

community referrals will be funded by the division of vocational rehabilitation, will provide sheltered work and work activity, and will be certified under Minnesota Statutes, Chapter 129A.

Sec. 2. **EFFECTIVE DATE.**

This act is effective the day following final enactment.

Approved March 22, 1982

CHAPTER 555 — S.F.No. 1706

An act relating to insurance; modifying the definitions of insolvent insurer and a covered claim for purposes of the insurance guaranty association act; authorizing separate accounts for certain pension plans; broadening continuation and conversion privileges of survivors and former spouses; amending Minnesota Statutes 1980, Sections 62A.145; 62A.146; 62C.142; and 62D.101; Minnesota Statutes 1981 Supplement, Sections 60C.03, Subdivision 8; 60C.09, Subdivision 1; and 61A.282, Subdivision 2; 62A.21, Subdivisions 2a and 2b; proposing new law coded in Minnesota Statutes, Chapter 61A.

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

Section 1. Minnesota Statutes 1981 Supplement, Section 60C.03, Subdivision 8, is amended to read:

Subd. 8. "Insolvent insurer" means an insurer licensed to transact insurance in this state, either at the time the policy was issued, or when the insured event occurred, and against whom an order of liquidation with a finding of insolvency has been entered after ~~August 1, 1981~~ April 30, 1979 by a court of competent jurisdiction, in the insurer's state of domicile or of this state, under the provisions of chapter 60B, and which order of liquidation has not been stayed or been the subject of a writ of supersedeas or other comparable order.

Sec. 2. Minnesota Statutes 1981 Supplement, Section 60C.09, Subdivision 1, is amended to read:

Subdivision 1. **DEFINITION.** A covered claim is any unpaid claim, including one for unearned premium, which:

(a) Arises out of and is within the coverage of an insurance policy issued by a member insurer if ~~such~~ the insurer becomes an insolvent insurer after ~~August 1, 1981~~ April 30, 1979;

(b) Arises out of a class of business which is not excepted from the scope of Laws 1971, Chapter 145 by section 60C.02; and

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(c) Is made by:

(i) A policyholder, or an insured beneficiary under a policy, who, at the time of the insured event, was a resident of this state; or

(ii) A person designated in the policy as having an insurable interest in or related to property situated in this state at the time of the insured event; or

(iii) An obligee or creditor under any surety bond, who, at the time of default by the principal debtor or obligor, was a resident of this state; or

(iv) A third party claimant under a liability policy or surety bond, if: (a) the insured or the third party claimant was a resident of this state at the time of the insured event; (b) the claim is for bodily or personal injuries suffered in this state by a person who when he suffered the injuries was a resident of this state; or (c) the claim is for damages to real property situated in this state at the time of damage; or

(v) A direct or indirect assignee of a person who except for the assignment might have claimed under (i), (ii) or (iii).

Sec. 3. [61A.275] SEPARATE ACCOUNTS; PENSION PLANS.

Subdivision 1. ESTABLISHMENT. Any domestic life insurance company, by adoption of a resolution by its governing body, may establish one or more separate accounts and may allocate thereto, in accordance with the terms of a written agreement, any amounts which are paid to or held by the company in connection with a pension, retirement, or profit-sharing plan described under section 401, 414(d), or 457 of the Internal Revenue Code of 1954, as amended through December 31, 1981. In connection with the separate accounts, the company may issue, subject to the terms of the written agreement, group policies or contracts with benefits payable in fixed or variable amounts.

The assets held in a separate account pursuant to this section shall be owned by the company. The company shall not be, nor hold itself out to be, a trustee with respect to the assets.

Subd. 2. ALLOCATIONS, CREDITS, OR CHARGES. The income, if any, and gains or losses realized or unrealized on each separate account may be credited to or charged against the amount allocated to that separate account in accordance with the written agreement, without regard to the other income, gains, or losses of the company.

Subd. 3. TRANSFER OF ASSETS. No sale, exchange, or other transfer of assets may be made by a company between any of its separate accounts or between any other investment account and one or more of its separate accounts unless:

(1) in case of a transfer into a separate account, the transfer is made solely to establish the account or to support the contractual obligations of the company with respect to the separate account to which the transfer is made; or

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(2) in case of a transfer from a separate account, the transfer would not cause the remaining assets of the account to become less than the reserves and other contract liabilities with respect to that separate account. A transfer, whether into or from a separate account, shall be made by a transfer of cash, or by a transfer of securities having a readily determinable market value, if the transfer of securities is approved by the commissioner. The commissioner may approve other transfers among separate accounts if, in his or her opinion, the transfers would not be inequitable.

Except as the commissioner may otherwise approve, where a company transfers assets into a separate account for the purpose of establishing the account, the transfer shall be in the form of cash and shall be made only from its surplus. Not more than five percent of its surplus may be so invested in its separate accounts.

Subd. 4. APPLICATION OF INVESTMENT LAW. Notwithstanding any inconsistent provision in the company's charter or other law, the amounts allocated to separate accounts and accumulations thereon may be invested and reinvested in any class of loans and investments. The loans and investments shall not be included in applying any of the limitations provided in section 61A.28. However, unless otherwise approved by the commissioner, a portion of the assets of each separate account equal to the company's reserve liability with regard to the guaranteed benefits and funds, if any, shall be invested in accordance with the requirements otherwise applicable to the company's general assets.

Subd. 5. VALUATION OF ASSETS. Unless otherwise approved by the commissioner, assets allocated to a separate account shall be valued at their market value on the date of valuation, or if there is no readily available market, then as provided under the terms of the contract or the requirements or other written agreement applicable to the separate account. However, unless otherwise approved by the commissioner, a portion of the assets of each separate account equal to the company's reserve liability with regard to the guaranteed benefits and funds, if any, shall be valued in accordance with the requirements otherwise applicable to the company's general assets.

Subd. 6. OTHER LAWS. No separate account established pursuant to this section shall be subject to the provisions of sections 61A.13 to 61A.21, nor shall any of the provisions of this section be construed to have any application to separate accounts established pursuant to sections 61A.13 to 61A.21.

Sec. 4. Minnesota Statutes 1981 Supplement, Section 61A.282, Subdivision 2, is amended to read:

Subd. 2. **LENDING OF SECURITIES.** A company may loan securities held by it under this chapter to a broker-dealer registered under the Securities and Exchange Act of 1934 or to a bank which is a member of the Federal Reserve System. The market value of loaned securities outstanding at any one

time, excluding securities held in a separate account established pursuant to section 61A.14, subdivision 1 ~~or section 3~~, shall not exceed 50 percent of the company's capital and surplus as of the December 31 immediately preceding. Each loan must be evidenced by a written agreement which provides:

(a) that the loan will be fully collateralized by cash or obligations issued or guaranteed by the United States or an agency or an instrumentality thereof, and that the collateral will be adjusted each business day during the term of the loan to maintain the required collateral in the event of market value changes in the loaned securities or collateral;

(b) that the loan may be terminated by the company at any time, and that the borrower must return the loaned securities or their equivalent within five business days after termination;

(c) that the company has the right to retain the collateral or to use the collateral to purchase securities equivalent to the loaned securities if the borrower defaults under the terms of the agreement; and

(d) that the borrower remains liable for any losses and expenses, not covered by the collateral, which are incurred by the company due to default.

Sec. 5. Minnesota Statutes 1980, Section 62A.145, is amended to read:

62A.145 SURVIVORS OF DECEASED EMPLOYEE; DEFINITIONS
DEFINITION.

~~Subdivision 1. For the purposes of this section and section 62A.146, the terms defined in this section shall have the meanings here given them.~~

~~Subd. 2. "Covered employee" means any person who, at the time of his death, was employed by any employer providing, offering or contributing to group insurance coverage for that employee who was so enrolled for the coverage.~~

~~Subd. 3. "Group insurance" means any policy or contract of accident and health protection, regardless of by whom underwritten, paid for in full or in part by an employer, which provides benefits, including cash payments for reimbursement of expenses and the provision of usual and needed health care and medical services as the result of any injury, sickness, disability or disease suffered by a group of employees, or any one of them, and the dependents of such employees.~~

~~Subd. 4. "Employer" means any natural person, company, corporation, partnership, association or firm which employs any employee.~~

~~Subd. 5. "survivor" means any a person who would be entitled to and be dependent upon economic support by an employee insured, subscriber or enrollee if that employee he were alive; including any a spouse and/or, child or children as defined by the group insurance policy or plan of accident and health protection.~~

Sec. 6. Minnesota Statutes 1980, Section 62A.146, is amended to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

62A.146 GROUP INSURANCE; CONTINUATION OF BENEFITS TO SURVIVORS.

Every employer providing a policy or plan of accident and health protection and benefits for his employees, or any of them, and the dependents of such employees No policy or plan of accident and health protection issued by an insurer, nonprofit health service plan corporation, or health maintenance organization, providing coverage of hospital or medical expense on either an expense incurred basis or other than an expense incurred basis which in addition to coverage of the insured, subscriber, or enrollee, also provides coverage to his dependents, shall not, except upon the written consent of the survivor or survivors of any the deceased covered employee insured, subscriber or enrollee, terminate, suspend or otherwise restrict the participation in or the receipt of benefits otherwise payable under such the policy or plan of group insurance to such the survivor or survivors within one year of the covered employee's death until the earlier of the following dates:

- (a) The date of remarriage of the surviving spouse; or
- (b) The date coverage would have terminated under the policy or plan had the insured, subscriber, or enrollee lived.

Provided, however, that any The survivor or survivors, in order to have the coverage and benefits extended for such one year period, as herein provided, may be required to pay the entire cost of such the protection. Failure of the survivor to make premium or fee payments in advance to the employer within 30 days after notice of the requirement to pay the premiums or fees shall be a basis in itself for the termination of the coverage without the written consent heretofore required for such termination, but. In event of termination by reason of the survivor's failure to make required premium payments, if any or fee contributions, written notice of such cancellation must be sent by the policyholder by mail mailed to said the survivor's last known address at least 15 days prior to such before the cancellation. If the coverage is provided under a group policy or plan, any required premium or fee contributions for the coverage shall be paid by the survivor to the group policyholder or contract holder for remittance to the insurer, nonprofit health service plan corporation, or health maintenance organization.

Sec. 7. Minnesota Statutes 1981 Supplement, Section 62A.21, Subdivision 2a, is amended to read:

Subd. 2a. **CONTINUATION PRIVILEGE.** Every group policy described in subdivision 1 shall contain a provision which permits continuation of coverage under the policy for the insured's former spouse and dependent children upon entry of a valid decree of dissolution of marriage, if the decree requires the insured to provide continued coverage for those persons. The coverage may be continued until the earlier of the following dates:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(a) The date of remarriage of either the insured or the insured's former spouse; or

(b) The date coverage would otherwise terminate under the group policy.

If the coverage is provided under a group policy, any required premium contributions for the coverage shall be paid by the insured to the group policyholder for remittance to the insurer.

Sec. 8. Minnesota Statutes 1981 Supplement, Section 62A.21, Subdivision 2b, is amended to read:

Subd. 2b. **CONVERSION PRIVILEGE.** Every group policy described in subdivision 1 shall contain a provision allowing a former spouse and dependent children of an insured, without providing evidence of insurability, to obtain from the insurer at the expiration of any continuation of coverage required under subdivision 2a or section 62A.146, or upon termination of coverage by reason of an entry of a valid decree of dissolution which does not require the insured to provide continued coverage for the former spouse and dependent children, conversion coverage providing at least the minimum benefits of a qualified plan as prescribed by section 62E.06 and the option of a number three qualified plan, a number two qualified plan, a number one qualified plan as provided by section 62E.06, subdivisions 1 to 3, provided application is made to the insurer within 30 days following notice of the expiration of the continued coverage and upon payment of the appropriate premium. A policy providing reduced benefits at a reduced premium rate may be accepted by the former spouse and dependent children in lieu of the optional coverage otherwise required by this subdivision. The individual policy shall be renewable at the option of the former spouse as long as the former spouse is not covered under another qualified plan as defined in section 62E.02, subdivision 4, up to age 65 or to the day before the date of eligibility for coverage under Title XVIII of the Social Security Act, as amended. Any revisions in the table of rate for the individual policy shall apply to the former spouse's original age at entry, and shall apply equally to all similar policies issued by the insurer.

Sec. 9. Minnesota Statutes 1980, Section 62C.142, is amended to read:

62C.142 CONTINUATION AND CONVERSION PRIVILEGE PRIVILEGES FOR FORMER SPOUSE SPOUSES AND CHILDREN.

Subdivision 1. **TERMINATION OF COVERAGE.** No subscriber contract of a nonprofit health service plan corporation which, in addition to covering the subscriber, also covers the subscriber's spouse shall contain a provision for termination of coverage for a spouse covered under the subscriber contract solely as a result of a break in the marital relationship except by reason of an entry of a valid decree of dissolution of marriage between the parties.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 2. **CONVERSION PRIVILEGE.** Every subscriber contract, other than a contract whose continuance is contingent upon continued employment or membership, which contains a provision for termination of coverage of the spouse upon dissolution of marriage shall contain a provision to the effect that upon the entry of a valid decree of dissolution of marriage between the covered parties the spouse shall be entitled to have issued to him or her allowing a former spouse and dependent children of a subscriber, without providing evidence of insurability, upon application made to the corporation within 30 days following the entry of the decree and upon the payment of the appropriate fee, an individual subscriber contract. The contract shall provide the coverage then being issued by the corporation which is most nearly similar to, but not greater than, the terminated coverage. Any probationary or waiting period set forth in the conversion contract shall be considered as being met to the extent coverage was in force under the prior contract to obtain from the corporation at the expiration of any continuation of coverage required under subdivision 2a or section 62A.146, or upon termination of coverage by reason of an entry of a valid decree of dissolution which does not require the insured to provide continued coverage for the former spouse, an individual subscriber contract providing at least the minimum benefits of a qualified plan as prescribed by section 62E.06 and the option of a number three qualified plan, a number two qualified plan, a number one qualified plan as provided by section 62E.06, subdivisions 1 to 3, provided application is made to the corporation within 30 days following notice of the expiration of the continued coverage and upon payment of the appropriate fee. A subscriber contract providing reduced benefits at a reduced fee may be accepted by the former spouse and dependent children in lieu of the optional coverage otherwise required by this subdivision. The individual subscriber contract shall be renewable at the option of the former spouse as long as the former spouse is not covered under another qualified plan as defined in section 62E.02, subdivision 4, up to age 65 or to the day before the date of eligibility for coverage under Title XVIII of the Social Security Act, as amended. Any revisions in the table of rate for the individual subscriber contract shall apply to the former spouse's original age at entry, and shall apply equally to all similar contracts issued by the corporation.

Subd. 2a. **CONTINUATION PRIVILEGE.** Every subscriber contract, other than a contract whose continuance is contingent upon continued employment or membership, shall contain a provision which permits continuation of coverage under the contract for the subscriber's former spouse and children upon entry of a valid decree of dissolution of marriage, if the decree requires the subscriber to provide continued coverage for those persons. The coverage may be continued until the earlier of the following dates:

(a) The date of remarriage of either the subscriber or the subscriber's former spouse; or

(b) The date coverage would otherwise terminate under the subscriber contract.

Subd. 3. **APPLICATION.** ~~This section~~ Subdivision 1 applies to every subscriber contract which is delivered, issued for delivery, renewed or amended on or after the effective date of this section July 19, 1977.

Subdivisions 2 and 2a apply to every subscriber contract which is delivered, issued for delivery, renewed, or amended on or after August 1, 1982.

Sec. 10. Minnesota Statutes 1980, Section 62D.101, is amended to read:

62D.101 CONTINUATION AND CONVERSION PRIVILEGES FOR FORMER SPOUSES AND CHILDREN.

Subdivision 1. **TERMINATION OF COVERAGE.** No health maintenance contract which, in addition to covering an enrollee, also covers the enrollee's spouse shall contain a provision for termination of coverage for a spouse covered under the health maintenance contract solely as a result of a break in the marital relationship except by reason of an entry of a valid decree of dissolution of marriage between the parties.

Subd. 2. **CONVERSION PRIVILEGE.** Every health maintenance contract, other than a contract whose continuance is contingent upon continued employment or membership, which contains a provision for termination of coverage of the spouse upon dissolution of marriage shall contain a provision to the effect that upon the entry of a valid decree of dissolution of marriage between the covered parties the spouse shall be entitled to have issued to him or her allowing a former spouse and dependent children of an enrollee, without providing evidence of insurability, upon application made to the health maintenance organization within 30 days following the entry of the decree, and upon the payment of the appropriate fee, an individual health maintenance contract. The contract shall provide the coverage then being issued by the organization which is most nearly similar to, but not greater than, the terminated coverage. Any probationary or waiting period set forth in the conversion contract shall be considered as being met to the extent coverage was in force under the prior contract to obtain from the health maintenance organization at the expiration of any continuation of coverage required under subdivision 2a or section 62A.146, or upon termination of coverage by reason of an entry of a valid decree of dissolution which does not require the health maintenance organization to provide continued coverage for the former spouse, an individual health maintenance contract providing at least the minimum benefits of a qualified plan as prescribed by section 62E.06 and the option of a number three qualified plan, a number two qualified plan, a number one qualified plan as provided by section 62E.06, subdivisions 1 to 3, provided application is made to the health maintenance organization within 30 days following notice of the expiration of the continued coverage and upon payment of the appropriate fee. A contract providing reduced benefits at a reduced fee may be accepted by the former spouse and dependent children in lieu of the optional coverage otherwise required by this subdivision. The individual health maintenance contract shall be renewable at

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

the option of the former spouse as long as the former spouse is not covered under another qualified plan as defined in section 62E.02, subdivision 4, up to age 65 or to the day before the date of eligibility for coverage under Title XVIII of the Social Security Act, as amended. Any revisions in the table of rate for the individual contract shall apply to the former spouse's original age at entry, and shall apply equally to all similar contracts issued by the health maintenance organization.

Subd. 2a. **CONTINUATION PRIVILEGE.** Every health maintenance contract, other than a contract whose continuance is contingent upon continued employment or membership, shall contain a provision which permits continuation of coverage under the contract for the enrollee's former spouse and children upon entry of a valid decree of dissolution of marriage, if the decree requires the enrollee to provide continued coverage for those persons. The coverage may be continued until the earlier of the following dates:

(a) The date of remarriage of either the enrollee or the enrollee's former spouse; or

(b) The date coverage would otherwise terminate under the health maintenance contract.

Subd. 3. **APPLICATION.** This section Subdivision 1 applies to every health maintenance contract which is delivered, issued for delivery, renewed or amended on or after the effective date of this section July 19, 1977:

Subdivisions 2 and 2a apply to every health maintenance contract which is delivered, issued for delivery, renewed, or amended on or after August 1, 1982.

Sec. 11. **EFFECTIVE DATE.**

Sections 1 to 4 are effective the day following final enactment. Sections 5 to 10 are effective March 1, 1983.

Approved March 22, 1982

CHAPTER 556 — S.F.No. 1713

An act relating to transportation; providing for the coordination and regulation of special transportation services; amending Minnesota Statutes 1980, Sections 174.29 and 174.30.

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

Section 1. Minnesota Statutes 1980, Section 174.29, is amended to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.