

revoke the license of the agency, manager or counselor.

Sec. 16. Minnesota Statutes 1971, Sections 184.31 and 184.39, are repealed.

Approved April 10, 1974.

CHAPTER 424—H.F.No.1192
[Coded]

An act relating to utilities; private and publicly owned companies; providing for regulations as to customer deposits.

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

Section 1. [325.637] UTILITIES; CUSTOMER DEPOSITS; REGULATIONS. Any customer deposit required before commencement of service by a privately or publicly owned water, gas, telephone, cable television, electric light, heat, or power company shall be subject to the following:

(a) Upon termination of service with all bills paid, the deposit shall be returned to the customer within 45 days, less any deductions made in accordance with paragraph (c).

(b) Interest shall be paid on deposits in excess of \$20 at the rate of six percent per year. The company may, at its option, pay the interest at intervals it chooses but at least annually, by direct payment, or as a credit on bills.

(c) At the time the deposit is made the company shall furnish the customer with a written receipt specifying the conditions, if any, the deposit will be diminished upon return.

(d) Advance payments or pre-payments shall not be construed as being a deposit.

Approved April 10, 1974.

CHAPTER 425—H.F.No.1382
[Coded in Part]

An act relating to insurance; deposits by domestic insurance companies; defining the kind of securities which domestic insurance companies must keep on deposit for the protection of policyholders; requiring all securities to be deposited in a state or national bank in Minnesota; amending Minnesota Statutes 1971, Sections

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60A.10, Subdivisions 1 and 4, and by adding a subdivision; 60A.19, Subdivision 5; 61A.41; 63.02; 65A.22; 66A.08, Subdivision 1; and 68A.01, Subdivision 3.

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

Section 1. Minnesota Statutes 1971, Section 60A.10, Subdivision 1, is amended to read:

60A.10 INSURANCE; DEPOSITS BY DOMESTIC COMPANIES.
Subdivision 1. DOMESTIC COMPANIES. (1) DEPOSIT AS SECURITY FOR ALL POLICYHOLDERS REQUIRED. No company in this state, other than fire, marine or fire and marine, hail, farmers' mutual, or real estate title insurance companies, shall do business in this state unless it has on deposit with the commissioner, ~~as security for all the protection of both its resident and nonresident policyholders, bonds or other obligations of, or bonds or other obligations insured or guaranteed by, this state, or of the United States, any of the municipalities of this state, or any agency or instrumentality of the foregoing, securities to~~ an amount, the actual market value of which, exclusive of interest, shall never be less than \$100,000 ; ~~which bonds or other obligations shall be retained by the commissioner and be disposed of as directed by law . Said securities shall be retained under the control of the commissioner as long as any policies of the depositing company remain in force as security for both resident and nonresident holders of its policies.~~

As long as any policies of the depositing company remain in force, the commissioner shall hold the deposit as security for all holders of its policies.

(2) SECURITIES DEFINED. For the purpose of this subdivision, the word "securities" shall mean bonds or other obligations of, or bonds or other obligations insured or guaranteed by, the United States, any state of the United States, any municipality of this state, or any agency or instrumentality of the foregoing.

(3) PROTECTION OF DEPOSIT FROM LEVY. No judgment creditor or other claimant may levy upon any securities held on deposit with, or for the account of, the commissioner. Upon the entry of an order by a court of competent jurisdiction for the rehabilitation, liquidation or conservation of any depositing company as provided in Minnesota Statutes, Chapter 60B, that company's deposit together with any accrued income thereon shall be transferred to the commissioner as rehabilitator, liquidator, or conservator.

Sec. 2. Minnesota Statutes 1971, Section 60A.10, Subdivision 4, is amended to read:

Subd. 4. SAFEKEEPING OF SECURITIES ON DEPOSIT. ~~The divisions of banking and insurance shall use, for the safekeeping of securi-~~

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ties; except such securities as may, for the convenience of the division of banking, be kept in places designated by the commissioner of banks, such space in the safety deposit vault in the office of the state treasurer as may be agreed upon and assigned to such divisions, respectively, by the state treasurer. No later than July 1, 1975, all securities held on deposit with the commissioner pursuant to the laws of this state, or in accordance with an order of the commissioner, shall be deposited for the account of the commissioner in such state or national bank in this state as the depositing insurer may designate and the commissioner may approve. Said deposits shall be made and maintained in accordance with a custodial agreement between the bank and the depositing insurer in a form approved by the commissioner which shall provide as a minimum that (1) the fees of the custodian are to be the obligation of the depositing insurer, and (2) there shall be no exchange, release or transfer of any deposited security unless the commissioner has assented thereto in writing.

Sec. 3. Minnesota Statutes 1971, Section 60A.10, is amended by adding a subdivision to read:

Subd. 6. RULES AND REGULATIONS. The commissioner of insurance shall have the power to make such rules and regulations as may be necessary for the execution of the functions vested in him by subdivisions 3 and 4.

Sec. 4. Minnesota Statutes 1971, Section 60A.19, Subdivision 5, is amended to read:

Subd. 5. PROVISION AS TO ALIEN COMPANIES. (1) DEPOSIT. Such company of any foreign country, except fraternal beneficiary associations, shall not be admitted until, besides complying with the foregoing requirements, it has made a deposit with the commissioner in accordance with section 60A.10, subdivision 4, or with the proper officer of some other state of the United States, of a sum not less than the ~~capital deposit~~ required of a like company by the laws of this state and this deposit shall be of the same class of securities and subject to the same limitations required for the deposit of domestic companies that must by law maintain a deposit.

This deposit shall be in exclusive trust for all its policyholders and creditors in the United States, and for all purposes of the insurance laws shall be deemed ~~its capital assets~~ of the company.

(2) TRUSTEES, INVESTMENTS AND FUNDS. Any company of a foreign country may duly appoint one or more citizens of the United States, approved by the commissioner, to hold funds or other property for the benefit of its policyholders and creditors therein. A certified copy of their appointment and of the instrument of trust shall be filed with the commissioner, who shall have the same authority in the premises as in the case of the affairs of all companies. These funds shall be invested in the same securities as required of other insurance compa-

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nies and, together with the deposits required, shall constitute the assets of the company in respect to its policyholders and creditors in the United States.

Sec. 5. Minnesota Statutes 1971, Section 61A.41, is amended to read:

61A.41 RESERVE FUND; RECIPROCAL PROVISIONS. Every domestic cooperative life or casualty corporation, society or association, except fraternal beneficiary association, which issues a certificate or policy, or makes an agreement with its members, by which, upon the decease of a member, more than \$200 is to be paid to, or benefit conferred upon, the legal representatives or designated beneficiary of such member, shall set aside ten percent of its gross premium receipts or assessments each year, as a reserve, until the same, together with any reserve already accumulated, shall amount to the sum of \$25,000.

Every domestic cooperative or assessment company transacting the business of life and health and accident insurance, which does not issue health and accident policies providing indemnity for disability from accident or disease in excess of \$750 on account of any one accident or illness, nor issues policies providing indemnity for disability from accident or illness in excess of \$750 on account of any one accident or illness and death indemnity of more than \$200, shall set aside as a reserve ten percent of its gross premium receipts or assessments each year until the same, together with any reserve already accumulated, shall amount to \$2,000, and shall thereafter set aside as a reserve five percent of its gross premium receipts or assessments each year until the same, together with any reserve already accumulated, shall amount to \$25,000.

Every domestic cooperative or assessment life insurance corporation, society or association, which issues a certificate or policy, or makes an agreement with its members, by which, upon the decease of a member, a funeral benefit is to be paid or funeral service is to be furnished, not exceeding \$200 in amount or value, shall set aside ten percent of its gross premium receipts or assessments each year as a reserve, until the same, together with any reserve already accumulated, shall amount to the sum of \$5,000, which reserve fund, accumulated as herein provided, shall be deposited with the commissioner in accordance with section 60A.10, subdivision 4, for the benefit of all its policyholders.

This deposit may consist of securities of the class in which insurance companies are authorized to invest under the laws of this state, and the company depositing the same shall be entitled to the income derived from the securities. No foreign insurance company upon the cooperative or assessment plan shall be permitted to transact business in this state unless it makes the deposit hereinbefore required of domestic companies, except that where, by the laws of the state under which the foreign company is organized, it is permitted to, and actu-

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ally does, maintain for the benefit of all its policyholders a deposit with some proper officer of that state of an amount equal to the deposit required by sections 61A.39 to 61A.42 and 61A.44 to 61A.50; the deposit with the other state shall be a sufficient compliance with the provisions of this section. No deposit of securities, other than that herein provided for, shall be required of any such cooperative or assessment company. Any company transacting the business of life insurance upon the cooperative or assessment plan, and creating and maintaining a greater reserve than herein provided for, may elect, by written stipulation, filed with the commissioner, to keep on deposit with the commissioner in accordance with section 60A.10, subdivision 4, its entire reserve and special benefit funds, other than mortuary funds; and thereafter the entire reserve and special benefit funds shall be deposited with the commissioner in accordance with section 60A.10, subdivision 4, in securities of like character and upon the same terms as provided herein for the deposit of the reserve required by this section.

Sec. 6. Minnesota Statutes 1971, Section 63.02, is amended to read:

63.02 APPLICATIONS, PERMIT TO SOLICIT. On receipt of articles of association the commissioner shall examine the same and, if he shall find that the objects and purposes are fully and definitely set forth and are within the provisions of sections 63.01 to 63.22, and that the name or title is not the same or does not so closely resemble a name or title in use as to have a tendency to mislead the public, approve the same, and upon deposit with him, as commissioner in accordance with section 60A.10, subdivision 4, of the sum of \$10,000 in cash, or in bonds of the character required for deposit by life insurance companies, to secure the performance by these persons and by the proposed corporation of their obligations, shall issue a permit to these persons to solicit applications for membership in the proposed association.

Sec. 7. Minnesota Statutes 1971, Section 65A.22, is amended to read:

65A.22 INVESTMENT OF SPECIAL RESERVE FUND. The special reserve fund shall be invested according to existing laws relating to investments of capital by fire insurance companies and shall be deposited, from time to time, as the same shall accumulate and be invested, with the commissioner in accordance with section 60A.10, subdivision 4, who shall permit the company depositing the same to change these deposits by substituting for those withdrawn others of equal amount and value, and to collect and receive the interest or dividends upon these securities as the same may accrue; and this fund shall not be regarded as any part of the assets in possession of the company, so as to be or render the same liable for any claim for loss by fire, or otherwise, except as provided in sections 65A.16 to 65A.25.

Sec. 8. Minnesota Statutes 1971, Section 66A.08, Subdivision 1, is

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amended to read:

66A.08 REQUIREMENTS. Subdivision 1. **CASUALTY LINES.** No mutual insurance company hereafter organized shall be licensed to transact any of the kinds of business specified in section 60A.06, subdivision 1, clauses (3), (5), (6), (8), (9), (10), (12), (13), and (14), except upon compliance with the following conditions:

(1) It shall have not less than 300 bona fide applications for policies of insurance of each kind sought to be written, signed by at least 300 members, covering at least 300 separate risks, each risk, within the maximum net single risk described herein and one year's premiums thereon paid in cash, and admitted assets of not less than \$100,000, which admitted assets shall not be less than five times the maximum net single risk, as herein defined, and shall have on deposit with the commissioner in accordance with section 60A.10, subdivision 4, as security for all of its policyholders, stock or bonds of this state or of the United States or bonds of any of the municipalities of this state, or personal obligations secured by first mortgage on real estate within this state worth, exclusive of buildings, the amount of the lien, and bearing interest of not less than three percent per annum, to an amount the actual market value of which, exclusive of interest, shall never be less than \$100,000.

No such company shall be authorized to insure against loss or damage by the bodily injury or death by accident of any person employed by the insured, for which the insured is liable under the workmen's compensation law, unless and until such company shall comply with the provisions of subdivision 4 herein;

(2) It shall not expose itself to any loss on any one risk or hazard, except as hereinafter provided, in an amount exceeding ten percent of its net assets, actual and contingent; such contingent assets being the aggregate amount of the contingent liability of its members for the payment of loss and expenses not provided for by its cash funds. Such contingent liability, for the purposes of this section, to be an amount not to exceed one annual premium as stated in the policy. No portion of any such risk or hazard which shall have been reinsured, as authorized by the laws of this state, shall be included in determining the limitation of risk prescribed by this section. For the purpose of transacting employers' liability and workmen's compensation insurance, each employee shall be considered a separate risk for determining the maximum single risk;

(3) It shall maintain unearned premiums and other reserves, separately for each kind of business, upon the same basis as that required of domestic stock insurance companies transacting the same kind of business;

(4) Except as herein expressly provided, it shall comply with all the provisions of the laws of this state relating to the organization and

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internal management of mutual fire insurance companies in so far as the same may be applicable and not inconsistent therewith.

Sec. 9. Minnesota Statutes 1971, Section 68A.01, Subdivision 3, is amended to read:

Subd. 3. **DEPOSIT OF GUARANTY FUND.** The securities in which the guaranty fund is invested shall be duly deposited with the commissioner in accordance with section 60A.10, subdivision 4, and his certificate thereof procured, as provided by law. This deposit shall be maintained unimpaired and the principal of the fund shall be applied only to the payments of losses and expenses by reason of its guaranty and insurance contracts, with the right to the company to collect the income thereof and to substitute other like securities of equal amount and value from time to time. In the case of a foreign insurer, the deposit may be made with the commissioner of the domicile state of such foreign insurer and his certificate thereof shall be accepted by the commissioner.

Approved April 10, 1974.

CHAPTER 426—H.F.No.1386
[Coded]

An act relating to insurance; requiring insurance agents to issue written memoranda with respect to new or altered insurance coverage; providing a penalty; amending Minnesota Statutes 1971, Section 60A.17, by adding a subdivision.

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

Section 1. Minnesota Statutes 1971, Section 60A.17, is amended by adding a subdivision to read:

Subd. 14. INSURANCE; ALTERING EXISTING POLICIES; WRITTEN BINDERS REQUIRED. Any insurance agent having express authority to bind coverage, who orally agrees on behalf of an insurer to provide insurance coverage, or to alter an existing insurance agreement, shall execute and deliver a written memorandum or binder containing the terms of the oral agreement to the insured within three business days from the time the oral agreement is entered into. The commissioner may suspend or revoke the license of any agent who fails to comply with this subdivision in accordance with the provisions of subdivisions 7, 8 and 9 of this section.

Approved April 10, 1974.

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