

A bill for an act

relating to commerce; providing recovery of damages and attorney fees for breach of an insurance policy; permitting a deceased professional's surviving spouse to retain ownership of a professional firm that was solely owned by the decedent for up to one year after the death; amending Minnesota Statutes 2008, sections 319B.02, by adding a subdivision; 319B.07, subdivision 1; 319B.08; 319B.09, subdivision 1; 471.982, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 60A.

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

Section 1. **[60A.0811] BREACH OF INSURANCE POLICY; RECOVERY OF INTEREST.**

Subdivision 1. Definitions. For purposes of this section:

(1) "insurance policy" means a commercial or professional insurance policy or contract other than:

(i) a workers' compensation insurance policy or contract;

(ii) a health insurance policy or contract issued, executed, renewed, maintained, or delivered in this state by a health carrier as defined in section 62A.011, subdivision 2;

(iii) a life insurance or disability insurance policy or contract; or

(iv) a policy or contract issued by a township mutual fire insurance company or farmers mutual fire insurance company operating under chapter 65A or 67A;

(2) "insured" means any named insured, additional insured, or insured under an insurance policy; and

(3) "insurer" means an insurer:

(i) incorporated or organized in this state; or

(ii) admitted, authorized, or licensed to do business or doing business in this state but not incorporated or organized in this state. Insurer does not include the joint underwriting

association operating under chapter 62F or 62I; or a township mutual fire insurance company or farmers mutual fire insurance company operating under chapter 65A or 67A.

Subd. 2. **Interest.** (a) An insured who prevails in any claim against an insurer based on the insurer's breach or repudiation of, or failure to fulfill, a duty to provide services or make payments is entitled to recover 10 percent per annum interest on monetary amounts due under the insurance policy, calculated from the date the request for payment of those benefits was made to the insurer.

(b) Punitive damages or damages for nonmonetary losses are not recoverable under this section.

Subd. 3. **Application.** This section applies to a court action or arbitration proceeding, including an action seeking declaratory judgment.

EFFECTIVE DATE. This section is effective August 1, 2009, and applies to a cause of action existing on, or arising on or after that date.

Sec. 2. Minnesota Statutes 2008, section 319B.02, is amended by adding a subdivision to read:

Subd. 21a. **Surviving spouse.** "Surviving spouse" means a surviving spouse of a deceased professional as an individual, as the personal representative of the estate of the decedent, as the trustee of an inter vivos or testamentary trust created by the decedent, or as the sole heir or beneficiary of an estate or trust of which the personal representative or trustee is a bank or other institution that has trust powers.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to surviving spouses of professionals who die on or after that date.

Sec. 3. Minnesota Statutes 2008, section 319B.07, subdivision 1, is amended to read:

Subdivision 1. **Ownership of interests restricted.** Ownership interests in a professional firm may not be owned or held, either directly or indirectly, except by any of the following:

(1) professionals who, with respect to at least one category of the pertinent professional services, are licensed and not disqualified;

(2) general partnerships, other than limited liability partnerships, authorized to furnish at least one category of the professional firm's pertinent professional services;

(3) other professional firms authorized to furnish at least one category of the professional firm's pertinent professional services;

(4) a voting trust established with respect to some or all of the ownership interests in the professional firm, if (i) the professional firm's generally applicable governing law permits the establishment of voting trusts, and (ii) all the voting trustees and all the holders of beneficial interests in the trust are professionals licensed to furnish at least one category of the pertinent professional services; ~~and~~

(5) an employee stock ownership plan as defined in section 4975(e)(7) of the Internal Revenue Code of 1986, as amended, if (i) all the voting trustees of the plan are professionals licensed to furnish at least one category of the pertinent professional services, and (ii) the ownership interests are not directly issued to anyone other than professionals licensed to furnish at least one category of the pertinent professional services; and

(6) sole ownership by a surviving spouse of a deceased professional who was the sole owner of the professional firm at the time of the professional's death, but only during the period of time ending one year after the death of the professional.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to surviving spouses of professionals who die on or after that date.

Sec. 4. Minnesota Statutes 2008, section 319B.08, is amended to read:

319B.08 EFFECT OF DEATH OR DISQUALIFICATION OF OWNER.

Subdivision 1. **Acquisition of interests or automatic loss of professional firm status.** (a) If an owner dies or becomes disqualified to practice all the pertinent professional services, then either:

(1) within 90 days after the death or the beginning of the disqualification, all of that owner's ownership interest must be acquired by the professional firm, by persons permitted by section 319B.07 to own the ownership interest, or by some combination; or

(2) at the end of the 90-day period, the firm's election under section 319B.03, subdivision 2, or 319B.04, subdivision 2, is automatically rescinded, the firm loses its status as a professional firm, and the authority created by that election and status terminates.

An acquisition satisfies clause (1) if all right and title to the deceased or disqualified owner's interest are acquired before the end of the 90-day period, even if some or all of the consideration is paid after the end of the 90-day period. However, payment cannot be secured in any way that violates sections 319B.01 to 319B.12.

(b) If automatic rescission does occur under paragraph (a), the firm must immediately and accordingly update its organizational document, certificate of authority, or statement of foreign qualification. Even without that updating, however, the rescission, loss of

status, and termination of authority provided by paragraph (a) occur automatically at the end of the 90-day period.

Subd. 2. Terms of acquisition. (a) If:

(1) an owner dies or becomes disqualified to practice all the pertinent professional services;

(2) the professional firm has in effect a mechanism, valid according to the professional firm's generally applicable governing law, to effect a purchase of the deceased or disqualified owner's ownership interest so as to satisfy subdivision 1, paragraph (a), clause (1); and

(3) the professional firm does not agree with the disqualified owner or the representative of the deceased owner to set aside the mechanism, then that mechanism applies.

(b) If:

(1) an owner dies or becomes disqualified to practice all the pertinent professional services;

(2) the professional firm has in effect no mechanism as described in paragraph (a), or has agreed as mentioned in paragraph (a), clause (3), to set aside that mechanism; and

(3) consistent with its generally applicable governing law, the professional firm agrees with the disqualified owner or the representative of the deceased owner, before the end of the 90-day period, to an arrangement to effect a purchase of the deceased or disqualified owner's ownership interest so as to satisfy subdivision 1, paragraph (a), clause (1),

then that arrangement applies.

(c) If:

(1) an owner of a Minnesota professional firm dies or becomes disqualified to practice all the pertinent professional services;

(2) the Minnesota professional firm does not have in effect a mechanism as described in paragraph (a);

(3) the Minnesota professional firm does not make an arrangement as described in paragraph (b); and

(4) no provision or tenet of the Minnesota professional firm's generally applicable governing law and no provision of any document or agreement authorized by the Minnesota professional firm's generally applicable governing law expressly precludes an acquisition under this paragraph,

then the firm may acquire the deceased or disqualified owner's ownership interest as stated in this paragraph. To act under this paragraph, the Minnesota professional firm must within 90 days after the death or beginning of the disqualification tender to the representative of the deceased owner's estate or to the disqualified owner the fair value of the owner's ownership interest, as determined by the Minnesota professional firm's governance authority. That price must be at least the book value, as determined in accordance with the Minnesota professional firm's regular method of accounting, as of the end of the month immediately preceding the death or loss of license. The tender must be unconditional and may not attempt to have the recipient waive any rights provided in this section. If the Minnesota professional firm tenders a price under this paragraph within the 90-day period, the deceased or disqualified owner's ownership interest immediately transfers to the Minnesota professional firm regardless of any dispute as to the fairness of the price. A disqualified owner or representative of the deceased owner's estate who disputes the fairness of the tendered price may take the tendered price and bring suit in district court seeking additional payment. The suit must be commenced within one year after the payment is tendered. A Minnesota professional firm may agree with a disqualified owner or the representative of a deceased owner's estate to delay all or part of the payment due under this paragraph, but all right and title to the owner's ownership interests must be acquired before the end of the 90-day period and payment may not be secured in any way that violates sections 319B.01 to 319B.12.

Subd. 3. Expiration of firm-issued option on death or disqualification of holder.

If the holder of an option issued under section 319B.07, subdivision 3, paragraph (a), clause (1), dies or becomes disqualified, the option automatically expires.

Subd. 4. One-year period for surviving spouse of sole owner. For purposes of this section, each mention of "90 days," "90-day period," or similar term shall be interpreted as one year after the death of a professional who was the sole owner of the professional firm if the surviving spouse of the deceased professional owns and controls the firm after the death.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to surviving spouses of professionals who die on or after that date.

Sec. 5. Minnesota Statutes 2008, section 319B.09, subdivision 1, is amended to read:

Subdivision 1. **Governance authority.** (a) Except as stated in paragraph (b), a professional firm's governance authority must rest with:

(1) one or more professionals, each of whom is licensed to furnish at least one category of the pertinent professional services; or

6.1 (2) a surviving spouse of a deceased professional who was the sole owner of the
6.2 professional firm, while the surviving spouse owns and controls the firm, but only during
6.3 the period of time ending one year after the death of the professional.

6.4 (b) In a Minnesota professional firm organized under chapter 317A and in a foreign
6.5 professional firm organized under the nonprofit corporation statute of another state, at least
6.6 one individual possessing governance authority must be a professional licensed to furnish
6.7 at least one category of the pertinent professional services.

6.8 (c) Individuals who possess governance authority within a professional firm may
6.9 delegate administrative and operational matters to others. No decision entailing the
6.10 exercise of professional judgment may be delegated or assigned to anyone who is not a
6.11 professional licensed to practice the professional services involved in the decision.

6.12 (d) An individual whose license to practice any pertinent professional services is
6.13 revoked or suspended may not, during the time the revocation or suspension is in effect,
6.14 possess or exercise governance authority, hold a position with governance authority,
6.15 or take part in any decision or other action constituting an exercise of governance
6.16 authority. Nothing in this chapter prevents a board from further terminating, restricting,
6.17 limiting, qualifying, or imposing conditions on an individual's governance role as board
6.18 disciplinary action.

6.19 (e) A professional firm owned and controlled by a surviving spouse must comply
6.20 with all requirements of this chapter, except those clearly inapplicable to a firm owned
6.21 and governed by a surviving spouse who is not a professional of the same type as the
6.22 surviving spouse's decedent.

6.23 **EFFECTIVE DATE.** This section is effective the day following final enactment
6.24 and applies to surviving spouses of professionals who die on or after that date.

6.25 Sec. 6. Minnesota Statutes 2008, section 471.982, subdivision 3, is amended to read:

6.26 Subd. 3. **Exemptions.** Self-insurance pools established and open for enrollment
6.27 on a statewide basis by the Minnesota League of Cities Insurance Trust, the Minnesota
6.28 School Boards Association Insurance Trust, the Minnesota Association of Townships
6.29 Insurance and Bond Trust, or the Minnesota Association of Counties Insurance Trust
6.30 and the political subdivisions that belong to them are exempt from the requirements of
6.31 this section and ~~section~~ sections 65B.48, subdivision 3, and 60A.0811. In addition, the
6.32 Minnesota Association of Townships Insurance and Bond Trust and the townships that
6.33 belong to it are exempt from the requirement to hold the certificate of surety authorization
6.34 issued by the commissioner of commerce as provided in section 574.15.