

tors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders. ~~Any indemnification under subdivision 2 must be ordered by a court.~~

Sec. 2. Minnesota Statutes 1978, Section 300.082, Subdivision 5, is amended to read:

Subd. 5. Expenses , including attorneys' fees, incurred in defending a civil or criminal action, suit, or proceeding may be paid by the corporation in advance of the final disposition of such the action, suit, or proceeding as authorized by the ~~board of directors in the manner provided in subdivision 4 upon receipt of an~~ undertaking by or on behalf of the director, officer, employee, or agent to repay such the amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this section.

Sec. 3. Minnesota Statutes 1978, Section 301.095, Subdivision 4, is amended to read:

Subd. 4. Any indemnification under subdivision 1 or 2, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subdivision 1 or 2. ~~Such The~~ determination shall be made (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such the action, suit, or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders. ~~Any indemnification under subdivision 2 must be ordered by a court.~~

Sec. 4. Minnesota Statutes 1978, Section 301.095, Subdivision 5, is amended to read:

Subd. 5. Expenses , including attorneys' fees, incurred in defending a civil or criminal action, suit, or proceeding may be paid by the corporation in advance of the final disposition of such the action, suit, or proceeding as authorized by the ~~board of directors in the manner provided in subdivision 4 upon receipt of an~~ undertaking by or on behalf of the director, officer, employee, or agent to repay such the amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this section.

Approved March 17, 1980

CHAPTER 353—S.F.No. 693

An act relating to insurance; excepting certain policies from readability requirements; limiting the applicability of readability requirement with respect to certain forms

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of insurance policies; permitting delays in compliance for certain forms of insurance policies; amending Minnesota Statutes 1978, Sections 72C.03; 72C.09; and 72C.11, Subdivision 1.

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

Section 1. Minnesota Statutes 1978, Section 72C.03, is amended to read:

72C.03 **SCOPE.** Except as otherwise specifically provided, sections 72C.01 to 72C.13 shall apply to all policies or contracts of direct insurance, issued by persons authorized at any time to transact insurance in this state and including nonprofit health service plan corporations under chapter 62C, health maintenance organizations under chapter 62D, assessment benefit associations under chapter 63, and fraternal beneficiary associations under chapter 64A. Sections 72C.01 to 72C.13 shall not apply to insurance as described in section 60A.20, subdivision 17, clauses (2) and (3), and the master contract for any policy of group insurance when the group consists of ten or more persons. Sections 72C.01 to 72C.13 shall not apply to policies or contracts issued prior to July 1, 1980 under which there is no unilateral right of the insurer to cancel, nonrenew, amend or change in any way, unless the policy or contract is amended or changed by mutual agreement of the parties. Sections 72C.01 to 72C.13 shall not apply to an insurance policy or contract which is a security subject to federal jurisdiction, nor shall they apply to a new policy or contract written in language other than English.

Sec. 2. Minnesota Statutes 1978, Section 72C.09, is amended to read:

72C.09 **FLESCH SCALE ANALYSIS READABILITY SCORE, PROCEDURES.** A Flesch scale analysis readability score shall be measured as provided in this section.

(1) For contracts containing 10,000 words or less of text, the entire contract shall be analyzed. For contracts containing more than 10,000 words the readability of two 200 word samples per page may be analyzed in lieu of the entire contract. The samples shall be separated by at least 20 printed lines. For purposes of this clause a word shall be counted as five printed characters or spaces between characters.

(2) (a)(i) The number of words and sentences in the text shall be counted and the total number of words divided by the total number of sentences. The figure obtained shall be multiplied by a factor of 1.015.

(ii) The total number of syllables shall be counted and divided by the total number of words. The figure obtained shall be multiplied by a factor of 84.6.

(iii) The sum of the figures computed under (i) and (ii) subtracted from 206.835 equals the Flesch scale analysis readability score for the policy or contract.

(b) For purposes of clause (a) the following procedures shall be used:

(i) A contraction, hyphenated word, or numbers and letters, when separated by spaces, shall be counted as one word:

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(ii) A unit of words ending with a period, semicolon or colon, but excluding headings, captions, and lists, shall be counted as a sentence; and

(iii) A syllable means a unit of spoken language consisting of one or more letters of a word as divided by an accepted dictionary. Where the dictionary shows two or more equally acceptable pronunciations of a word, the pronunciation containing fewer syllables may be used.

Sec. 3. Minnesota Statutes 1978, Section 72C.11, Subdivision 1, is amended to read:

72C.11 APPLICATION TO POLICIES, DATES; DUTIES OF THE COMMISSIONER. Subdivision 1. The filing requirements of section 72C.10 shall apply as follows:

(a) To all policies of private passenger vehicle insurance, as described in chapter 65B, and to all policies of homeowner's insurance as defined in the general custom and usage of the business or by a ruling of the commissioner or a court, which are made, issued, amended or renewed after July 1, 1979;

(b) To all policies of life insurance as defined in section 60A.06, subdivision 1, clause (4), to all certificates of a fraternal beneficiary association, as defined in section 64A.31, to all policies of accident and health insurance, as defined in section 60A.06, subdivision 1, clause (5), paragraph (a), to all subscriber contracts of nonprofit health service corporations as defined in section 62.02, and to all health maintenance contracts as defined in section 62D.02, which are made, issued, amended or renewed after July 1, 1980; the commissioner may grant delays of not more than one year in full or partial compliance of accident and health policies; and

(c) To all policies of any additional line or type of insurance within the scope of sections 72C.01 to 72C.13, as provided by any rule promulgated by the commissioner not later than July 1, 1981.

Approved March 17, 1980

CHAPTER 354—S.F.No. 998

An act relating to insurance; providing for cancellation of life insurance contracts providing benefits on a variable basis; amending Minnesota Statutes 1978, Sections 72A.51, Subdivision 3; and 72A.52.

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

Section 1. Minnesota Statutes 1978, Section 72A.51, Subdivision 3, is amended to read:

Subd. 3. With the exception of a variable annuity contract issued pursuant to sections 61A.13 to 61A.21, a person's cancellation of an insurance policy or

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