption Water Chilling and Water Heating Packages.

Subp. 2. **Availability.** The standards incorporated by reference are available for public inspection at the Minnesota State Law Library and through the Minitex interlibrary loan system. In addition, ARI standards are available through the Air-Conditioning & Refrigeration Institute, 4301 North Fairfax Drive, Suite 425, Arlington, VA 22203.