

follows: A vacancy in the office held by a house member is filled by the last speaker of the house, or if he be not available, by the last chairman of the house rules committee; a vacancy in the office held by a senate member is filled by the last senate committee on committees or other appointing authority designated by the senate rules in case of a senate vacancy.

Subd. 3. **Expenses.** Members of the education commission serve without compensation for such service but are entitled to be paid their necessary expenses in carrying out their duties.

Sec. 3. [121.83] **Minnesota education council.** There is hereby established the Minnesota education council composed of the members of the education commission of the states representing this state, and 64 other persons, eight from each congressional district, appointed by the governor for terms coinciding with the term of the appointing governor. Such other persons shall be selected so as to be broadly representative of professional and lay interest within this state having the responsibilities for, knowledge with respect to, and interest in educational matters. The chairman shall be designated by the governor from among its members. The council shall meet on the call of the governor, but in any event the council shall meet not less than once in each year. The council may consider any and all matters relating to recommendations of the education commission of the states and the activities of the members in representing this state thereon. Members of the council serve without pay and without reimbursement for necessary expenses.

Sec. 4. [121.84] **Filing of bylaws.** Pursuant to article III (I) of the compact, the commission shall file a copy of its bylaws and any amendment thereto with the secretary of state.

Approved May 11, 1967.

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## CHAPTER 395—H. F. No. 678

[Coded]

*Relating to insurance; regulating insurance companies in the state of Minnesota; repealing Minnesota Statutes 1965, Sections 60.01 to 60.90, Section 60.91, Subdivision 1, Sections 60.92 to 60.954, Chapter 61, Chapter 62, Sections 64.01 to 64.36 and 64.37 to 64.63, Sections 65.01 to 65.20, Chapter 66, Sections 67.01 to 67.54, Sections 68.01 to 68.10, Section 70.50, Section 70.74, Sections 71.16 to 71.31, and Chapter 72.*

**Changes or additions indicated by italics, deletions by strikeout.**

Be it enacted by the Legislature of the State of Minnesota:

**ARTICLE I**  
**INSURANCE DIVISION**

**Section 1. Insurance Code of 1967. [60A.01] Scope.** This article includes the provisions relating to administration in general and the provisions applicable to insurance in general.

**Sec. 2. [60A.02] Definitions. Subdivision 1. Terms.** Unless the language or context clearly indicates that a different meaning is intended, the following terms shall, for the purposes of Article 1 to XII and Minnesota Statutes, Chapters 69, 70 and 73, have the meanings ascribed to them.

**Subd. 2. Commissioner.** "Commissioner" means the commissioner of insurance of the state of Minnesota and, in his absence or disability, his deputy or other person duly designated to act in his place.

**Subd. 3. Insurance.** "Insurance" is any agreement whereby one party, for a consideration, undertakes to indemnify another to a specified amount against loss or damage from specified causes, or to do some act of value to the assured in case of such loss or damage.

**Subd. 4. Company or insurance company.** "Company" or "insurance company" includes every insurer, corporation, business trust, or association engaged in insurance as principal.

**Subd. 5. Domestic.** "Domestic" shall designate those companies incorporated or organized in this state.

**Subd. 6. Foreign.** "Foreign," when used without limitations, shall designate those companies incorporated in any other state or country.

**Subd. 7. Insurance agent.** An "insurance agent" is a person acting under express authority from an insurer and on its behalf to solicit insurance, or to appoint other agents to solicit insurance, or to write and countersign policies of insurance, or to collect premiums therefor within this state, or to exercise any or all these powers when so authorized by the insurer.

**Subd. 8. Insurance solicitor.** An "insurance solicitor" is a person acting under express authority from an insurance agent to solicit insurance for such agent, but without the power or authority to issue or countersign policies for the insurer of which such agent is the duly authorized representative.

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Subd. 9. **Net assets.** "Net assets" means that portion of the excess of the entire assets of an insurance company over its entire liabilities, exclusive of capital, and inclusive of policy liability, available for the payment of its obligations, including capital stock in this state and including as assets deferred premiums on policies written within three months and actually in force; and, in the case of a mutual marine or fire and marine company, its subscription funds and premium notes not more than 30 days past due and uncollected. In the case of a mutual fire insurance company, there shall be included as assets premium notes absolutely payable within six months from date and given for policies actually in force, when such notes are not more than 30 days overdue. Unpaid guaranty fund subscriptions shall not be included as assets, and guaranty fund certificates upon which there is no liability of the company until all of its other obligations and liabilities are paid shall not be included as a liability.

Subd. 10. **Earned premiums.** "Earned premiums" includes gross premiums charged on all policies written, including all determined excess and additional premiums, less return premiums, other than premiums returned to policyholders as dividends, and less re-earned premiums and premiums on policies canceled, and less unearned premiums on policies in force. Any participating company which has charged in its premiums a loading solely for dividends shall not be required to include such loading in its earned premiums: provided, a statement of the amount of such loading has been filed and approved by the commissioner.

Subd. 11. **Unearned premiums, insurance reserve, net value policies, and premium reserve.** "Unearned premiums," "insurance reserve," "net value policies," and "premium reserve" severally refer to the liability of an insurance company upon its insurance contracts other than accrued claims computed by rules on valuation herein established.

Subd. 12. **Profits.** "Profits" of a mutual insurance company means that portion of its net earnings not required for payment of losses and expenses, nor set apart for any lawful purposes.

Subd. 13. **Loss payments and loss expense payments.** The terms "loss payments" and "loss expense payments" include all payments to claimants, including payments for medical and surgical attendance, legal expense, salaries and expenses of investigators, adjusters, and field men, rents, stationery, telegraph and telephone charges, postage, salaries and expenses of office employees, home office expenses, and all other payments made on account of claims, whether such payments shall be allocated to specific claims or unallocated.

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Subd. 14. **Compensation.** The term "compensation" relates to all insurance effected by virtue of statutes providing compensation to employees for personal injuries irrespective of fault of the employer.

Subd. 15. **Liability.** The term "liability" relates to all insurance, except compensation insurance, against loss or damage from accident to or injuries suffered by an employee or other person and for which the insured is liable.

Subd. 16. **Division of insurance.** "Division of Insurance" of the state of Minnesota also means Department of Insurance or Insurance Department.

Sec. 3. [60A.03] **Insurance commissioner.** Subdivision 1. **Commissioner; appointment; term; vacancy; bond.** The commissioner of insurance shall be appointed by the governor, by and with the advice and consent of the senate, for the term of six years, who shall hold office until his duly appointed successor shall have qualified. In case of a vacancy, it shall be filled for the unexpired portion of the term. Before entering upon the discharge of his duties, he shall take, subscribe, and file with the secretary of state the oath of office prescribed by the constitution, and give bond to the state, with sureties to be approved by the state treasurer, in the amount of \$25,000, conditioned for the faithful discharge of his duties during his continuance in office and for the payment without delay to the officer or person entitled by law thereto of all moneys which shall come into his hands by virtue thereof; and devote his entire time to the duties of his office.

Subd. 2. **Powers of commissioner.** (1) **Enforcement.** The commissioner shall have and exercise the power to enforce all the laws of this state relating to insurance, and it shall be his duty to enforce all the provisions of the laws of this state relating to insurance.

(2) **Department of commerce.** The commissioner shall have and possess all the rights and powers and perform all the duties heretofore vested by law in the commissioner of insurance, except that applications for registrations of securities and brokers' licenses under sections 80.05 to 80.27, and all matters pertaining to such registrations and licenses, application for the organization and establishment of new financial institutions under sections 45.04, 45.06, and 45.07, applications by insuring companies for licenses to carry on business within the state, and all matters pertaining to such licenses, and applications for the consolidation of insuring companies transacting business within the state, shall be determined by the com-

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missioner in the manner provided by the laws defining the powers and duties of the commissioner of banks, the commissioner of insurance, and the state securities commission, respectively, or, in the absence of any law prescribing the procedure, by such reasonable procedure as the commission, as defined in Chapter 45, may prescribe.

**Subd. 3. Commissioner may appoint. (1) Official staff.** The commissioner may appoint a deputy or assistant commissioner of insurance to assist him in his duties, an actuary, a chief examiner, a statistician, and such assistants to these employees and such stenographic and clerical help as may be required for the proper conduct of the division of insurance.

**(2) Duties of departmental officials.** In the absence or disability of the commissioner his duties shall be performed by the deputy or assistant commissioner of insurance. The actuary of the department shall, under the direction of the commissioner, make such valuation of life insurance policies as shall be necessary, from time to time, to the proper supervision of life insurance companies transacting business in this state, and shall perform such other actuarial duties, including the visitation and examination of insurance companies, as the commissioner may prescribe. The chief and assistant examiners shall, under the direction of the commissioner, devote their principal time to necessary or required examinations of insurance companies, and perform such other duties as the commissioner may prescribe. Other salaried employees of the division of insurance shall be under the direction of the commissioner and perform such duties, in connection with the division of insurance, as the commissioner may prescribe.

**(3) Consulting actuary, appointment and compensation.** The commissioner may, when he shall deem it necessary, appoint any experienced and competent professional insurance actuary to personally make or conduct, or assist in making or conducting, an examination of any insurance company admitted, or applying for admission, to do business in this state, on condition that the commissioner shall have previously filed with the secretary of state a written declaration designating such person, by name and address, as a consulting actuary of the division of insurance. In this case, the commissioner shall fix a reasonable compensation for the actuary on a per diem basis for the actual time employed in making or conducting, or assisting to make or conduct, the examination, which compensation, together with the amount of the necessary expenses actually incurred by the actuary, including expenses of any necessary appraisal or clerical assistance, shall be charged to the company and paid by it to the actuary.

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(4) **Appraiser, appointment and compensation.** The commissioner, when he shall deem it necessary, may appoint any qualified person to make an appraisal of any or all of the assets of any such company. Such person shall be paid for his services such reasonable fees as may be approved by the commissioner and he shall also be paid his necessary expenses actually incurred in connection with his services. Such compensation and expenses shall be paid by the company.

Subd. 4. **Examinations.** At least once in every three years, the commissioner shall, personally or by his deputy, actuary, examiners, or other salaried employees, visit each domestic insurance company, other than township mutual fire insurance companies, and carefully examine its affairs for the purpose of ascertaining its financial condition and ability to fulfill its obligations, and if it be complying with all the provisions of law. He may also make such examination at any other time as he shall have reason to believe such company is in an unsound condition, or that it is not conducting its business according to the provisions of law. He may also, personally or by his deputy, actuary, examiners, or other salaried employees, when he shall deem it necessary, make an appraisal of any or all of the company's assets. The commissioner, or person making the examination by his direction, shall have free access to all books and papers of any company, and of the books and papers of any of its agents, that may relate to its business, and may summon and examine under oath of its directors, officers, agents, trustees, or other persons, in relation to its affairs and condition. The commissioner may, in like manner, when he deems it necessary, make an examination of the affairs or an appraisal of any or all of the assets of any insurance company admitted, or applying for admission, to do business under the laws of this state.

Subd. 5. **Examination fees and expenses.** When any visitation, examination, or appraisal is made by the commissioner, his deputy, actuary other than a consulting actuary appointed under subdivision 3 (3) hereof, or chief examiner, the company so examined, including fraternal, township mutuals and reciprocal exchanges, shall pay a fee to the department of insurance of \$35 per day for each and every day necessarily occupied by such a person, and each one thereof, in making the examination, or in making an appraisal of any of the assets of the company. When the visitation, examination, or appraisal is made, or engaged in, by any other person regularly employed in the division of insurance and receiving a salary from the state, the company so examined, including fraternal, township mutuals and reciprocal exchanges, shall pay as fees to the division of insurance the sum of \$25 per day for each and every day

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necessarily occupied by such other person, and each one thereof, in making or assisting to make the examination, or in making an appraisal of any of the assets of the company. In addition to the fees mentioned herein, the company so examined shall also pay to the division of insurance the necessary expenses of any such person so engaged in connection with any such examination or appraisal. All of these fees and expenses shall be accounted for and turned in to the state treasury. The necessary expenses of any such person or persons so engaged in connection with any such examination or appraisal shall be paid by the state treasurer to any such person so engaged in connection with the examination or appraisal, upon vouchers of the same, on condition that such expenses shall have been previously charged to such company so examined.

**Subd. 6. Examination revolving fund. (1) Revolving fund created.** There is hereby created the insurance division examination revolving fund for the purpose of carrying on the examination of foreign and domestic insurance companies.

**(2) Moneys in revolving fund.** Such fund shall consist of the \$7,500 appropriated therefor and the moneys transferred to it as herein provided, which are reappropriated to the commissioner of insurance for the purpose of this subdivision.

**(3) Fund to be kept in state treasury.** Such fund shall be kept in the state treasury and shall be paid out in the manner prescribed by law for moneys therein.

**(4) Purposes for which fund may be expended.** Such fund shall be used for the payment of per diem salaries and expenses of special examiners and appraisers, and the expenses of the commissioner of insurance, deputy commissioner of insurance, chief examiner, actuary other than a consulting actuary appointed under subdivision 3 (3) hereof, regular salaried examiners and other employees of the insurance division when participating in examinations. Expenses include meals, lodging, laundry, transportation, and mileage. The salary of regular employees of the division of insurance shall not be paid out of this fund.

**(5) Collections to be deposited in fund.** All moneys collected by the division of insurance from insurance companies for fees and expenses of examinations, shall be deposited in the insurance division examination revolving fund.

**(6) Payments from such fund.** Upon authorization by the commissioner of insurance, the moneys due each examiner or employee engaged in an examination shall be paid to him from the in-

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surance division examination revolving fund in the manner prescribed by law.

(7) **Excess over \$7,500 canceled into general revenue fund.** The balance in such fund on June 30 of each year in excess of \$7,500 shall be forthwith canceled into the general revenue fund.

Subd. 7. **Reports by commissioner.** (1) **Biennial reports.** The biennial report of the commissioner shall include a statement of the receipts and expenditures of his division, a statement of the financial condition and business transactions of the several insurance companies doing business in the state, as disclosed by official examinations and by their annual statements, the condition of the receiverships of insolvent companies, and such other information as he thinks proper. The report shall be made to the governor on or before October 1 in each even numbered year for the preceding two fiscal years. The governor shall transmit the report to the legislature as soon as practicable.

(2) **Requirements as to receivers when commissioner is not the receiver.** The commissioner, or his deputy, annually, or oftener when deemed necessary, shall examine the transactions and accounts of all assignees and receivers of insolvent companies, and also the accounts of such assignees or receivers referred to him under the provisions of Articles I to XII and Minnesota Statutes, Chapters 69 and 70, and, in each case, shall make report thereof to the court. For this purpose, he or his deputy, shall have free access to the official papers of such assignees or receivers relative to their transactions, and may examine them under oath as to all matters connected therewith. When, in his opinion, any assignee or receiver has violated his official duty, or further proceedings to collect an assessment will not afford substantial relief to creditors, he shall report the facts to the court.

All accounts of receivers or assignees of insolvent companies rendered to the district court shall be referred to the commissioner before allowance for examination and report thereon and, at the completion of their duties, they shall deposit with him all books, records, and papers relating to the insolvency.

Subd. 8. **Computation of net value; life insurance.** (1) **Domestic insurers.** The commissioner shall compute, yearly, the net value of all outstanding policies in every company authorized to insure lives in this state, calculated upon the basis stated in section 25 of article II.

(2) **Foreign insurers.** The commissioner may accept the valuation made by the insurance commissioner of the state under

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whose authority a life company was organized, when that valuation has been made on sound and recognized principles and on the legal basis provided in section 25 of article II, or its equivalent, when furnished with a certificate of that commissioner setting forth that value on the last day of the preceding year. Every such life company which fails to promptly furnish this certificate shall, on demand, furnish the commissioner detailed lists of all its policies and securities, and shall be liable for all charges and expenses resulting therefrom.

Sec. 4. **[60A.04] Rehabilitation and liquidation act.**  
Subdivision 1. **Application of subdivision.** This section applies to all corporations, associations, societies, orders, partnerships, individuals, and aggregations of individuals, including specifically but not exclusively, reciprocals, inter-insurance exchanges, fraternal beneficiary associations, and township mutual fire insurance companies, to which any section of the insurance laws of this state is applicable, which are subject to examination or supervision under any section of the insurance laws of this state or under this section, or which are doing or attempting to do or representing that they are doing the business of insurance in this state, or which are in process of organization for the purpose of or intending to do such business therein.

Subd. 2. **Definitions.** (1) Unless the language or context clearly indicates that a different meaning is intended, the words, terms, and phrases defined in subdivision 2, clauses (2), (3) and (4), for the purpose of this section, shall be given the meanings subjoined to them.

(2) "Insurer" includes all corporations, associations, societies, orders, partnerships, individuals, and aggregations of individuals named in subdivision 1 which are engaged in the business of insurance as principal.

(3) "Assets" includes all property, deposits, and funds, including special and trust funds.

Subd. 3. **Rehabilitation of domestic insurers.** The commissioner may apply, in accordance with the provisions of subdivision 22, for an order directing him to rehabilitate a domestic insurer on one or more of the following grounds; that such insurer

- (1) Is insolvent,
- (2) Has refused to permit the examination of its books, papers, accounts or affairs by the commissioner of his deputy or his examiners,
- (3) Has neglected or refused to observe an order of the

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commissioner to make good within the time and to the extent prescribed by law any deficiency, whenever its capital or reserves shall have become impaired,

(4) Has, by contract, of reinsurance or otherwise, transferred or attempted to transfer substantially its entire property or business, or entered into any transaction the effect of which is to merge substantially its entire property or business in the property or business of any other insurer, without having first complied with the provisions of section 16 and subdivision 5 of section 9, or obtained the approval of the commerce commission pursuant to the provisions of clause (2) of subdivision 2 of section 3,

(5) Is found, after an examination, to be in such condition that its further transaction of business will be hazardous to its policyholders, or to its creditors, or to the public.

(6) Has wilfully violated its charter or any law of the state,

(7) Has an officer who has refused to be examined under oath, touching its affairs,

(8) *Has ceased to transact business for a period of five years,*

(9) Has commenced or attempted to commence or prosecute any action or proceeding to liquidate its business or affairs, or to dissolve its corporate charter, or to procure the appointment of a receiver, custodian, or sequestrator under any law except this article,

(10) Has been the subject of an application for the appointment of a receiver, custodian or sequestrator of the insurer or its property, or if a receiver, custodian or sequestrator, is appointed by a federal court or such appointment is imminent,

(11) Has consented to such an order through a majority of its directors, stockholders, or members, or

(12) Has not organized or obtained a certificate authorizing it to commence the transaction of its business as provided by law.

Subd. 4. **Order to rehabilitate.** An order to rehabilitate a domestic insurer shall direct the commissioner forthwith to take possession of the property of such insurer and to conduct the business thereof, and to take such steps toward the removal of the causes and conditions which have made such proceeding necessary as the court directs.

Subd. 5. **Commissioner may apply for order of liquidation.** At any time the commissioner deems that further efforts to rehabili-

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tate such insurer will be futile, he may apply to the court for an order of liquidation.

**Subd. 6. Grounds for liquidation.** The commissioner may apply, in accordance with subdivision 22, for an order directing him to liquidate the business of a domestic insurer upon one or more of the grounds specified in subdivision 3, regardless of whether or not there has been a prior order directing him to rehabilitate such insurer.

**Subd. 7. Commissioner to take possession of property.**

(1) An order to liquidate the business of a domestic insurer shall direct the commissioner forthwith to take possession of the property of such insurer, liquidate its business, and deal with the property and business of such insurer in his own name as commissioner, or in the name of the insurer, as the court directs, and to give notice to all creditors who may have claims against such insurer to present the same within a specified time.

(2) The commissioner shall be vested by operation of law with the title to all of the property, contracts, and rights of action of such insurer as of the date of the order to liquidate. The filing for record of a certified copy of such order in the office of the register of deeds of the county in which the order is obtained shall impart the same notice that a deed, bill of sale or other evidence of title duly filed or recorded by such insurer imparts. The rights and liabilities of any such insurer and of its creditors, policyholders, stockholders, members, and other persons interested in its estate shall, unless otherwise directed by the court, be fixed as of the date of the entry of such order in the office of the clerk of the district court of the county wherein obtained.

**Subd. 8. May apply to court for order of termination.** The commissioner, or any interested person after due notice to the commissioner, may apply to the court for an order terminating the rehabilitation or liquidation of an insurer and permitting such insurer to resume possession of its property and conduct its business. Such order shall be granted if, after hearing, the court determines that the purposes of the proceeding have been accomplished.

**Subd. 9. Grounds for conserving assets.** The commissioner may apply, in accordance with the provisions of this section, for an order directing him to conserve the assets within the state of a foreign insurer upon one or more of the grounds specified in subdivision 3, clauses (1) to (7), or upon the ground that such foreign insurer has been placed in the hands of a receiver, or has had its property sequestered in any other country or state.

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Subd. 10. **Commissioner to take possession.** An order to conserve the assets of a foreign insurer shall direct the commissioner forthwith to take possession of the property of such insurer and conserve the same, subject to the further direction of the court. The rights and duties of the commissioner with reference to such insurer and its assets, shall be those heretofore exercised by and imposed upon receivers of foreign corporations in this state.

Subd. 11. **Uniformity of rehabilitation.** The purpose of subdivisions 11 to 20 is to promote uniformity in the rehabilitation, reorganization, or liquidation of insurers doing business in more than one state. It is intended that such subdivisions shall be liberally construed to the end that as far as possible the assets of such insurers shall be equally and uniformly conserved in all states and that claimants against such insurers shall receive equal and uniform treatment irrespective of places of their residence or of the acts or contracts upon which their claims are based.

Subd. 12. **What is reciprocal state.** For the purposes of subdivisions 11 to 20, a "reciprocal state" is hereby defined to mean a state wherein

(1) It is provided by law that the insurance division or other administrative agency of the state shall conduct or wind up the affairs of delinquent insurers under judicial supervision and shall be vested with title to all of the assets of any domestic insurer therein against which a delinquency proceeding has been commenced, and

(2) In substance and effect the provisions of subdivisions 11 to 20 are in force.

Subd. 13. **Order shall apply to the administration by the commissioner.** In addition to and notwithstanding any other provisions of law, subdivisions 11 to 20 shall apply to the administration by the commissioner of the affairs of delinquent domestic insurers with respect to matters affecting or related to reciprocal states and shall also apply to matters affecting or related to this state in the administration by the commissioner of the affairs of delinquent insurers domiciled in reciprocal states and authorized to transact business in this state.

Subd. 14. **Claims to be filed in this state.** In a proceeding for the rehabilitation, reorganization, or liquidation of a domestic insurer begun in this state, claimants who reside, or whose claims are based upon acts of or contracts with such insurer, in a reciprocal state, shall file their claims in this state pursuant to the laws of this state, but may prove their claims in such reciprocal state. The court in charge of the proceeding in this state shall, if necessary, appoint

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one or more referees before whom such claims may be proved in such reciprocal state.

**Subd. 15. Preference laws not recognized.** In such proceeding against a domestic insurer no law of such reciprocal state regulating and providing for preferences against the general assets of such insurer shall be recognized with respect to the distribution of assets of such insurer regardless of where they may be located, provided the claimants against such insurer in such reciprocal state shall be entitled to receive all preferences allowed by the laws of this state to residents of this state or to claimants against such insurer in this state.

**Subd. 16. Purpose of special deposits.** The purposes of special deposits of delinquent domestic insurers made in reciprocal states or of bonds given in lieu of deposits in such states shall be recognized where legal. The commissioner shall apply to courts of competent jurisdiction in reciprocal states for permission to administer such deposits or the proceeds of such bonds in accordance with such purposes and give the security for faithful performance required by such courts.

**Subd. 17. Secured and unsecured creditors.** In the liquidation of the general assets of delinquent domestic insurers, unsecured creditors shall be preferred to secured creditors to the extent necessary to equalize the advantage gained by virtue of such security. The following shall be treated as secured claims for the purpose of this section.

- (1) Claims secured by adequate process of law or by lien;
- (2) Claims secured individually by deposit or money, securities or other property; by money, securities or other property held in escrow or in trust; or by bond;
- (3) Claims secured generally by deposit or bond to secure the payment of claims of a particular class, but this provision does not include claims which are secured by deposit or bond for the benefit of all claimants of the company within the United States;
- (4) Claims which have been filed with a receiver or liquidator not ancillary to the proceeding in this state.

Any or all of the above shall be treated as unsecured claims, provided all rights to the specific security have been surrendered or the assets in the possession of a non-ancillary receiver or liquidator have been transferred to the commissioner.

**Subd. 18. Title to assets.** When a proceeding for rehabili-

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tation, reorganization, or liquidation is commenced in a reciprocal state against an insurer domiciled in such state and doing business in this state, title to all of the assets of such insurer, except special deposits, as hereinafter provided, then located in this state shall vest in the insurance supervisory or other administrative agency of such reciprocal state. Thereafter no action or proceeding against such insurer or such assets, except such special deposits, shall be commenced or continued in the courts of this state unless initiated, or consented to, by such insurance supervisory or other administrative agency of such reciprocal state.

Subd. 19. **Special deposits.** Except where it is expressly contrary to the terms of a special deposit or of a bond made in lieu of a deposit in this state of a delinquent insurer domiciled in a reciprocal state, on proper application depositaries shall be directed by a court of competent jurisdiction of this state to transfer the deposit or the proceeds of any bond given in lieu of deposit and all rights thereunder to the insurance supervisory or other administrative agency of the reciprocal state provided that such insurance supervisory or other administrative agency gives proper security for the faithful administration of such funds in accordance with the terms of the trust.

Subd. 20. **General assets.** The general assets, located in this state, of a delinquent insurer domiciled in a reciprocal state shall be administered by the insurance supervisory or other administrative agency of such reciprocal state as if such assets were located in such reciprocal state.

Subd. 21. **Order for dissolution.** The commissioner may apply for an order dissolving the corporate existence of a domestic insurer;

(1) Upon his application for an order of liquidation of the business of such insurer, or at any time after such an order has been granted; or

(2) Upon the grounds specified in subdivision 3, clauses (1) and (12), regardless of whether an order of rehabilitation is sought or has been obtained.

Subd. 22. **Proceedings commenced by application to the district court.** The commissioner shall commence any proceeding under this section by an application to the district court of the county in which the principal office of the insurer involved is located, if a domestic insurer, and in the district court of Ramsey county in all other cases, for an order directing such insurer to show cause why the commissioner should not have the relief prayed for. On the re-

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turn of such order to show cause, and after a full hearing, which shall be held by the court without delay, such court shall either deny the application or grant the same together with such other relief as the nature of the case and the interest of policyholders, creditors, stockholders, members, or the public may require.

**Subd. 23. Process to be served upon insurer.** The order to show cause and the papers upon which the same is made in any proceeding under this section shall be served upon the insurer named in such order in the manner provided by law for the service of civil process. Reciprocal and interinsurance exchanges and their attorneys in fact shall be served in the manner provided by section 2, subdivision 3, of article XI.

**Subd. 24. Temporary injunction may be granted.** When it appears by the application for the order to show cause referred to in subdivision 23 that the commissioner is entitled to the relief demanded, a temporary injunction may be granted restraining the insurer named in the application, its officers, directors, stockholders, members, trustees, agents, servants, employees, policyholders, attorneys, managers, and all other persons, from the transaction of its business or the waste or disposition of its property until the further order of the court. Such injunction may be granted at the time of commencing the proceeding or at any time afterwards during the pendency thereof, and during the pendency of the proceeding the court may issue such other injunctions or orders as may be deemed necessary to prevent interference with the commissioner or the proceeding, or waste of the assets of the insurer, or the prosecution of any actions, or the obtaining of preferences, judgments, attachments, or other liens or the making of any levy against the insurer or against its assets or any part thereof. Such injunctions shall be granted only upon motion or order to show cause but the insurer and other persons named in this subdivision may be restrained by order until the decision of the court or judge granting or refusing the same. Any such injunction shall be granted upon it appearing satisfactorily to the judge, by affidavit, that sufficient grounds exist therefor. A copy of the affidavit must be served with the injunction.

**Subd. 25. Offices may be removed to St. Paul, Minnesota.** At any time after the commencement of a proceeding under this section, the commissioner may with the approval of the court remove the principal office of the insurer to the city of St. Paul, Minnesota. In the event of such removal, the court may, upon the application of the commissioner, direct the clerk of the district court of the county wherein such proceeding was commenced, to transmit all papers filed with such clerk to the clerk of the district court of Ramsey county,

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and the proceeding shall thereafter be conducted as though commenced in Ramsey county.

**Subd. 26. Commissioner may make rules.** For the purpose of giving effect to this section, the commissioner shall have the power, subject to the approval of the court, to make and prescribe such rules and regulations as to him seem necessary and proper.

**Subd. 27. Commissioner may appoint special deputy.** For the purposes of this section, the commissioner may appoint special deputy commissioners of insurance as his agents, employ such clerks and assistants as are necessary, and give each of such persons such powers to assist him as he deems advisable. The compensation of such special deputies, clerks, and assistants and all expenses of conducting any proceeding under this section shall be fixed by the commissioner, subject to the approval of the court, and, on certificate of the commissioner, be paid out of the funds or assets of the insurer involved.

**Subd. 28. Powers and duties of commissioner and deputies.**  
(1) In the discharge of the duties imposed by this section the commissioner, his deputy, or any special deputy appointed pursuant hereto, shall have power to administer oaths and affirmations, take deposition, certify to official acts, and issue subpoenas to compel the attendance of witnesses and the production of books, papers, correspondence, memoranda, and other records deemed necessary as evidence in connection with a disputed claim or the administration of the section.

(2) In case of contumacy by, or refusal to obey a subpoena issued to any person, any court of this state within the jurisdiction of which the inquiry is carried on or within the jurisdiction of which said person guilty of contumacy or refusal to obey is found or resides or transacts business, upon application by the commissioner, his deputy, or special deputy, shall have jurisdiction to issue to such person an order requiring such person to appear before the commissioner, or his deputy, there to produce evidence if so ordered or there to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by said court as a contempt thereof.

**Subd. 29. Evidence.** No person shall be excused from attending and testifying or from producing books, papers, correspondence, memoranda, and other records before the commissioner or his deputy, or special deputy or in obedience to the subpoena of the commissioner, his deputy, or special deputy, on the grounds that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture;

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but no individual shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination to testify or produce evidence, documentary or otherwise, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

Subd. 30. **Deposit of funds.** The moneys collected by the commissioner in a proceeding under this section shall be from time to time deposited in one or more state or national banks, savings banks, or trust companies, and in the case of the insolvency or the voluntary or involuntary liquidation of the depository, such deposits shall be entitled to priority of payment on an equality with any other priority given by the banking law. Such money may be deposited in a national bank or trust company as a trust fund.

Subd. 31. **Liens; when created.** Any transfer of, or lien upon, the property of an insurer made or created within three months prior to the granting of an order to show cause under this section with intent to give to any creditor, or of enabling him to obtain, a greater percentage of his debt than any other creditor of the same class which is accepted by such creditor having reasonable cause to believe that such a preference will occur, is voidable.

Subd. 32. **Officers directly liable in certain cases.** Each director, officer, employee, stockholder, member, or other person acting knowingly on behalf of such insurer concerned in making any transfer or creating any lien made voidable by subdivision 31, is personally liable therefor and is bound to account to the commissioner as liquidator.

Subd. 33. **Commissioner may avoid transfers.** The commissioner as liquidator may avoid any transfer of, or lien upon, the property of an insurer which any creditor, stockholder, or member of such insurer might have avoided and receive the property so transferred, or its value, from the person to whom it was transferred unless he was a bona fide holder for value prior to the date of the entry of the order of liquidation.

Subd. 34. **Wages to have priority.** All wages actually owing to employees of an insurer, against whom a proceeding under this section is commenced, for services rendered within three months prior to the commencement of such proceeding, not exceeding \$300 to an employee, shall be paid prior to the payment of other debts or claims and, subject to the direction of the court, as soon as possible after the proceedings have been commenced. Sufficient funds shall be reserved at all times for the expenses of administration.

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**Subd. 35. Mutual debits and credits.** In all cases of mutual debits or mutual credits between the insurer and another person, such credits and debits shall be set-off and the balance only allowed or paid. No set-off shall be allowed in favor of any such person, where:

(1) The obligation of the insurer to such person would not then entitle him to share as a claimant in the assets of such insurer; or

(2) The obligation of the insurer to such person was purchased by or transferred to such person with a view of its being used as a set-off; or

(3) The obligation of such person is to pay an assessment levied against the members of a mutual insurer or to pay a balance upon a subscription to the capital stock of a stock corporation insurer.

**Subd. 36. Commissioner may dispose of assets.** The commissioner may, subject to the approval of the court:

(1) Sell or otherwise dispose of the real and personal property, or any part thereof, of an insurer against whom a proceeding has been brought under this section.

(2) Sell or compound all doubtful or uncollectible debts or claims owed by or owing to such insurer, including claims based upon an assessment levied against a member of a mutual insurer; provided, that when the amount of any such debt or claim owed by or owing to such insurer does not exceed \$200, the commissioner may compromise or compound the same upon such terms as he deems for the best interest of such insurer without obtaining the approval of the court.

**Subd. 37. May borrow money.** For the purpose of facilitating the rehabilitation, liquidation, conservation, or dissolution provided for by this section, the commissioner may, subject to the approval of the court, borrow money and execute, acknowledge, and deliver notes or other evidences of indebtedness therefor and secure the repayment of the same by the mortgage, pledge, assignment, transfer in trust, or hypothecation of any or all of the property of an insurer against whom a proceeding has been brought under this section, and the commissioner, subject to the approval of the court, may take any and all other action necessary and proper to consummate any such loans and provide for the repayment thereof. The commissioner shall be under no obligation personally or in his official capacity as commissioner of insurance to repay any loan made pursuant to this subdivision.

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Subd. 38. **Commissioner to make report to court.** Within one year from the date of the entry of an order of rehabilitation or liquidation of a domestic mutual insurer in the office of the clerk of the district court of the county in which such insurer had its principal office, the commissioner shall make a report to the court setting forth:

- (1) The reasonable value of the assets of such insurer;
- (2) Its probable liabilities; and
- (3) The probable necessary assessment, if any, to pay all allowed claims in full.

Upon the basis of such report, including amendments thereof, the court may levy assessments against all members of such insurer against whom the board of directors of such insurer might have levied an assessment upon the date of the issuance of the order to show cause in the special proceeding pending against such insurer. Such assessments shall cover the excess of the probable liabilities over the reasonable value of the assets, together with the cost of collection and the probable percentage of uncollectibility thereof, but the total of all such assessments against any member shall not exceed the maximum amount fixed in the contract of that member.

The court may thereupon issue an order directing each member of such insurer, if he does not pay the amount assessed against him to the commissioner on or before a day to be specified in the order, to show cause in the special proceeding pending against such insurer why he should not be held liable to pay such assessments, together with the costs set forth in this subdivision, and why the commissioner should not have judgment therefor. The commissioner shall cause a notice of such order setting forth a brief summary of the contents of such order to be served on each member in such manner as the court directs.

On the return day of such order to show cause (a) if such member does not appear and serve verified objections upon the commissioner, the court shall make its order adjudging that such member is liable for the amount of such assessment together with \$10 costs, and that the commissioner may have judgment against such member thereof; (b) if such member appears and serves verified objections upon the commissioner there shall be a full hearing of the matter by the court. After such hearing, the court shall make its order either negating the liability of such member to pay the assessment or affirming his liability to pay the whole or some part thereof together with \$10 costs and necessary disbursements incurred at the

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hearing, and directing that the commissioner in the latter case may have judgment therefor.

A judgment upon any such order shall have the same force and effect as a judgment in an original action brought in the court in which the special proceeding is pending, and be entered, docketed, and appealed from, as is such a judgment.

**Subd. 39. Insolvent insurer; procedure.** If upon the granting of an order for the liquidation of a domestic insurer, or at any time thereafter during such liquidation proceeding, it shall appear that the insurer is not solvent, the court shall, after such notice and hearing as it deems proper, make an order declaring such insurer to be insolvent. Thereupon, regardless of any prior notice which may have been given to creditors, the commissioner shall notify all persons who have claims against such insurer and who have not filed proper proofs thereof, to present the same to him at the place specified in such notice within four months after the date of the entry of such order, or some longer time if so directed by the court. The last day for the filing of proofs of claim shall be specified in the notice. Such notice shall be given in a manner determined by the court.

No claim or demand shall be received or allowed after the expiration of the time so limited, except by permission of the court for good cause shown, and upon notice to the commissioner, but in no case unless presented within 18 months from the date of the order of liquidation and before final settlement.

**Subd. 40. Proof of claim.** A proof of claim shall consist of a verified written statement, signed by the claimant, setting forth the claim, the consideration therefor, the securities held therefor, if any, the payments made thereon, if any, and that the sum claimed is justly owing from the insurer to the claimant. When a claim is founded upon a written instrument such instrument, unless lost or destroyed, shall be filed with the proof of claim. If such instrument is lost or destroyed a statement of such fact and of the circumstances of such loss or destruction shall be filed under oath with the claim.

**Subd. 41. To make list of policy holders.** Upon the liquidation of any domestic insurer which has issued policies insuring the lives of persons, the commissioner shall, within 30 days after the last date set for the filing of claims, make a list of the persons who have not filed proofs of claim with him to whom, it appears to his entire satisfaction from the books of the insurer, there are owing amounts on such policies, and set opposite the name of each such person the amount so owing to him. Each person whose name appears upon such list shall be deemed to have duly filed prior to the

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last day set for the filing of claims a proof of claim for the amount set opposite his name on the list.

**Subd. 42. Contingent claims not to share in distribution; exceptions.** No contingent claim shall share in the distribution of the assets of an insurer which has been adjudicated to be insolvent by an order made pursuant to subdivision 39 except such claim shall be considered, if properly presented, and may be allowed to share where such claim becomes absolute against the insurer on or before the last day fixed for the filing of proofs of claim against the assets of such insurer or there is a surplus and the liquidation is thereafter conducted upon the basis that such insurer is solvent.

**Subd. 43. Secured claims.** Where an insurer is adjudicated to be insolvent by an order made pursuant to subdivision 39, any person having a cause of action against an assured of such insurer, which is the subject of indemnity under a liability policy issued by such insurer, or the assured in any such case, shall have the right to file a claim in the liquidation proceeding, even though such claim is a contingent one and such claim may be allowed, provided:

(1) That it may be reasonably inferred from the proof presented upon such claim that a judgment could be obtained upon such cause of action against such insured;

(2) That suitable proof be furnished that no further valid claims against such insurer arising out of such causes of action other than those already presented can be made unless, for good cause shown, the court in which the proceeding is pending shall otherwise direct; provided that no such claim filed by the assured or proof furnished by him in support thereof shall be received in evidence against him or his insurer upon such cause of action, nor shall the filing of any such claim or proof thereof by such assured be construed as a violation of any of the terms or conditions of said policy;

(3) That the total liability of such insurer to all claimants arising out of the same act of its assured shall be no greater than its total liability would be were it not in liquidation;

(4) That no judgment taken by default, or by collusion, against such an assured be considered as evidence in the liquidation proceeding either of the liability of such assured to such person upon such cause of action or of the amount of damages to which such person is therein entitled.

**Subd. 44. Amount of claim allowed.** No claim of any secured claimant shall be allowed at a sum greater than the difference between the value of the security and the amount for which the

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claim is allowed, and then only subject to the provisions of subdivision 17, unless the claimant surrenders his security to the commissioner in which event the claim shall be allowed in the full amount for which valued.

Subd. 45. **Dividends may be paid.** (1) Any time after the last day fixed for the filing of proofs of claim in the liquidation of a domestic insurer, the court may, upon the application of the commissioner, authorize him to declare out of the funds remaining in his hands, after the payment of expenses, one or more dividends. Such order shall specify what claims, if any, are entitled to priority of payment and direct the manner in which dividends shall be paid.

(2) Where there has been no adjudication of insolvency, the commissioner shall pay all allowed claims in full and distribute the balance of the assets remaining in his hands in accordance with the direction of the court. The commissioner shall not be chargeable to a claimant who failed to file a proper proof of claim before such distribution was made for any assets so distributed.

Subd. 46. **Unclaimed dividends to be paid into court.** The commissioner shall pay to the court, in which the liquidation proceedings were held for the benefit of the claimants, all dividends remaining unclaimed or unpaid in his hands for six months after the final order of distribution and, thereafter, such dividends shall be subject to the provisions of section 345.08.

Subd. 47. **Orders made upon petition of commissioner.** No order, judgment, or decree providing for an accounting or enjoining, restraining, or interfering with the prosecution of the business of any domestic insurer to which any provision of this section is applicable, or for the appointment of a temporary or permanent receiver thereof, shall be made or granted otherwise than upon the petition of the commissioner as provided in this section except in an action by a judgment creditor in proceedings supplementary to execution after notice has been served upon the commissioner of such judgment at least 30 days prior to the filing of a petition for that purpose.

Subd. 48. **Not to amend existing laws.** None of the provisions of this section shall be considered an amendment of existing laws as to the examination of township mutual fire insurance companies.

Sec. 5. [60A.05] **Suspension of authority; foreign companies and their agents.** If the commissioner is of the opinion, upon examination or other evidence, that a foreign insurance company is in an unsound condition or, if a life insurance company, that its actual funds are less than its liabilities, or that it is insolvent; or

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if a foreign insurance company has failed to comply with the law, or if it, its officers, or agents, refuse to submit to examination, or to perform any legal obligation in relation thereto, he shall revoke or suspend all certificates of authority granted to it or its agents, and shall cause notification thereof to be published in a newspaper authorized to publish annual statements of insurance companies, and no new business shall thereafter be done by it, or its agents, in this state while such default or disability continues, nor until its authority to do business is restored by the commissioner. Unless the ground for revocation or suspension relates only to the financial condition or soundness of the company or to a deficiency in its assets, the commissioner shall notify the company, not less than ten days before revoking its authority to do business in this state; and he shall specify in the notice the particulars of the supposed violation. The district court of any county, upon petition of the company, brought within the ten-day period, shall summarily hear and determine the question whether such violation has been committed, and shall make any proper order or decree therein, and enforce the same by any appropriate process. If the order or decree is adverse to the petitioning company, an appeal therefrom may be taken to the supreme court; and, in the case of such appeal, the commissioner may issue his order revoking the right of the petitioning company to do business in this state until the final determination of the question by the supreme court. Neither this section nor any proceedings thereunder shall affect any criminal prosecutions or proceeding for the enforcement of any fine, penalty, or forfeiture.

If such foreign insurer has been placed in the hands of a receiver, or has had its property sequestered in any other country or state or is subject to be proceeded against on any of the grounds listed in subdivision 3 of section 4, the commissioner may proceed to secure an order directing him to conserve the assets within this state in accordance with section 4.

**Sec. 6. [60A.06] Kinds of insurance which may be written.** Subdivision 1. **Statutory lines.** Insurance corporations may be authorized to transact in any state or territory in the United States, in the Dominion of Canada, and in foreign countries, when specified in their charters or certificates of incorporation, either as originally granted or as thereafter amended, any of the following kinds of business, upon the stock plan, or upon the mutual plan when the formation of such mutual companies is otherwise authorized by law; and business trusts as authorized by law of this state shall only be authorized to transact in this state the following kind of business hereinafter specified in clause (7) hereof when specified in their "declaration of trust":

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(1) To insure against loss or damage to property on land and against loss of rents and rental values, leaseholds of buildings, use and occupancy and direct or consequential loss or damage caused by fire, smoke or smudge, water or other fluid or substance, lightning, windstorm, tornado, cyclone, earthquake, collapse and slippage, rain, hail, frost, snow, freeze, change of temperature, weather or climatic conditions, excess of deficiency of moisture, floods, the rising of waters, oceans, lakes, rivers or their tributaries, bombardment, invasion, insurrection, riot, civil war or commotion, military or usurped power, electrical power interruption or electrical breakdown from any cause, railroad equipment, motor vehicles or aircraft, accidental injury to sprinklers, pumps, conduits or containers or other apparatus erected for extinguishing fires, explosion, whether fire ensues or not, except explosions on risks specified in clause (3); provided, however, that there may be insured hereunder the following: (a) explosion of any kind originating outside the insured building or outside of the building containing the property insured, (b) explosion of pressure vessels which do not contain steam or which are not operated with steam coils or steam jackets; and (c) risks under home owners multiple peril policies;

(2) (a) To insure vessels, freight, goods, wares, merchandise, specie, bullion, jewels, profits, commissions, bank notes, bills of exchange, and other evidences of debt, bottomry and respondentia interest, and every insurance appertaining to or connected with risks of transportation and navigation on and under water, on land or in the air;

(b) To insure all personal property floater risks;

(3) To insure against any loss from either direct or indirect damage to any property or interest of the assured or of another, resulting from the explosion of or injury to (a) any boiler, heater or other fired pressure vessel; (b) any unfired pressure vessel; (c) pipes or containers connected with any of said boilers or vessels; (d) any engine, turbine, compressor, pump or wheel; (e) any apparatus generating, transmitting or using electricity; (f) any other machinery or apparatus connected with or operated by any of the previously named boilers, vessels or machines; and including the incidental power to make inspections of and to issue certificates of inspection upon, any such boilers, apparatus, and machinery, whether insured or otherwise;

(4) To make contracts of life and endowment insurance, to grant, purchase, or dispose of annuities or endowments of any kind; and, in such contracts, or in contracts supplemental thereto to provide for additional benefits in event of death of the insured by acci-

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dental means, total permanent disability of the insured, or specific dismemberment or disablement suffered by the insured;

(5) (a) To insure against loss or damage by the sickness, bodily injury or death by accident of the assured or his dependents;

(b) To insure against the legal liability, whether imposed by common law or by statute or assumed by contract, of any employer for the death or disablement of, or injury to, his or its employee;

(6) To guarantee the fidelity of persons in fiduciary positions, public or private, or to act as surety on official and other bonds, and for the performance of official or other obligations;

(7) To insure owners and others interested in real estate against loss or damage, by reason of defective titles, encumbrances, or otherwise;

(8) To insure against loss or damage by breakage of glass, located or in transit;

(9) (a) To insure against loss by burglary, theft, or forgery;

(b) To insure against loss of or damage to moneys, coins, bullion, securities, notes, drafts, acceptance or any other valuable paper or document, resulting from any cause, except while in the custody or possession of and being transported by any carrier for hire or in the mail;

(c) To insure individuals by means of an all risk type of policy commonly known as the "Personal Property Floater" against any kind and all kinds of loss of or damage to, or loss of use of, any personal property other than merchandise;

(d) To insure against loss or damage by water or other fluid or substance;

(10) To insure against loss from death of domestic animals and to furnish veterinary service;

(11) To guarantee merchants and those engaged in business, and giving credit, from loss by reason of giving credit to those dealing with him; this shall be known as credit insurance;

(12) To insure against loss or damage to automobiles or other vehicles or aircraft and their contents, by collision, fire, burglary, or theft, and other perils of operation, and against liability for damage to persons, or property of others, by collision with such vehicles or aircraft, and to insure against any loss or hazard incident

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to the ownership, operation, or use of motor or other vehicles or aircraft;

(13) To insure against liability for loss or damage to the property or person of another caused by the insured or by those for whom the insured is responsible, including insurance of medical, hospital, surgical, funeral or other related expense of the insured or other person injured, irrespective of legal liability of the insured, when issued with or supplemental to policies of liability insurance;

(14) To insure against loss of or damage to any property of the insured, resulting from the ownership, maintenance or use of elevators, except loss or damage by fire;

(15) To make contracts providing that upon the death of the assured a funeral benefit will be paid in money, the aggregate amount of which shall not exceed \$150 upon any one life; provided, that any corporation that has been licensed to do business for three successive years may make contracts not to exceed \$300 upon any one life; provided, that any corporation licensed under this clause, which now or hereafter has paid-up capital of \$15,000, and maintains with the commissioner a deposit of \$15,000, may make life insurance contracts not to exceed \$600 on any one life and with or without indemnity for total and permanent disability such as are usually contained in life insurance contracts; no such insurance company shall be operated, directly or indirectly, in affiliation or connection with any funeral director or undertaking establishment, or contract, by assignment or otherwise, to pay such insurance or its benefits, or any part of either, to any funeral director or undertaking establishment predetermined or designated by it, so as to deprive the family or representatives of the deceased policyholder from, or in any way to control them in, obtaining for his funeral and burial, funeral services and supplies in the open market; and, nothing herein contained shall apply, nor shall it be construed to apply, in any way to any cooperative burial association.

Subd. 2. **Other lines.** Any insurance corporation or association heretofore or hereafter licensed to transact within the state any of the kinds or classes of insurance specifically authorized under the laws of this state may, when authorized by its charter, transact within and without the state any lines of insurance germane to its charter powers and not specifically provided for under the laws of this state when these lines, or combinations of lines, of insurance are not in violation of the constitution or the laws of the state and, in the opinion of the commissioner, not contrary to public policy, provided the company or association shall first obtain authority of the commissioner and meet such requirements as to capital or surplus.

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or both, as the commissioner shall prescribe. These additional hazards may be insured against by attachment to, or in extension of, any policy which the company may be authorized to issue under the laws of this state. This subdivision shall apply to companies operating upon the stock or mutual plan, reciprocal or interinsurance exchanges.

Sec. 7. [60A.07] **Authorization and requirements.** Subdivision 1. **Incorporation.** Except when the manner of organization is specifically otherwise provided in sections dealing with such insurers, domestic insurance corporations shall be organized under and governed by Chapter 300 and the articles or certificate of incorporation shall be as required under Minnesota Statutes 1965, Section 300.025.

Subd. 2. **Powers of insurers.** Corporations may be formed for carrying on any one branch of the business of insurance authorized by law, or any two or more branches thereof, which are permitted by law to be transacted by one company; and business trusts as authorized by law of this state may be formed for carrying on the kind of business of insurance specified in section 6, subdivision 1, clause (7).

Subd. 3. **Acceptance of laws.** Every company, domestic or foreign, shall file with the commissioner its acceptance of the provisions of the insurance laws of the state of Minnesota, and its charter and any amendments thereto, and each such company shall be governed thereby and by those laws relative to corporations in general, so far as applicable and not otherwise specifically provided. No foreign company shall be denied a license in this state because its corporate powers exceed those which it is permitted to exercise under the laws of this state, but no foreign company, which does outside of this state any kind or combination of kinds of insurance not permitted to be done in this state by similar domestic companies, now or hereafter organized, shall be or continue to be authorized to do an insurance business in this state if the commissioner of insurance finds, after ten days notice sent by registered mail to the home office of the company involved, and an opportunity to be heard, that the doing of such kind or combination of kinds of insurance business impairs the financial solvency of the company or its financial ability to meet its obligations incurred in this state, or finds that the doing of such kinds or combination of kinds of insurance business is prejudicial to the interests of policyholders, creditors or the people of this state.

Subd. 4. **License required.** No insurance company or association, or fraternal beneficiary association, not specifically ex-

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empted therefrom by law, shall transact the business of insurance in this state unless it shall hold a license therefor from the commissioner.

Subd. 5. **Capital stock and surplus requirements.** (1) **Paid-up capital stock requirements.** The paid-up capital stock of every corporation authorized to transact the kinds of business enumerated in section 6, subdivision 1, clauses (1) to (15), shall not be less than specified below:

Clause (1), \$100,000;

Clause (2), \$100,000;

Clause (3), \$100,000;

Clause (4), \$200,000;

Clause (5), \$150,000;

Clause (6), \$250,000; and a surplus constantly maintained of at least \$50,000;

Clause (7), \$200,000;

Clause (8), \$100,000;

Clause (9), \$100,000;

Clause (10), \$100,000;

Clause (11), \$100,000;

Clause (12), \$250,000;

Clause (13), \$100,000;

Clause (14), \$100,000;

Clause (15), \$10,000.

(2) **Legal reserve requirements.** Companies organized to transact business specified in clause (15) of subdivision 1 of section 6 shall be subject to all the provisions of law relating to legal reserve life insurance companies, except that such company shall have secured at least 100 applications, upon 100 separate lives, for insurance aggregating at least \$10,000 and that the deposit with the commissioner of insurance shall be \$10,000 unless the company qualifies to write the maximum risks of \$600 under clause (15) of subdivision 1 of section 6 in which case the deposit shall be \$15,000. Such companies transacting business under clause (15) of subdivision 1 of section 6 shall issue only non-participating policies, which shall be construed as industrial policies.

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(3) **Authorization to transact certain business.** Any insurance corporation having a paid-up capital stock of not less than \$250,000, and a surplus of not less than \$150,000 constantly maintained, may, when authorized by its articles of incorporation, transact any or all of the kinds of business specified in clauses (1) to (15) of section 6, subdivision 1, excepting those specified in clauses (1), (2), (4), (6) and (15) of section 6, subdivision 1.

Any insurance corporation having paid-up capital stock of not less than \$300,000 may transact the kinds of business specified in clauses (1), (2), and (12) of section 6, subdivision 1.

Any insurance corporation having a paid-up capital stock of not less than \$350,000 and authorized to transact the kinds of business specified in clause (4) of section 6, subdivision 1, may also transact the kinds of business specified in clause (5) of section 6, subdivision 1, and in addition thereto personal injury liability insurance; provided, however, that no company authorized to transact the kinds of insurance specified in clauses (4) and (5) of section 6, subdivision 1, shall be authorized to transact personal injury liability insurance unless such company was engaged in transacting personal injury liability insurance in this state prior to January 1, 1949.

Any insurance corporation having a paid-up capital stock of not less than \$300,000, and a surplus of not less than \$150,000 constantly maintained, when authorized to transact the kinds of business specified in clause (6) of section 6, subdivision 1, may also transact the kinds of business specified in clauses (3), (5), (7), (8), (9), (10), (11), (12), (13) and (14) of section 6, subdivision 1.

Any insurance corporation having a surplus as regards policyholders of not less than \$500,000 constantly maintained may, when authorized by its articles of incorporation, transact any or all the kinds of business specified in clauses (1), (2), (3), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14), of section 6, subdivision 1.

**Subd. 6. Reduction of capital stock.** When the capital of any domestic stock company is impaired, it may, upon a vote of the majority of the stock, reduce the same to not less than the legal minimum. In this case no part of its assets shall be distributed to the stockholders. Any such company whose capital is not impaired may, by a two-thirds vote of its stock and with the consent of the commissioner, reduce the same to not less than the legal minimum capital and surplus required for such a company. In either case, within ten days after the meeting at which the reduction was made, the company shall submit to the commissioner a certified statement of

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the proceedings thereof, including the amount of the reduction and its assets and liabilities, verified by its president, secretary, and a majority of its directors. The commissioner shall examine the facts and, if they conform to law and he is of opinion that injury to the public will not result, he shall endorse his approval upon the statement. Upon filing the same with the secretary of state and paying a filing fee of \$5, and duly amending its certificate of incorporation in conformity therewith, it may transact business upon the reduced capital as though the same were its original capital, and the commissioner shall issue a license to that effect. The company may thereafter, by a majority vote of its directors, require the return of every original stock certificate in exchange for a new certificate for such number of shares as each stockholder is entitled to, in the proportion that the reduced capital bears to the original.

**Subd. 7. New certificate of authority.** Upon application, the commissioner shall examine the proceedings of any domestic company to increase or reduce its capital stock and, when found conformable to law, shall revoke the old and issue a new certificate of authority to the company to transact business upon the increased or reduced capital.

**Subd. 8. Special provisions as to mutual companies. (1) Amendment of articles or certificate of incorporation.** The certificate of incorporation or articles of association of any domestic insurance company without capital stock, now or hereafter organized and existing under the laws of this state, may be amended in respect to any matter which an original certificate of incorporation or articles of association of a corporation of the same kind might lawfully have contained, by the adoption of a resolution specifying the proposed amendment, at a regular meeting of the members thereof or at a special meeting called for that expressly stated purpose, by the affirmative vote of a majority of the members present, in person or by proxy, at the meeting, and by causing the resolution to be embraced in a certificate duly executed by its president and secretary or other presiding and recording officers, under its corporate seal, and approved, filed, recorded, and published in the manner prescribed by law for the execution, approval, filing, recording, and publishing of a like original certificate of incorporation or articles of association.

**(2) Renewal of corporate existence.** Any domestic insurance company or corporation having no capital stock, heretofore or hereafter organized and existing under the laws of this state, whose period of duration has expired or is about to expire, may, on or before the date of the expiration, or within six months after the date of expiration, renew its corporate existence from the date of such ex-

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piration for any period permitted by the laws of this state, by the adoption of a resolution to that effect by the affirmative vote of three-fourths of the members present, in person or by proxy, at a regular meeting of the members, or at any special meeting called for that expressly stated purpose, and by causing the resolution to be embraced in a certificate duly executed by its president and secretary or other presiding and recording officers, under its corporate seal, and approved, filed, recorded, and published in the manner prescribed by law for the execution, approval, filing, recording, and publishing of an original certificate of incorporation or articles of association.

(3) **Bylaws.** The bylaws of any domestic insurance corporation without capital stock, in cases where the bylaws must be adopted or approved by the members thereof, may be adopted, altered, or amended at a regular meeting of the members thereof, or at a special meeting called for that expressly stated purpose, by the affirmative vote of a majority of the members present, in person or by proxy, at the meeting.

Subd. 9. **Retaliatory provision.** When the laws of any other state, territory, or country prohibit the organization of or do not provide for the organization of or the licensing in that state, territory, or country of a class or kind of insurance companies or associations organized under the laws of this state and authorized to transact the business of insurance in this state, then companies or associations of the same kind or class of the other state, territory, or country shall not be licensed to do business in this state.

This provision shall not apply to companies or associations, organized under the laws of another state, now licensed to do business in this state.

Subd. 10. **Special provisions as to life companies.** (1) **Prerequisites of life companies.** No life company shall be qualified to issue any policy until applications for at least \$200,000 of insurance, upon lives of at least 200 separate residents, have been actually and in good faith made, accepted, and entered upon its books and at least one full annual premium thereunder, based upon the authorized table of mortality, received in cash or in absolutely payable and collectible notes. A duplicate receipt for each premium, conditioned for the return thereof unless the policy be issued within one year thereafter, shall be issued, and one copy delivered to the applicant and the other filed with the commissioner, together with the certificate of a solvent authorized bank in the state, of the deposit therein of such cash and notes, aggregating the amount aforesaid, specifying the maker, payee, date, maturity, and amount of each.

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Such cash and notes shall be held by it not longer than one year, and at or before the expiration thereof to be by it paid or delivered, upon the written order of the commissioner, to such company or applicants, respectively.

(2) **Foreign companies may become domestic.** Any company organized under the laws of any other state or country, which might have been originally incorporated under the laws of this state, and which has been admitted to do business therein for either or both the purpose of life or accident insurance, upon complying with all the requirements of law relative to the execution, filing, recording and publishing of original certificates and payment of incorporation fees by like domestic corporations, therein designating its principal place of business at a place in this state, may become a domestic corporation, and be entitled to like certificates of its corporate existence and license to transact business in this state, and be subject in all respects to the authority and jurisdiction thereof.

(3) **Temporary capital stock of mutual life companies.** A mutual life insurance company may be organized with, and an existing mutual life insurance company may establish, a temporary capital of not less than \$100,000, which shall be invested in the same manner as is provided for the investment of its other funds. Out of the net surplus of the company the holders of the temporary capital stock may receive a dividend of not more than eight percent per annum, which may be cumulative. This capital stock shall not be a liability of the company except that it shall be retired as soon as, but not before, the surplus of the company remaining after its retirement shall be not less than the temporary capital so established. At the time for the retirement of this capital stock, the holders shall be entitled to receive from the company the par value thereof and any dividends thereon due and unpaid, and thereupon the stock shall be surrendered and canceled, and the right to vote thereon shall cease.

Subd. 11. **Officers bonded.** The secretary and the treasurer of every company shall give bond, which shall be approved by resolution of the directors.

Sec. 8. [60A.08] **Contracts of insurance.** Subdivision 1. **Policy to contain entire contract.** A statement in full of the conditions of insurance shall be incorporated in or attached to every policy, and neither the application of the insured nor the bylaws of the company shall be considered as a warranty or a part of the contract, except in so far as they are so incorporated or attached.

Subd. 2. **Corporate name; origin and financial statements.** Every company, domestic or foreign, shall conduct its business, dis-

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play all signs and advertisements, and issue all policies, circulars, and other documents and publications in this state, in its own corporate name, and every foreign company shall state conspicuously upon a sign at each agency the state or country of its organization. When a company publishes its assets, it shall in the same connection, and with equal conspicuousness, publish its liabilities, computed on the basis allowed for its annual statements; and any publication purporting to show its capital shall state only the amount thereof which has been actually paid in cash.

**Subd. 3. Renewal; new policy.** Any insurance policy terminating by its provisions at a specified expiration date or limited as to term by any statute and not otherwise renewable may be renewed or extended at the option of the insurer, at the premium rate then required therefor, for a specific additional period or periods by a certificate, and without requiring the issuance of a new policy more than once in any five-year period.

**Subd. 4. Contracts; application of Minnesota law; prohibitions.** All contracts of insurance on property, lives, or interests in this state, shall be deemed to be made in this state.

It shall be unlawful for any person, firm, or corporation to solicit or make, or aid in soliciting or making, any contract of insurance not authorized by the laws of this state.

**Subd. 5. Signatures required.** All its policies shall be signed by the secretary or an assistant secretary, and by its president or vice-president, or in their absence, by two directors; provided, that one of the signatures may be a facsimile signature, if the other is an original signature, and both thereof may be facsimile signatures, if the policy is countersigned by a registrar or other officer or employee duly authorized by the board of directors or executive committee of the company.

**Subd. 6. Bankruptcy or insolvency clause.** Every bond or policy of insurance issued in this state insuring against either actual loss suffered by the insured, and imposed by law for damages on account of personal injury, death, or injury to property caused by accident, or legal liability imposed upon the insured by reason of such injuries or death, shall, notwithstanding anything in the policy to the contrary, be deemed to contain the following condition:

The bankruptcy or insolvency of the insured shall not relieve the insurer of any of its obligations under this policy, and in case an execution against the insured on a final judgment is returned un-

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satisfied, then such judgment creditor shall have a right of action on this policy against the company to the same extent that the insured would have, had the insured paid the final judgment.

**Subd. 7. Unsatisfied judgment.** When a judgment has been rendered by any court in this state against any company holding the *commissioner's certificate*, and an execution issued thereon has been returned unsatisfied, in whole or in part, and a certified transcript of the docket entry and the clerk's certificate of those facts is filed with the commissioner, he shall forthwith revoke its certificate and give one week's published notice thereof. No new certificate shall issue until such judgment has been fully satisfied and proof thereof filed with him, and the expenses and fees incurred are paid. During this revocation neither the company, nor any of its officers or agents, shall issue any new policy, take any risk, or transact any business, except such as is absolutely necessary in closing up its affairs in this state.

**Subd. 8. Policies on which premiums are determined by audits.** Any insurance company licensed to do business in this state which issues policies of insurance in this state upon which the premium is determined by means of an audit shall within 60 days from the date of the expiration of any insurance policy so issued request from the insured a statement of the facts and figures necessary to determine the premium thereon. The insured shall furnish such statement of facts and figures within 60 days of the date of the request. Upon failure of the insured to comply within the time specified, then the provisions of this subdivision shall not apply as to such insured. Within 12 months from the date of the expiration of the policy, or within such longer time as the commissioner of insurance may for cause shown direct, the insurer unless it elects to accept the insured's statement shall make a final audit. Failure to make such final audit within the time herein provided shall constitute a waiver of the insurer's right to make such audit and an election to accept the statement furnished by the insured as a basis for determining the premium on such policy. In the event an audit discloses that the insured submitted to the insurer a fraudulent statement of facts and figures, then the insured shall be liable for three times the normal *premium*. *This subdivision shall not apply to policies issued covering workmen's compensation.*

**Subd. 9. Misrepresentation by applicant.** No oral or written misrepresentation made by the assured, or in his behalf, in the negotiation of insurance, shall be deemed material, or defeat or avoid the policy, or prevent its attaching, unless made with intent to deceive and defraud, or unless the matter misrepresented increases the risk of loss.

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This subdivision shall not apply to life insurance or accident and health insurance.

Sec. 9. [60A.09] **Limits of risk; reinsurance.** Subdivision 1. **Maximum risk by fire companies.** No fire company shall insure or reinsure in a single risk a larger sum than one-tenth of its net assets; provided, that in the case of a fire company with net assets of more than \$50,000, any portion of any such risk which shall have been reinsured, as authorized by the laws of this state, shall be deducted before determining the limitation of risk prescribed by this subdivision; and, provided, that a mutual fire insurance company organized under clause (2)(a) of section 8, subdivision 2, of article VII, may insure in a single risk, consisting of a creamery or a cheese factory, a sum equal to one percent of its insurance in force.

Subd. 2. **Reinsurance to be reported by companies other than life.** If any company, other than life, shall, directly or indirectly, effect the reinsurance of any risk taken by it, or any part thereof, it shall make a sworn report thereof to the commissioner, at the time of filing its annual statement, or at such other time as he may request.

Subd. 3. **Penalty for violation.** Every company effecting any reinsurance in violation of the foregoing provisions, and every agent effecting or negotiating the same, shall severally be guilty of a misdemeanor.

Subd. 4. **Reinsurance as to life insurance.** No domestic life insurance company, without permission of the commissioner, shall reinsure any portion of any individual risk in a company not authorized to do business in this state.

Subd. 5. **Reinsurance.** (1) **Definitions.** For the purposes of this subdivision, the word "insurer" shall be deemed to include the word "reinsurer," and the words "issue policies of insurance" shall be deemed to include the words "make contracts of reinsurance."

(2) **Conditions and requirements.** Every insurer authorized to issue policies in this state may reinsure in any other insurer any part or all of any risk or risks assumed by it; but such reinsurance, unless effected (1) with an insurer authorized to issue policies in this state, or (2) with an insurer similarly authorized in another state, territory, or district of the United States, and showing the same standards of solvency and meeting the same statutory and departmental regulations which would be required of or prescribed for such insurer were it at the time of such reinsurance authorized in this state to issue policies covering risks of the same kind or kinds as those reinsured, shall not reduce the reserve or other liability to be

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charged to the ceding insurer; provided, that nothing in this subdivision shall be construed to permit to a ceding insurer any reduction of reserve or liability through reinsurance effected with an unauthorized insurer. In case such reinsurance effected with an insurer so authorized or so recognized for reinsurance in this state, the ceding insurer shall thereafter be charged on the gross premium basis with an unearned premium liability representing the proportion of such obligation retained by it, and the insurer to which the business is ceded shall be charged with an unearned premium liability representing the proportion of such obligation ceded to it, calculated in the same way. The two parties to the transaction shall together carry the same reserve as the ceding insurer would have carried had it retained the risk.

(3) **Reinsurance of more than 75 percent of insurance liabilities.** Any contract of reinsurance whereby an insurer cedes more than 75 percent of the total of its outstanding insurance liabilities shall, if such insurer is incorporated by or, if an insurer of a foreign country, has its principal office in this state, be subject to the approval, in writing, by the commissioner.

(4) **Actual unearned premium reserve to be carried as liability.** Nothing in this subdivision shall be deemed to permit the ceding insurer to receive, through the cession of the whole of any risk or risks, any advantage in respect to its unearned premium reserve that would reduce the same below the actual amount thereof.

Sec. 10. [60A.10] **Deposits.** Subdivision 1. **Deposit by domestic companies 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 its policyholders, stocks 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, except in case of companies organized to insure bicycles against loss from theft, the amount of such deposits for such companies shall never be less than \$10,000, which stocks, bonds, or mortgages shall be retained by the commissioner and be disposed of as directed by law.

The deposit of mortgages on real estate shall not exceed the amount of \$50,000. As long as any policies of the depositing com-

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pany remain in force, the commissioner shall hold the deposit as security for all holders of its policies.

**Subd. 2. Like requirement for foreign companies.** Any insurance company of any other state of the United States may file with the commissioner a certificate of the insurance commissioner of the other state that, as such officer, he holds in trust and on deposit for the benefit of all the policyholders of the company a deposit of not less than \$100,000 par value of such securities as are required or permitted to be deposited with him by the laws of that state, these securities to be of the character in which insurance companies are authorized to invest under the laws of his state, stating the items of the securities so held, and that he is satisfied that these securities are worth \$100,000. No deposit shall be required in this state while the deposit, so certified, remains.

**Subd. 3. Deposits in compliance with other laws or of foreign companies.** The commissioner shall receive and hold in official trust deposits made by any domestic company in compliance with the laws of any other state, to enable it to do business in that state, and in like manner hold deposits made by a foreign company under any law of this state. The company making the deposit shall be entitled to the income thereof and, from time to time, with his consent, when not inconsistent with the law under which it was made, may exchange, in whole or in part, the securities composing the deposit for other approved securities of equal value. Upon application by a domestic company, he may return the whole or any portion of the securities so deposited by it, if satisfied that they are subject to no liability. Upon like application, he may return to a foreign company any deposit made by it when it appears that the company has ceased to do business in this state or the United States, and he is satisfied that it is not subject to any liability in this state, or upon the order of any court of competent jurisdiction. A foreign company which has made a deposit, its trustees, receiver, resident manager, or any creditor or policyholder thereof, may, at any time, institute in the district court of Ramsey county an action against the state and other proper parties to enforce and terminate the trust created by the deposit. The commissioner shall immediately notify the governor of the action, and furnish the necessary information to answer in behalf of the state, and shall carry out such order and decree as the court shall make therein.

**Subd. 4. Safekeeping of securities on deposit.** The divisions of banking and insurance shall use, for the safekeeping of securities, 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

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state treasurer as may be agreed upon and assigned to such divisions, respectively, by the state treasurer.

**Subd. 5. Additional securities acceptable for deposit.** When the laws of the state require that an insurance company shall maintain a deposit with the commissioner, this deposit, in addition to the securities heretofore authorized by law, may consist, in whole or in part, of federal farm loan bonds, or, if approved by the commissioner, of loans upon leasehold estates in improved real property for a term of 99 years or more where 40 years or more of the term is unexpired and where unencumbered except by rentals accruing therefrom to the owner of the fee, and where the mortgagee is entitled to be subrogated to all the rights under the leasehold; provided, that no loan on such real property or such leasehold estate shall exceed 50 percent of the fair market value thereof at the time of such loan, and a certificate of the value of such property shall be executed before making such loan by the person or persons making or authorizing such loan on behalf of the corporation, which certificate shall be recorded on the books of the company.

**Sec. 11. [60A.11] Investments for domestic companies.**  
**Subdivision 1. Requirement for payment of capital stock.** The capital of every stock company shall be paid in full, in cash, within six months from the date of its certificate of incorporation, and thereupon a majority of the directors shall certify, under oath, to the commissioner that such payment, in cash, has been made by the stockholders for their respective shares, and is held as the capital of the company, and until then no policy shall be issued.

**Subd. 2. Securities and loans.** Except as otherwise provided by law, the funds of every domestic company shall be invested in, or loaned upon, one or more of the following kinds of securities or property, and under the restrictions and conditions specified in this subdivision:

(1) Bonds or treasury notes or other obligations of the United States; obligations guaranteed by the United States; obligations payable in United States dollars issued or fully guaranteed by International Bank for Reconstruction and Development not exceeding in aggregate face amount five percent of the total admitted assets of such company; national or state bank stock; interest-bearing bonds or certificates of indebtedness or other obligations at market value of this or any other state, or any governmental subdivision or municipal corporation in this or any other state, or of the Dominion of Canada or any province or any governmental subdivision or municipal corporation thereof, having legal authority to issue the same,

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at market value; or debentures issued by the Federal Housing Administrator or obligations of national mortgage associations;

(2) Notes or bonds secured by first mortgage, or trust deed in the nature thereof, on improved real estate in this or any other state, or in the Dominion of Canada, having a value of at least 50 percent more than the amount of the loan secured thereby or, when the loan is to be fully amortized by installment payments of principal and interest at least annually over a period of not to exceed 30 years, of at least  $33\frac{1}{3}$  percent more than the amount of such loan, not including buildings unless insured by policies payable to and held by the security holder, or by a trustee for the security holder: or notes or bonds secured by mortgage, or trust deed in the nature thereof, or other obligations which the United States or any agency or instrumentality thereof has insured or guaranteed or made a commitment to insure or guarantee;

(3) Common stocks upon which dividends of not less than three percent of par or stated value have been regularly paid for three years immediately preceding the investment, or which (1) over the five completed fiscal years immediately preceding date of purchase earned an average amount per annum applicable to dividends at least equal to six percent of the par value (or in case of common stock having no par value, of the issued or stated value of such stock) outstanding at date of purchase, and (2) earned such amount during each of three of said five fiscal years; and bonds, not in default, at market value, of any corporation incorporated by or under the laws of the United States, or any state, or the Dominion of Canada, or any province thereof; or preferred stocks at market value of any solvent corporation incorporated by or under the laws of the United States or any state, or the Dominion of Canada or any province thereof provided such corporation's net income available for fixed charges after deducting federal and state income taxes must have averaged for the five fiscal years preceding investment at least  $1\frac{1}{2}$  times the sum of annual fixed charges, contingent interest and preferred dividends, all computed as of the date of investment; and upon which bonds or preferred stocks, interest, or dividends have not been in arrears for an aggregate of 90 days within the preceding three years; or in the stock or guaranty fund certificates of any insurance company, whether previously existing or in process of being organized and whether or not engaged in writing the same type of insurance as the acquiring corporation, which investment must be approved by the commissioner; or in the stock or bonds of any real estate holding company, which investment must be approved by the commissioner, whose real estate is used, in whole or in part, in the transacting of the insurance business of such insurance company,

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either directly or by reinsurance, or in the fee to real estate used, in whole or in part, in such business; or in the stock or bonds of any corporation owning investments in foreign countries used for purposes of legal deposit, when the insurance company transacts business therein direct or as reinsurance;

(4) Promissory notes maturing within six months, secured by the pledge of warehouse receipts issued against commodities deposited in public warehouses; at the time of investing in such notes the market value of the commodities shall exceed the indebtedness secured thereby and the note or pledge agreement shall provide that the holder may call for additional like security or sell the commodities without notice upon depreciation of the security; the insurance company may accept, in lieu of the deposit with it of the warehouse receipts, a trustee certificate issued by any national or state bank at a terminal point, certifying that the warehouse receipts have been deposited with it and are held as security for the notes; the amount invested in the securities mentioned herein shall not, at any time, exceed 25 percent of the capital stock of the company; and

(5) Notes, debentures, or evidences of indebtedness other than bonds issued or guaranteed by a corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, which, (1) over the five completed fiscal years immediately preceding date of purchase, earned an average amount *per annum applicable to dividends* at least equal to four percent upon the par value (or in case of stock having no par value, then upon its issued or stated value) of all its capital stock outstanding in each of such five years and (2) earned such amount during each of three of said five fiscal years. No investment shall be made under this clause upon which any interest obligation is in default or which has been in default for an aggregate of 90 days *within the immediately preceding three-year period*.

(6) Loans on pledge of any such securities, but not exceeding 80 percent of the market value of stocks or other securities and 95 percent of the market value of bonds specified in clause (1); and in all loans reserving the right at any time to declare the indebtedness due and payable when in excess of such proportion or upon depreciation of security.

Subd. 3. **Debentures of farm mortgage debenture companies.** The debentures of farm mortgage debenture companies shall be lawful investments for any trust company, life or fire insurance company organized under the laws of this state, and for trust funds in charge of any trustee, unless expressly restricted by the person or persons creating such trust; provided, that not more than 20 per-

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cent of the capital of any such company or of any such trust funds may be so invested.

**Subd. 4. Requirements for investment in bonds of foreign countries.** Any domestic insurance company authorized to transact the business of fire insurance or fire and marine insurance, and lawfully transacting business in any foreign state or country, may invest its funds in the bonds or other equivalent obligations issued by the national government of the foreign state or country, and for the payment of which the faith and credit of the foreign state or country is pledged.

**Subd. 5. Additional investments permitted.** The funds of any insurance company or fraternal beneficiary association, organized under the laws of this state or licensed to do business therein, in addition to the investments already authorized by law, may be invested in federal farm loan bonds, or, if approved by the commissioner, in loans upon leasehold estates in improved real property for a term of 99 years or more where 40 years or more of the term is unexpired and where unencumbered except by rentals accruing therefrom to the owner of the fee, and where the mortgagee is entitled to be subrogated to all the rights under the leasehold; provided, that no loan on such real property or such leasehold estate shall exceed 50 percent of the fair market value thereof at the time of such loan, and a certificate of the value of such property shall be executed before making such loan by the person or persons making or authorizing such loan on behalf of the corporation, which certificate shall be recorded on the books of the company.

**Subd. 6. Real estate.** The real estate acquired or held by any domestic company for the convenience and accommodation of its business shall not exceed in value 25 percent of its cash assets; nor shall any foreign company acquire or hold for like purposes real property in this state in greater proportion. Any domestic insurance company, after having secured approval of the commissioner of insurance therefor, may also acquire and hold real estate for the sole purpose of providing necessary homes and living quarters for its employees. Such real estate shall never exceed three percent of the company's cash assets as shown by its annual statement last filed with the commissioner of insurance. All real property which shall not be necessary for its accommodation in the convenient transaction of its business, or the housing of its employees, shall be sold and disposed of within five years after the same shall have ceased to be necessary for the accommodation of its business, or the housing of its employees, and it shall not hold this property for a longer period unless it shall procure a certificate from the commis-

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sioner of insurance that its interest will suffer materially by the forced sale thereof, in which event the time for sale may be extended to such time as the commissioner shall direct in the certificate.

**Subd. 7. Investments in own corporate name and prohibitions.** All of the funds of an insurance company shall be invested in its corporate name, and no officer, director, or member of any committee passing on investments shall borrow any of such funds, or become, directly or indirectly, liable as a surety or endorser for or on account of loans thereof to others, or receive to his own use any fee, brokerage, commission, gift, or other consideration for, or on account of, any loan made by or on behalf of the company.

**Sec. 12. [60A.12] Assets and liabilities.** Subdivision 1. **Valuation and admissibility of life company assets.** In valuing the assets which compose the legal reserve of a life company, its real estate, stocks, and bonds shall be so rated that the average annual income thereof shall not be less than three percent, and if any asset produces less it shall be rated at its value upon a three percent basis. Loans and credits shall not be allowed for more than their face value, nor shall any asset be appraised for more than its market value. Only such assets shall be allowed as are available for payment of losses in this state, including an electronic computer or data processing machine or system heretofore or hereafter purchased for use in connection with the business of a life company, provided such machine or system shall have an original cost of not less than one hundred thousand dollars nor more than three percent of the admitted assets of the company and such cost shall be amortized in full over a period not to exceed ten full calendar years. Any deposit or fund set apart as security for a particular liability may be set off to an amount not exceeding such liability. The amount of any interest bearing lien against any policy or loan thereon, not exceeding the net value or premium reserve of such policy, computed under the provisions of this article, may likewise be allowed against liability thereunder. Stockholders' obligations of any description shall not be rated as part of the assets of any company, unless secured by sufficient approved collateral.

**Subd. 2. Admitted assets of insurance companies other than life.** The admitted assets of an insurance company other than life shall include, in addition to all other admitted assets, an electronic computer or data processing machine or system heretofore or hereafter purchased for use in connection with the business of the company, provided that such machine or system shall have an original cost of not less than \$100,000 nor more than three percent of the admitted assets of the company and such cost shall be amortized in full over a period not to exceed ten full calendar years.

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**Subd. 3. Valuation of evidences of indebtedness.** All bonds or other evidences of debt, having a fixed term and rate, held by an insurance company or fraternal beneficiary association authorized to do business in this state may, if amply secured and not in default as to principal and interest, be valued as follows: If purchased at par, at the par value; if purchased above or below par, on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield, in the meantime, the effective rate of interest at which the purchase was made; provided, that the purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase; and, provided, that the commissioner shall have full discretion in determining the method of calculating values according to the foregoing rule. If the notes or bonds secured by mortgage or trust deed in the nature thereof which the federal housing administrator has insured, or made a commitment to insure, are purchased above par, they may, if not in default as to principal and interest, be valued during the first five years after purchase on the basis of the purchase price adjusted in equal annual instalments to bring the value to par at the end of five years.

**Subd. 4. Unearned premiums reserve.** (1) **For companies other than life or title.** To determine the policy liability of any company other than life or title insurance, and the amount the company shall hold as reserve, the commissioner shall take 50 percent of the aggregate premiums, on policies running one year or less from date of policy, and a pro rata rate amount on policies running more than one year from date of policy, except upon inland and marine risks, which he shall compute by charging 50 percent of the amount of premium written in its policies upon yearly risks and upon risks covering more than one passage not terminated, and the full amount of premiums written in policies upon all other inland and marine risks not terminated. In case of any fire and marine company with less than \$200,000 capital admitted to transact in this state fire business only, the full amount of premiums written in its marine and inland navigation and transportation policies shall be charged as liability.

(2) **Special provisions for mutual fire companies with a contingent liability.** In case of a mutual fire insurance company with a policyholders' contingent liability fixed by its bylaws and in its policies as provided by law, to determine the amount of this reinsurance reserve, the commissioner shall take 25 percent of the aggregate premiums running one year or less from date of policy, and 50 percent of the pro rata amount on policies running more than one year from date of policy.

(3) **Casualty companies writing liability or workmen's com-**

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**pensation.** In case of a casualty insurance company writing insurance against loss or damage resulting from accident to or injuries suffered by an employee or other person and for which the insured is liable, and under insurance against loss from liability on account of the death of or injury to an employee not caused by the negligence of an employer, he shall charge as a liability, in addition to the capital stock and all other outstanding indebtedness of the corporation:

The premium reserve on policies in force, equal to 50 percent of the gross premiums charged for covering the risks; provided, that the commissioner may, in his discretion, charge a premium reserve equal to the unearned portions of the gross premiums charged, computed on each respective risk from the date of the issuance of the policy.

(4) **Provision for annual payment term policies.** A policy for a term of years on which the premium is payable annually shall be considered a policy for one year.

**Subd. 5. Loss reserves.** (1) **For other than liability and workmen's compensation.** The reserve for outstanding losses, other than compensation and liability, at least equal to the aggregate estimated amounts due or to become due on account of all losses and claims of which the corporation has received notice; provided, that such loss reserve shall also include the estimated liability on any notices received by the corporation of the occurrence of any event which may result in a loss, and the estimated liability for all losses which have occurred but on which no notice has been received; (for the purpose of such reserves, the corporation shall keep a complete and itemized record showing all losses and claims on which it has received notice, including all notices received by it of the occurrence of any event which may result in a loss.)

(When, in the judgment of the commissioner, the loss reserves, calculated in accordance with the foregoing provisions, are inadequate, he may, in his discretion, require the corporation to maintain additional reserves).

(2) **For liability losses.** The reserve for outstanding losses under insurance against loss or damage from accident to or injuries suffered by the employee or other person and for which the insured is liable, computed as follows:

(a) For all liability suits being defended under policies written more than

(aa) ten years prior to the date as of which the statement is made, \$1,500 for each suit;

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(bb) five, and less than ten, years prior to the date as of which the statement is made, \$1,000 for each suit;

(cc) three, and less than five, years prior to the date as of which the statement is made, \$850 for each suit;

(b) For all liability policies written during the three years immediately preceding the date as of which the statement is made, such reserve shall be 60 percent of the earned liability premium of each of such three years, less all loss and loss expense payments made under liability policies written in the corresponding years; but, in any event, such reserve shall, for the first of such three years, be not less than \$750 for each outstanding liability suit on that year's policies.

(3) **For compensation claims.** The reserve for outstanding losses under insurance against loss from liability on account of the death of or injury to an employee not caused by the negligence of an employer computed as follows:

(a) For all compensation claims under policies written more than three years prior to the date as of which the statement is made, the present values, at four percent interest, of the determined and the estimated future payments;

(b) For all compensation claims under policies written in the three years immediately preceding the date as of which the statement is made, such reserve shall be 65 percent of the earned compensation premiums of each of such three years, less all loss and loss expense payments made in connection with such claims under policies written in the corresponding years; but in any event, in the case of the first year of any such three-year period, such reserve shall be not less than the present value, at four percent interest, of the determined and the estimated unpaid compensation claims under policies written during such year.

Subd. 6. **Unallocated loss expense payments.** (1) **Liability.** All unallocated liability loss expense payments made in a given calendar year subsequent to the first four years in which an insurer has been issuing liability policies shall be distributed as follows: 35 per cent shall be charged to the policies written in that year, 40 percent to the policies written in the preceding year, ten percent to the policies written in the second year preceding, ten percent to the policies written in the third year preceding, and five percent to the policies written in the fourth year preceding; and such payments made in each of the first four calendar years in which an insurer issues liability policies shall be distributed as follows: in the first calendar year 100 percent shall be charged to the policies writ-

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ten in that year, in the second calendar year 50 percent shall be charged to the policies written in that year and 50 percent to the policies written in the preceding year, in the third calendar year 40 percent shall be charged to the policies written in that year, 40 percent to the policies written in the preceding year, and 20 percent to the policies written in the second year preceding, and in the fourth calendar year 35 percent shall be charged to the policies written in that year, 40 percent to the policies written in the preceding year, 15 percent to the policies written in the second year preceding, and ten percent to the policies written in the third year preceding, and a schedule showing such distribution shall be included in the annual statement.

(2) **Workmen's compensation.** All unallocated compensation loss expense payments made in a given calendar year subsequent to the first three years in which an insurer has been issuing compensation policies shall be distributed as follows: 40 percent shall be charged to the policies written in that year, 45 percent to the policies written in the preceding year, ten percent to the policies written in the second year preceding, and five percent to the policies written in the third year preceding; and such payments made *in each of the first three calendar years in which an insurer issues compensation policies* shall be distributed as follows: in the first calendar year 100 percent shall be charged to the policies written in that year, in the second calendar year 50 percent shall be charged to the policies written in that year, and 50 percent to the policies written in the preceding year, in the third calendar year 45 percent shall be charged to the policies written in that year and 45 percent shall be charged to policies written in the preceding year and ten percent to the policies written in the second year preceding, and a schedule showing such distribution shall be included in the annual statement.

Subd. 7. **Liability and workmen's compensation reserves subject to increase.** When, in the judgment of the commissioner, the liability or compensation loss reserves of any insurer under his supervision, calculated in accordance with the foregoing provisions, are inadequate, he may, in his discretion, require such insurer to maintain additional reserves based upon estimated individual claims or otherwise.

Subd. 8. **Liability and workmen's compensation experience to be included in annual statement.** Each insurer that writes liability or compensation policies shall include in the annual statement required by law a schedule of its experience thereunder in such form as the commissioner may prescribe.

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Subd. 9. **Exemption.** This section shall not apply to farmers' mutual insurance companies.

Sec. 13. [60A.13] **Annual statement, inquiries, abstracts, publication thereof.** Subdivision 1. **Annual statements required.** Every insurance company, including fraternal beneficiary associations, doing business in this state, shall transmit to the commissioner, annually, on or before March first, upon blanks furnished by him, a verified statement of its entire business and condition during the preceding calendar year, but limited in case of a foreign company, except one engaged in life insurance, to its business and condition in the United States. Such statements shall also contain in a separate verified schedule, all details required by law for assessment, for taxation. Such statement shall be in such form and shall contain such matters as the commissioner shall prescribe, and it may be varied as to different types of insurers, as shall seem to him best adapted to elicit a true exhibit of the condition of each such insurer.

Subd. 2. **Commissioner may inquire and require reply under oath.** The commissioner may also address to any insurer, including fraternal beneficiary associations, township mutuals and interinsurance exchanges, or its officers, any inquiry in relation to its transactions or conditions, or any matter connected therewith. Every insurer, or person so addressed, shall reply in writing to such inquiry promptly and truthfully, and such reply shall be verified, if required by the commissioner, by such individual or by such officer or officers of an insurer as he shall designate.

Subd. 3. **Abstract prepared and publication.** If approved by the commissioner, a summary of such statement, prepared by the commissioner, together with a certificate of approval, shall be published, and proof of publication filed with him before September first, following, in default whereof he shall have such publication and proof made at the expense of the company.

Subd. 4. **Required publication.** (1) **In legal newspaper.** The publication required by this section shall be made in the place of the company's home office, if within the state, otherwise in each of the three most populous counties of the state, and in all cases at least three times, and in a legal newspaper, conforming to the requirements of sections 331.06 to 331.09, which shall accept and publish such advertisement, at the rates prescribed by law for legal publications. This newspaper shall be entitled to charge and receive for the publication not to exceed the rate prescribed by law for legal publications. Resident mutual insurance companies shall publish the statement in the legal newspaper in the county of the company's

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home office where there is no legal newspaper published in the place where the home office is situated.

This clause shall in nowise repeal, modify, amend, or affect clause (2) of this subdivision.

(2) **In insurance trade journal.** The publication of the summaries of the annual statements of insurance companies, as required by the provisions of this section, may be made in any insurance trade journal, as defined in this clause, if the owner, or proprietor, or publisher will accept and publish the same at the rates prescribed by law for legal publications, with the same force and effect and in lieu of the publication thereof in a newspaper, as defined in and required by the provisions of clause (1).

Any publication authorized by the provisions of this clause may be made in any insurance trade journal for the county in which it has its permanent office of publication, if it comply with the following requirements: such journal must have been published continuously for ten years prior to any such publication, it must be circulated to a bona fide list of paid subscribers, it must be published to disseminate solely unbiased information relative to all phases of the business of insurance underwriting, and shall not in any way or degree be owned or controlled by any insurance company or organization, and the owner of the same shall have filed with the commissioner an affidavit setting forth the existence of the conditions hereinbefore specified.

Subd. 5. **Renewal license based on approved statement.** Upon the approval of the statement the commissioner shall issue a renewal license for the succeeding year beginning June first. Any license to a company or its agent, issued after the approval of the statement, shall expire May thirty-first of the year following.

Subd. 6. **Company or agent cannot continue business unless statement is filed.** No company or agent thereof shall transact any new business in this state after May thirty-first in any year unless it shall have previously transmitted such statement to the commissioner.

Subd. 7. **Exceptions.** (1) **To file statement.** No fraternal beneficiary association, nor any social corporation paying only sick benefits not exceeding \$250 in any one year, or funeral benefits, or aiding those dependent on a member not more than \$350, nor any subordinate lodge or council which is, or whose members are, assessed for benefits which are payable by a grand body, shall be required to make such statements.

(2) **To prepare abstract and publish.** The commissioner

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shall not be required to prepare abstracts of the annual statement of fraternal beneficiary associations and reciprocal or interinsurance exchanges, nor shall such associations or exchanges be required to publish an abstract or summary of the statement.

**Sec. 14. [60A.14] Fees.** Subdivision 1. **Fees other than examination fees.** In addition to the fees and charges provided for examinations, there shall be paid to the commissioner, and by him accounted for and paid into the state treasury, the following fees:

(1) **By township mutual fire insurance companies.** By township mutual fire insurance companies:

(a) For filing certificate of incorporation or amendments thereto, \$5;

(b) For filing annual statements, \$7.50;

(c) For each annual certificate of authority, \$7.50;

(d) For filing bylaws and amendments thereto, \$5.

(2) **By other domestic and foreign companies including fraternal and reciprocal exchanges.** By other domestic and foreign companies including fraternal and reciprocal exchanges:

(a) For filing certified copy of certificate or articles of incorporation, \$30;

(b) For filing annual statement, \$30;

(c) For filing certified copy of amendment to certificate or articles of incorporation, \$20;

(d) For filing bylaws or amendments thereto, \$5;

(e) Each company's certificate of authority, \$10, annually;

(f) For abstract or summary of annual statement for publication when required, \$20.

(3) **General fees.** General fees:

(a) For each certificate, including certified copy of certificate of authority, renewal, valuation of life policies, corporate condition or qualification, \$2.50;

(b) For each copy of paper on file in his office 25 cents per page, and \$2.50 for certifying the same;

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(c) For license to procure insurance in unadmitted foreign companies, \$10;

(d) For receiving and forwarding copy of summons or process served upon commissioner of insurance, as attorney for any insurance company, including reciprocal exchanges, \$3 (which amount shall be paid by the party serving same and may be taxed as other costs in the action);

(e) For valuing the policies of life insurance companies, one cent per one thousand of insurance so valued;

(The commissioner may, in lieu of a valuation of the policies of any foreign life insurance company admitted, or applying for admission, to do business in this state, accept a certificate of valuation from such company's own actuary or from the commissioner of insurance of the state or territory in which such company shall be domiciled);

(f) For receiving and filing certificates of valuation of policies by the company's actuary, or by the commissioner of insurance of any other state or territory, \$50.

(4) **Fees to be paid into state treasury.** All fees received by the commissioner pursuant to the provisions of this section shall be paid by him into the state treasury.

Subd. 2. **Retaliatory provisions.** When, by the laws of any other state or nation, any fines, penalties, licenses, or fees additional to, or in excess of, those imposed by this section upon foreign insurance companies and their agents, are imposed upon insurance companies of this state or their agents doing business in such state, the same fines, penalties, licenses, and fees shall be imposed upon all insurance companies of that state and their agents doing business in this state, so long as such laws of such other state remain in force.

Sec. 15. [60A.15] **Taxation of insurance companies.** Subdivision 1. **Domestic and foreign companies other than town and farmers' mutual and domestic mutuals other than life.** Every domestic and foreign company, except town and farmers' mutual insurance companies and domestic mutual insurance companies other than life, shall pay to the state treasurer on or before March 1 annually a sum equal to two percent of the gross premiums less return premiums on all direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, excepting premiums written for marine insurance as specified in subdivision 6. If unpaid by such date a penalty of ten percent

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shall accrue thereon, and thereafter such sum and penalty shall draw interest at the rate of one percent per month until paid.

**Subd. 2. Domestic mutual insurance companies.** Every domestic mutual insurance company shall pay to the state treasurer on or before March 1 annually a sum equal to two percent of the gross direct fire premiums on policies effective subsequent to January 1, 1930, less return premiums on all direct business received by it, or by its agents for it, in cash or otherwise, during the preceding calendar year upon business written in any municipality in this state maintaining an organized fire department, and in any municipality served by any such organized fire department under contract; provided that the existence of such department has been certified to the commissioner and if not paid on or before March 1 a penalty of ten percent shall accrue thereon, and thereafter such sum and penalty shall draw interest at the rate of one percent per month until paid.

**Subd. 3. Township and farmers' mutual insurance companies.** Every township and farmers' mutual insurance company shall pay to the state treasurer on or before March 1 annually, a sum equal to two percent of the gross direct fire premiums, on policies effective subsequent to June 30, 1935, less return premiums, on all direct business received by it, or by its agents for it, in cash or otherwise, during the preceding calendar year upon business written in any municipality in this state maintaining an organized fire department, and in any municipality served by any such organized fire department under contract; provided the existence of such department has been certified to the commissioner and if not paid on or before March 1 a penalty of ten percent shall accrue thereon, and thereafter such sum and penalty shall draw interest at the rate of one percent per month until paid.

**Subd. 4. Return premiums defined.** "Return premiums", as used in this section, means any dividend or any unused or unabsorbed portion of premium deposit or assessment that shall be applied toward the payment of any premium, premium deposit, or assessment due from the policyholder or member upon a continuance or renewal of the insurance on account of which such dividend was earned or premium deposit or assessment paid and any portion of premium returned by the company upon cancellation or termination of a policy or membership, except surrender values paid upon the cancellation and surrender of policies or certificates of life insurance.

**Subd. 5. Municipality defined.** As used in this section "municipality" means a city of any class, a village, a borough, a town, or a township.

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Subd. 6. **Marine insurance companies.** Every domestic and foreign company shall pay to the state treasurer on or before June 1 annually a sum equal to five percent of its taxable underwriting profit, ascertained as hereinafter provided, with respect to all insurance written within this state, during the preceding calendar year, upon hulls, freights, or disbursements, or upon goods, wares, merchandise and all other personal property and interests therein, in course of exportation from, importation into any country, or transportation coastwise, including transportation by land or water from point of origin to final destination in respect to, appertaining to, or in connection with, any and all risks or perils of navigation, transit or transportation, and while being prepared for, and while awaiting shipment, and during any delays, storage, transshipment or reshipment incident thereto, including war risks and marine builder's risks. If unpaid by such date a penalty of ten percent shall accrue thereon, and thereafter such sum and penalty shall draw interest at the rate of one percent per month until paid.

The underwriting profit on such insurance written within this state shall be that proportion of the total underwriting profit of such insurer from such insurance written within the United States which the amount of net premiums of such insurer from such insurance written within this state bears to the amount of net premiums of such insurer from such insurance written within the United States.

The underwriting profit of such insurer on such insurance written within the United States shall be determined by deducting from the net earned premiums on such marine insurance written within the United States during the taxable year, meaning thereby the calendar year next preceding the date on which such tax is due, the following items:

(a) Net losses incurred, meaning gross losses incurred during such calendar year under such marine insurance contracts written within the United States, less reinsurance claims collected or collectible and less net salvages or recoveries collected or collectible from any source applicable to the corresponding losses under such contracts:

(b) Net expenses incurred in connection with such marine contracts, including all state and federal taxes in connection therewith; but in no event shall the aggregate amount of such net expenses deducted exceed forty percent of the net premiums on such marine insurance contracts, ascertained as hereinafter provided; and

(c) Net dividends paid or credited to policyholders on such marine insurance contracts.

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In determining the amount of such tax, net earned premiums on such marine insurance contracts written within the United States during the taxable year shall be arrived at as follows:

From gross premiums written on such contracts during the taxable year deduct any and all return premiums, premiums on policies not taken, premiums paid for reinsurance of such contracts and net unearned premiums on all such outstanding contracts at the end of the taxable year; and add to such amount net unearned premiums on such outstanding marine insurance contracts at the end of the calendar year next preceding the taxable year.

In determining the amount of such tax, net expenses incurred shall be determined as the sum of the following:

(d) Specific expenses incurred on such marine insurance business, consisting of all commissions, agency expenses, taxes, licenses, fees, loss adjustment expenses, and all other expenses incurred directly and specifically in connection with such business, less recoveries or reimbursements on account of or in connection with such commissions or other expenses collected or collectible because of reinsurance or from any other source.

(e) General expenses incurred on such marine insurance business, consisting of that proportion of general or overhead expenses incurred in connection with such business which the net premiums on such marine insurance written during the taxable year bear to the total net premiums written by such insurer from all classes of insurance written by it during the taxable year. Within the meaning of this paragraph, general or overhead expenses shall include salaries of officers and employees, printing and stationery, all taxes of this state and of the United States, except as included in paragraph (d) last above, and all other expenses of such insurer, not included in paragraph (d) last above, after deducting expenses specifically chargeable to any or all other classes of insurance business.

In determining the amount of such tax, the taxable underwriting profit of such insurer on such marine insurance business written within this state, shall be ascertained as follows:

(f) In the case of every such insurer which has written any such business within this state during three calendar years immediately preceding the year in which such taxes were payable, the taxable underwriting profit shall be determined by adding or subtracting, as the case may be, the underwriting profit or loss on all such insurance written within the United States, ascertained as hereinbefore provided, for each of such three years, and dividing by three.

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(g) In the case of every such insurer other than as specified in paragraph (f) last above, such taxable underwriting profit, if any, shall be the underwriting profit, if any, on such marine insurance business written within this state during the taxable year, ascertained as hereinbefore provided; but after such insurer has written such marine insurance business within this state during three calendar years, an adjustment shall be made on the three year average basis by ascertaining the amount of tax payable in accordance with paragraph (f) last above.

The tax hereinbefore provided shall be paid annually by every insurer authorized to do in this state the business of marine insurance during any one or more of the next preceding three calendar years, and the calendar year next preceding such June first shall be deemed the taxable year within the meaning of this section.

Every insurer liable to pay the tax hereinbefore provided shall, on or before the first day of June in each year, file with the state treasurer a tax return in the form prescribed by him.

The tax provided for in this section shall apply to the business of the year ending December 31, 1952, and to subsequent years.

**Subd. 7. These taxes are in lieu of all other taxes except those on real property in this state.** In the case of a domestic or foreign company such sums are in lieu of all other taxes, except those upon real property owned by it in this state, which is taxed the same as like property of individuals.

**Subd. 8. Examination of returns; assessments; refunds.** The commissioner of insurance shall, as soon as practicable after a return required by this section is filed, examine the same and make any investigation or examination of the company's records and accounts that he may deem necessary for determining the correctness of the return. The tax computed by him on the basis of such examination and investigation shall be the tax to be paid by such company. If the tax found due shall be greater than the amount reported as due on the company's return, the commissioner shall assess a tax in the amount of such excess and the whole amount of such excess shall be paid to the state treasurer within 30 days after notice of the amount and demand for its payment shall have been mailed to the company by the commissioner. If the understatement of the tax on the return was false and fraudulent with intent to evade the tax, the installments of the tax shown by the company on its return which have not yet been paid shall be paid to the state treasurer within 30 days after notice of the amount thereof and demand for payment shall have been mailed to the company by the commissioner. If the

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amount of the tax found due by the commissioner shall be less than that reported as due on the company's return, the excess shall be refunded to the company in the manner provided by section 15, subdivision 12, (except that no demand therefor shall be necessary), if they have already paid the whole of such tax, or credited against any unpaid installment thereof; provided, that no refundment shall be made except as provided in section 15, subdivision 12, after the expiration of three and one-half years after the filing of the return.

If the commissioner examines returns of a company for more than one year, he may issue one order covering the several years under consideration reflecting the aggregate refund or additional tax due.

The notices and demands provided for by section 15, subdivisions 8 to 10, shall be in such form as the commissioner may determine (including a statement) and shall contain a brief explanation of the computation of the tax and shall be sent by mail to the company at the address given in its return, if any, and if no such address is given, then to the last known address.

**Subd. 9. Failure to file return, false or fraudulent return filed.** If any company required by this section to file any return shall fail to do so within the time prescribed or shall make, wilfully or otherwise, an incorrect, false, or fraudulent return, it shall, on the written demand of the commissioner of insurance, file such return, or corrected return, within 30 days after the mailing of such written demand and at the same time pay the whole tax, or additional tax, due on the basis thereof. If such company shall fail within that time to file such return, or corrected return, the commissioner shall make for it a return, or corrected return, from his own knowledge and from such information as he can obtain through testimony, or otherwise, and assess a tax on the basis thereof, which tax (less any payments theretofore made on account of the tax for the taxable year covered by such return) shall be paid within ten days after the commissioner has mailed to such company a written notice of the amount thereof and demand for its payment. Any such return or assessment made by the commissioner on account of the failure of the company to make a return, or a corrected return, shall be prima facie correct and valid, and the company shall have the burden of establishing its incorrectness or invalidity in any action or proceeding in respect thereto.

**Subd. 10. Collection of tax.** The tax required to be paid by this section may be collected in an ordinary action at law by the commissioner of insurance against the company. In any action commenced pursuant to this section, upon the filing of an affidavit of

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default, the clerk of the district court wherein the action was commenced shall enter judgment for the state for the amount demanded in the complaint together with costs and disbursements.

Subd. 11. **Appeals.** Either party to an action or a judgment for the recovery of any taxes, interest, or penalties under subdivision 10 hereof, may remove the judgment to the supreme court by appeal, as provided for appeals in civil cases.

Subd. 12. **Overpayments, claims for refund.** (1) **Procedure, time limit, appropriation.** A company who has paid, voluntarily or otherwise, or from whom there has been collected an amount of tax for any year in excess of the amount legally due for that year, may file with the commissioner of insurance a claim for a refund of such excess. Except as provided in subdivision 11 no such claim shall be entertained unless filed within two years after such tax was paid or collected, or within three and one-half years from the filing of the return, whichever period is the longer.

Upon the filing of a claim the commissioner of insurance shall examine the same and shall make and file written findings thereon denying or allowing the claim in whole or in part and shall mail a notice thereof to the company at the address stated upon the return. If such claim is allowed in whole or in part, the commissioner shall issue his certificate for the refundment of the excess paid by the company, with interest at the rate of two percent per annum computed from the date of the payment or collection of the tax until the date the refund is paid to the company, and the state auditor shall cause such refund to be paid out of the proceeds of the taxes imposed by this section, as other state moneys are expended. So much of the proceeds of such taxes as may be necessary are hereby appropriated for that purpose.

(2) **Denial of claim, court proceedings.** If the claim is denied in whole or in part, the company may commence an action against the commissioner to recover any overpayments of taxes claimed to be refundable but for which the commissioner has issued no certificate of refundment. Such action may be brought in the district court of the district in which lies the county of its principal place of business, or in the district court for Ramsey county. Such action may be commenced after the expiration of six months after the claim is filed if the commissioner has not then taken final action thereon, and shall be commenced within 18 months after the notice of the order denying the claim.

(3) **Denial of claim, appeal.** Either party to said action may appeal to the supreme court as in other cases.

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(4) **Consent to extend time.** If the commissioner and the company have within the periods prescribed in clause (1) consented in writing to any extension of time for the assessment of the tax, the period within which a claim for refund may be filed, or a refund may be made or allowed, if no claim is filed, shall be the period within which the commissioner and the company have consented to an extension for the assessment of the tax and six months thereafter, provided, however, that the period within which a claim for refund may be filed shall not expire prior to two years after the tax was paid.

(5) **Overpayments; refunds.** If the amount determined to be an overpayment exceeds the taxes imposed by this section the amount of such excess shall be considered an overpayment. An amount paid as tax shall constitute an overpayment even if in fact there was no tax liability with respect to which such amount was paid.

Notwithstanding any other provision of law to the contrary, in the case of any overpayment the commissioner of insurance, within the applicable period of limitations, shall refund any balance of more than one dollar to such company if the company shall so request.

**Subd. 13. No liability in case of compliance with laws of other states.** Each domestic insurance company, and its officers, directors, and trustees, may comply with any law of any state, territory, or political subdivision of either, which imposes any license, or tax, and pay same, unless, prior to such payment, such law is expressly held invalid by the United States Supreme Court. No such company, officer, director, or trustee shall be subject to liability by reason of any such compliance or payment either heretofore or hereafter made.

**Sec. 16. [60A.16] Mergers and consolidations.** Subdivision 1. **Scope.** (1) **Domestic insurance corporations.** Any two or more domestic insurance corporations, formed for any of the purposes for which stock, mutual, or stock and mutual insurance corporations might be formed under the laws of this state, may be

(a) merged into one of such domestic insurance corporations, or

(b) consolidated into a new insurance corporation to be formed under the laws of this state.

(2) **Domestic and foreign insurance corporations.** Any such domestic insurance corporations and any foreign insurance corporations formed to carry on any insurance business for the conduct of which an insurance corporation might be organized under the laws of this state, may be

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- (a) merged into one of such domestic insurance corporations, or
- (b) merged into one of such foreign insurance corporations, or
- (c) consolidated into a new insurance corporation to be formed under the laws of this state, or
- (d) consolidated into a new insurance corporation to be formed under the laws of the government under which one of such foreign insurance corporations was formed, provided that each of such foreign insurance corporations is authorized by the laws of the government under which it was formed to effect such merger or consolidation.

**Subd. 2. Procedure to be followed. (1) Agreement.** The merger or consolidation of insurance corporations can be effected only as a result of a joint agreement entered into, approved, and filed as follows:

(a) The board of directors of each of such insurance corporations as desire to merge or consolidate may, by majority vote, enter into a joint agreement signed by such directors and prescribing the terms and conditions of merger or consolidation, the mode of carrying the same into effect, with such other details and provisions as are deemed necessary.

(b) The agreement shall be submitted to the shareholders or members, as the case may be, of each of the merging or consolidating insurance corporations, at a special meeting duly called for the purpose of considering and acting upon the agreement, and if the holders of two-thirds of the voting power of the shareholders or members present or represented at the meeting of each such insurance corporation shall vote for the adoption of the agreement, then that fact shall be certified on the agreement by the secretary of each insurance corporation, and the agreement so adopted and certified shall be signed and acknowledged by the president and secretary of each of said insurance corporations; provided, however, that in the case of a merger the agreement need not be submitted to the shareholders or members of that one of the insurance corporations into which it has been agreed the others shall be merged, but the agreement may be signed and acknowledged by the president and secretary of such insurance corporation at the direction of the board of directors.

(c) The agreement so adopted, certified and acknowledged shall be delivered to the commissioner of insurance, who, if the

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agreement is reasonable and if the provisions thereof providing for any transfer of assets and assumption of liabilities are fair and equitable to the claimants and policyholders, shall place his certificate of approval on the agreement and shall file the agreement in his office, and a copy of the agreement, certified by the commissioner of insurance, shall be filed for record in the office of the secretary of state and in the offices of the registers of deeds of the counties in this state in which any of the corporate parties to the agreement have their home or principal offices, and of any counties in which any of the corporate parties have land, title to which will be transferred as a result of the merger or consolidation.

(2) **Articles of incorporation of new company.** (a) If the joint agreement is for a consolidation into a new insurance corporation to be formed under any law or laws of this state, articles of incorporation for such new insurance corporation shall be prepared and delivered to the commissioner of insurance together with the agreement as provided in clause (1) hereof.

(b) Such articles shall be prepared, executed, approved, filed and recorded in the form and manner prescribed in, or applicable to, the particular law or laws under which the new insurance corporation is to be formed.

**Subd. 3. Consummation of merger.** (1) A merger of one or more insurance corporations into a domestic insurance corporation shall be effective when the joint agreement has been approved and filed in the office of the commissioner of insurance.

(2) A consolidation of insurance corporations into a new domestic insurance corporation shall be effective when the joint agreement and the new articles of incorporation have been approved and filed in the office of the commissioner of insurance.

(3) A merger or consolidation of one or more domestic insurance corporations into a foreign insurance corporation shall be effective according to the provisions of law of the jurisdiction in which such foreign insurance corporation was formed, but not until the joint agreement has been adopted, certified and acknowledged, and copies thereof approved and filed in accordance with subdivision 2, clause (1).

**Subd. 4. Effect of merger or consolidation.** Upon the consummation of the merger or consolidation as provided in subdivision 3, the effect of such merger or consolidation shall be:

(1) That the several corporate parties to the joint agreement shall be one insurance corporation, which shall be

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(a) in the case of a merger, that one of the constituent insurance corporations into which it has been agreed the others shall be merged and which shall survive the merger for that purpose, or

(b) in the case of a consolidation, the new insurance corporation into which it has been agreed the others shall be consolidated;

(2) The separate existence of the constituent insurance corporations shall cease, except that of the surviving insurance corporation in the case of a merger;

(3) The surviving or new insurance corporation, as the case may be, shall possess all the rights, privileges and franchises possessed by each of the former insurance corporations so merged or consolidated except that such surviving or new corporation shall not thereby acquire authority to engage in any insurance business or exercise any right which an insurance corporation may not be formed under the laws of this state to engage in or exercise;

(4) All the property, real, personal and mixed, of each of the constituent insurance corporations, and all debts due on whatever account to any of them, including without limitation subscriptions for shares, premiums on existing policies, and other choses in action belonging to any of them, shall be taken and be deemed to be transferred to and invested in such surviving or new insurance corporation, as the case may be, without further act or deed;

(5) The surviving or new insurance corporation shall be responsible for all the liabilities and obligations of each of the insurance corporations merged or consolidated, in accordance with the terms of the agreement for merger or consolidation; but the rights of the creditors of the constituent insurance corporations, or of any persons dealing with such insurance corporations shall not be impaired by such merger or consolidation, and any claim existing or action or proceeding pending by or against any of the constituent insurance corporations may be prosecuted to judgment as if the merger or consolidation had not taken place, or the surviving or new insurance corporation may be proceeded against or substituted in its place.

**Subd. 5. Non-consenting shareholders.** (1) When an insurance corporation having capital stock has become a party to a merger or consolidation agreement, as hereinbefore provided, any shareholder of such an insurance corporation who voted against the merger or consolidation at the meeting at which it was authorized, may, at any time within 20 days after such authorization was given, object thereto in writing and demand payment for his shares.

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(2) If, after such a demand by a shareholder, the insurance corporation and the shareholder cannot agree upon the value of the shares at the time the merger or consolidation was authorized, such value shall be ascertained by three disinterested persons, one of whom shall be named by the shareholder, another by the insurance corporation and the third by the two thus chosen. The finding of the appraisers shall be final, and if their award is not paid by the insurance corporation within 30 days after it is made, it may be recovered in an action by the shareholder against the insurance corporation. The liability of the insurance corporation to the dissenting shareholder for the value of his shares so agreed upon or awarded shall also be a liability of the surviving or new insurance corporation, as the case may be. Upon payment by the insurance corporation or by the surviving or new corporation to the shareholder of the agreed or awarded price of his shares, the shareholder shall forthwith transfer and assign the shares held by him at, and in accordance with, the request of the corporation.

(3) A shareholder shall not be entitled to payment for his shares under the provisions of this subdivision unless the value of the corporate assets which would remain after such payment would be at least equal to the aggregate amount of its debts and liabilities including outstanding capital stock.

**Subd. 6. Disclosure of expenses; prohibitions and penalty.** All actual expenses and costs incident to proceedings under the provisions of this section shall be paid by the surviving or new company and an itemized statement of the expenses and costs shall be filed with the commissioner prior to his formal approval. No officer of any such company or employee of the department of insurance, shall receive any compensation, gratuity or otherwise, directly or indirectly, for in any manner aiding, promoting, or assisting in such consolidation or merger.

Any officer, director, or stockholder of any company, or any employee of the state, violating, or consenting to the violation of, the provisions of this subdivision 6 shall be punished by a fine of not less than \$10,000 and by imprisonment for not less than one year.

**Sec. 17. [60A.17] Agents; solicitors.** Subdivision 1. **License required.** No person shall act or assume to act as an insurance agent or solicitor in the solicitation or procurement of applications for insurance, nor in the sale of insurance or policies of insurance, nor in any manner aid as an insurance agent or solicitor in the negotiation of insurance by or with insurer, including resident agents or reciprocal or interinsurance exchanges, except fraternal beneficiary associations and township mutual companies, until such

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person shall obtain from the commissioner a license therefor, which license shall specifically set forth the name of the person so authorized to act as agent or solicitor and the class or classes of insurance for which he is authorized to solicit or countersign policies.

**Subd. 2. License procedure and requirements.** (1) **Requisition by insurer.** A license to any person to act as insurance agent shall only be granted by the commissioner, upon the written requisition of an insurer, to a qualified person.

(2) **Examination.** To become qualified, a person shall complete a written application furnished by the commissioner, and he shall take and pass the examination prescribed for one or more of the following lines of insurance: fire and marine, automobile, accident and health, life, general casualty, fidelity and surety, farm windstorm and hail.

(3) **Fees.** Prior to his taking the examination, the applicant shall transmit to the commissioner of insurance, by money order or cashier's check payable to the state treasurer, a fee of \$10 for taking the examination for one line of insurance and an additional \$5 fee for each examination for additional lines of insurance or for re-examination in any one line, provided however, the fee for taking an examination for windstorm shall be only \$5; but if such agent takes a subsequent examination for any other line, his fee for his first subsequent examination shall be \$10.

The insurer shall remit for each agent a fee of \$2 in the case of a *foreign insurer* and 50 cents in the case of a *domestic insurer*. The license issued shall expire May 31 of each year, unless renewed by written request of the insurer with payment of renewal fee of \$2 in the case of a foreign insurer and 50 cents in the case of a domestic insurer.

(4) **Exceptions.** (a) Any officer of a licensed insurer may, without license or other qualification, act in its behalf in the negotiation and consummation of insurance and appoint agents for the company.

(b) Where the agent or solicitor has previously filed with the commissioner such an application, the commissioner may renew his license without requiring further application.

(c) No agent or solicitor licensed on January 1, 1944, shall be required to take an examination to determine his competence to transact business in the lines of insurance for which he was licensed on that date.

**Subd. 3. Brokerage business and non-resident.** (1)

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**Brokerage.** Every insurance agent duly licensed to transact business in this state shall have the right to procure the insurance of risks, or parts of risks, in the class or classes of insurance for which he is licensed in other insurers duly authorized to transact business in this state, but such insurance shall only be consummated through a duly licensed resident agent of the insurer taking the risk.

(2) **Non-resident agents.** A non-resident insurance agent or solicitor placing insurance through a resident insurance agent of this state shall be permitted to do so only when he shall have first made written application for and procured from the commissioner a license therefor, upon a form prescribed by the commissioner, upon the payment of a fee of \$10. The license shall expire one year from its date and shall in no case be granted to a resident of any state which does not permit the licensing of an agent of this state under like circumstances.

Subd. 4. **Solicitors.** (1) **Agent may employ.** An insurance agent, duly authorized as such and representing one or more insurers within this state, may employ such solicitors as he may desire to represent him, but these solicitors shall not represent themselves, by advertisement or otherwise, as agents of the insurer or insurers represented by their employer, and they shall in all instances represent themselves only as solicitors for the insurance agents.

(2) **Requirements.** No person shall act, or assume to act, as an insurance solicitor until he shall have obtained from the commissioner a license therefor, and paid a fee of \$10, which license shall be issued to him only on the requisition of an insurance agent duly licensed in this state and the filing of the application and the passing of the examinations required of agents.

Subd. 5. **Unfit person not to be employed by insurer.** No insurer, its officers, agents, or managers, shall knowingly make application to the commissioner for a license as agent on behalf of any person who is known to the insurer, its officers, agents, or managers, making the application, to be unfit or disqualified to be licensed as an insurance agent, and immediately upon the discovery by the insurer, its officers, agents, or managers, having supervision of the agent, of the unfitness or disqualification, the insurer, or the officers, agents, or managers, shall forthwith request the commissioner, in writing to revoke the license of this agent; nor shall any insurer retain in its employ any agent known by it to be disqualified or unfit to be licensed as an insurance agent, nor shall any agent retain in his employ as solicitor any person disqualified or unfit to be licensed as such.

Subd. 6. **Persons who shall not be licensed as agents or so-**

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**licitors.** No person shall be licensed by the commissioner as an insurance agent or solicitor if the commissioner shall be satisfied that the person is incompetent or unqualified to act as an insurance agent or solicitor, or that the person does not in good faith intend to carry on the business of insurance agent or solicitor, or intends to secure a license for the sole purpose of writing insurance upon his own life or property; or that the person is untrustworthy or of bad moral character; or that the person has unreasonably failed to pay over to any insurer, agent, or solicitor, or policyholder or member of any insurance company or association entitled thereto, the whole or any part of any premium or return premium, or moneys or other thing of value in his hands, arising out of any insurance transaction, and due or payable to or belonging to any policyholder or other person, firm or corporation; or that the person has wilfully misrepresented to any person, firm or corporation the terms or conditions of any policy or contract of insurance or the financial standing or condition or manner of doing business of any insurer, agent, or solicitor; or that the person has deceived or defrauded, or attempted to deceive or defraud, any person, firm, or corporation in connection with any insurance transaction, or that the person has been dishonest in connection with any insurance transaction, or that the person has urged or procured any person, firm, or corporation to lapse any policy or contract of insurance in any company or association which is now or has been licensed to do business in the state, to the damage of such person, firm, or corporation, or that the person has violated any of the provisions of the laws of this state in any way relating to insurance or the transaction or negotiation of insurance, or insurance agents or solicitors, or any lawful ruling of the commissioner.

**Subd. 7. Revocation of license. (1) By commissioner.** The commissioner may at any time revoke the license of any insurance agent or solicitor or suspend the same for not less than 30 days if he shall be satisfied that any such licensee is not qualified under the provisions of this section, and he shall give such notice thereof as he deems will best protect the public.

**(2) By company or agent.** The license of any person as agent for any insurer shall likewise be revoked by the commissioner when written request therefor is made by the insurer. The license of any solicitor shall likewise be revoked when written request therefor is made by the agent employing him or by the company whose agent appointed him.

**(3) Notice of revocation.** Notice of the revocation or suspension shall be given to the person, by mail, and shall be deemed complete if the notice is deposited in the mails, postage prepaid, di-

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rected to the person at his last known place of residence, as disclosed by the application for license on behalf of that person. Notice of the revocation or suspension or the refusal of an agent's license shall, in like manner, be given to the insurer which applied therefor. Notice of the refusal of a solicitor's license shall, in like manner, be given to the applicant therefor.

(4) **Complaint, hearing, bond, reinstatement.** The commissioner, when he deems it advisable, may require any complaint made against an insurance agent or solicitor to be in writing and sworn to by the person making the same. When the commissioner shall deem it advisable, and in all cases where the complaint or the agent or solicitor requests the same in writing, the commissioner shall grant a summary hearing in his office to determine whether or not the license shall be refused, revoked, or suspended and, if an appearance shall not be made at the hearing, the license of the person applying for the same, or on whose behalf application for the same is made, or who is complained against, shall be forthwith refused, revoked, or suspended, as the case may be. When the license of any agent or solicitor has been refused or revoked for cause, no new application for a license shall be entertained by the commissioner for one year thereafter, and then only upon condition that this person shall file with the commissioner a good and sufficient bond, in the sum of \$5,000, for the protection of the citizens of the state, which bond shall be maintained by the licensee in full force and effect for a period of five years immediately following the issuance of the license, unless the commissioner at his discretion shall after two years permit the licensee to sooner terminate the maintenance and filing of such bond.

(5) **Unfitness of any person whose license has expired or has been revoked by the insurer.** Upon proper complaint the commissioner may, in like manner, determine the unfitness of any person whose license as agent or solicitor has expired, or has been revoked upon the request of the insurer for which he was licensed, to be thereafter licensed as insurance agent or solicitor, and record thereof shall be made as in the case of revocation, refusal, or suspension of an agent's or solicitor's license.

(6) **Record of refusals, revocations or suspensions.** The commissioner shall keep a record of the name and address of every person whose license as agent or solicitor has been refused, revoked, or suspended, together with a brief statement of the reasons therefor and the facts connected therewith, which record shall be open to public inspection.

Subd. 8. **Redress of person aggrieved.** Any person ag-

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grieved by any ruling or order of the commissioner may appeal therefrom to any district court of the state by serving written notice of such intention upon the commissioner, specifying the court, within ten days after the same is made. The commissioner shall thereupon file with the clerk of court a certified copy of his order or ruling and findings of fact upon which the same are based, which shall be prima facie evidence of the facts therein stated. Thereupon the court shall summarily hear and determine the questions involved on the appeal.

**Subd. 9. Powers of commissioner. (1) Witnesses, books and records.** The commissioner shall have full power to summon and compel the attendance of witnesses before him to testify in relation to any matter which is, by the provisions of the laws of this state relating to insurance, a subject of inquiry or investigation, and may require the production of any book, paper, or document deemed pertinent thereto. The summons shall be served in the same manner and have the same effect as subpoenas from district courts of this state. All witnesses summoned shall receive the same compensation as is paid to witnesses in the district court, which shall be paid out of the funds of the department of insurance, upon proper vouchers for the same, signed by the commissioner; and the commissioner shall, at the close of the hearing wherein the witness was subpoenaed, certify to the attendance and mileage of the witnesses, which certificate shall be filed with the vouchers. All investigations held by, or under the direction of, the commissioner may, in his discretion, be private, and persons other than those required to be present may be excluded from the place where the investigation is held, and witnesses may be kept separate and apart from each other and not allowed to communicate with each other until they have been examined.

**(2) Administration of oaths.** The commissioner and his deputy or assistant commissioner are each hereby authorized and empowered to administer oaths and affirmations to any person appearing as witness before them; and false swearing in any matter or proceeding shall be perjury and punished as such.

**(3) Contempt.** Any witness who refuses to be sworn or who refuses to testify, or who disobeys any lawful order of the commissioner, his deputy or assistant commissioner, in relation to any investigation, or who fails or refuses to produce any paper, book, or document touching any matter under examination, or who is guilty of any contemptuous conduct, after being summoned to appear before him to give testimony in relation to any matter or subject under examination or investigation, may be summarily punished

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by the commissioner, his deputy or assistant commissioner, as for contempt by a fine in a sum not exceeding \$100.

Disobedience of any subpoenas in such proceeding, or contumacy of a witness, may, upon application of the commissioner, be punished by any district court in the same manner as if the proceedings were pending in such court.

(4) **Punishment as to agent, solicitor or insurer.** The commissioner shall revoke the license of any agent or solicitor or insurer refusing or neglecting to appear or testify at any hearing held before the commissioner, or failing or refusing to produce any books, papers, or documents demanded by the commissioner, when these persons have been notified by him, in writing, to so appear and testify or produce books, papers, or documents at the hearing.

Subd. 10. **Commissions or compensation.** No commission or other compensation shall be paid or allowed by any person, firm, or corporation to any other person, firm, or corporation acting, or assuming to act, as an insurance agent or solicitor without a license therefor.

Subd. 11. **Life company agents.** Any person who shall solicit an application for insurance upon the life of another shall, in any controversy between the assured or his beneficiary and the company issuing any policy upon such application, be regarded as the agent of the company and not the agent of the assured.

Sec. 18. **[60A.18] Sale by vending machines; scope and requirements.** Subdivision 1. No insurance shall be offered for sale, issued or sold by or from any vending machine or appliance or any other medium, device or object designed or used for vending purposes, herein called a device, except as provided in this section.

Subd. 2. Resident insurance agents and solicitors licensed under this section to solicit for and to sell policies of personal travel accident insurance providing benefits for accidental bodily injury or accidental death may also solicit applications for and issue or sell such insurance by means of devices supervised by them and placed in locations for convenience of the traveling public, upon the following conditions only:

(1) That each policy to be sold by or from a device is reasonably suited for sale and issuance through a device, and that use of such device therefor in a particular proposed location would be of material convenience to the traveling public;

(2) That the type of device proposed to be used is reasonably suitable and practical for the purpose;

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(3) That reasonable means, as determined by the commissioner, are provided for informing the prospective purchaser of any such policy of the benefits, limitations and exclusions of the policy, the premium rates therefor, the name and address of the agent and the name and home office address of the insuring company;

(4) That such device shall be so constructed and operated that it shall retain, or shall be provided with a suitable place for deposit and safe keeping of, a copy of the application, which shall show the date of the application, name and address of the applicant and the beneficiary, and the amount of insurance;

(5) That no policy of insurance sold by or from a device shall be for a period of time longer than the duration of a specified one-way trip or round trip of not to exceed 180 days;

(6) That such device shall have provided on it or immediately adjacent thereto, in a prominent location, adequate envelopes for use of purchasers in mailing policies vended through such device, or that the policy itself, if designed to permit such procedure, may be mailed without an envelope; provided, however, the commissioner may in writing delivered to the agent modify or waive these requirements;

(7) That each such device shall be supervised, inspected and tested by the agent with such frequency as may reasonably be necessary or as may reasonably be required by the commissioner, and should any device not be in good working condition the agent shall promptly cause a notice to be displayed thereon that the same is out of order, and cause said device to be promptly removed from service until it is in proper working order;

(8) That prompt refund by the agent is provided to each applicant or prospective applicant of money deposited in any defective device and for which no insurance, or a less amount than paid for, is actually received;

(9) In addition to, and without limiting the general powers of the commissioner to regulate and supervise insurance business in this state, the commissioner may establish such other and additional rules and regulations for types and locations of devices authorized hereunder, their maintenance and operation and the methods to be used by the agent in the solicitation and sale of insurance by means of such devices as shall be reasonable and necessary.

Subd. 3. The application for a license for each device to be used shall be made by the agent in such form and with such information as shall be prescribed by the commissioner. A fee of \$3 for each

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device shall be paid at the time of making application. Upon approval of the application, the commissioner shall issue to the agent a special vending machine license. The license shall apply to a specific device or to any device of identical type which, after written notice by the agent to the commissioner, is substituted for it. The license shall specify the name and address of the agent, the name and home office address of the insuring company, the name or other identifying information of the policy or policies to be sold, the serial number or other identification of the device and the address, including the location on the premises, where the device is to be in operation; provided, however, that a device for which a license has been issued for operation at a specific address may be transferred to a different address during the license year upon written notice to the commissioner at the time of such transfer. The license for each device shall expire on September 1st of each year, but may be renewed from year to year by the commissioner upon approval of the application by the agent and the furnishing of such information as shall be requested by the commissioner, and the payment of \$3 for each license year or part thereof for each device. Proof of the existence of a subsisting license shall be displayed on or about each such device in use in such manner as the commissioner may reasonably require.

Subd. 4. The license for each device shall be subject to expiration, suspension or revocation coincidentally with that of the agent or the insuring company. The commissioner also may suspend or revoke the license as to any device concerning which he finds any conditions upon which the device was licensed as referred to in subdivision 2 have been violated, or no longer exist, or that the device is being used or operated by the agent in violation of the laws of this state; provided, that before suspending or revoking a license for a device, the commissioner shall conduct a hearing in the manner prescribed in Article XII, and shall make his determination upon the basis of the standards, conditions and requirements of this section.

Sec. 19. [60A.19] **Foreign companies.** Subdivision 1. **Requirements.** Any insurance company of another state, upon compliance with all laws governing such corporations in general and with the foregoing provisions so far as applicable and the following requirements, shall be admitted to do business in this state:

- (1) It shall deposit with the commissioner a certified copy of its charter or certificate of incorporation and its bylaws, and a statement showing its financial condition and business, verified by its president and secretary or other proper officers;
- (2) It shall furnish the commissioner satisfactory evidence

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of its legal organization and authority to transact the proposed business and that its capital, assets, deposits with the proper official of its own state, amount insured, number of risks, reserve and other securities, and guaranties for protection of policyholders, creditors, and the public, comply with those required of like domestic companies;

(3) By a duly executed instrument filed in the office of the commissioner, it shall appoint him and his successors in office its lawful attorneys in fact and therein irrevocably agree that legal process in any action or proceeding against it may be served upon them with the same force and effect as if personally served upon it, so long as any of its liability exists in this state;

(4) It shall appoint, as its agents in this state, residents thereof, and obtain from the commissioner a license to transact business therein.

**Subd. 2. Service of garnishee process.** When garnishee process is served upon the commissioner, as attorney for any insurance company, no garnishee fee shall be paid him. After the receipt of copy of the process the insurance company may demand of the attorney of the person making the garnishee the proper fees, and if the demand is not complied with before the day fixed for the disclosure of the garnishee, the proceeding may be dismissed.

**Subd. 3. Commissioner appointed attorney for service of process.** Before any corporation, association, or company issuing policies of insurance of any character and not organized or existing pursuant to the laws of this state is admitted to or authorized to transact the business of insurance in this state, it shall, by a duly executed instrument to be filed in the office of the commissioner, constitute and appoint the commissioner and his successors in office its true and lawful attorney, upon whom proofs of loss, any notice authorized or required by any contract with the company to be served on it, summonses and all lawful processes in any action or legal proceeding against it may be served, and that the authority thereof shall continue in force irrevocable so long as any liability of the company remains outstanding in this state.

This instrument shall contain a provision and agreement declaring that the company, association, or corporation desires to transact the business of insurance in this state, and that it will accept a license therefor according to the laws of this state.

In case of the failure of any such insurance company to comply with any of the provisions of subdivisions 3 and 4 of this section, or if it shall violate any of the conditions or agreements contained in

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the instrument filed, its right to transact insurance business in this state shall cease and it shall be the duty of the commissioner to immediately declare its license revoked; and, in case of revocation, the company shall not be again licensed to transact business in this state for the period of one year from date of the revocation.

**Subd. 4. Fees.** The commissioner shall be entitled to charge and receive a fee of \$3 for each notice, proof of loss, summons, or other process served upon him under the provisions of subdivisions 3 and 4 of this section, to be paid by the persons serving the same. The fees so collected shall be paid into the state treasury as is now provided by law for other fees collected by the commissioner.

**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, or with the proper officer of some other state of the United States, of a sum not less than the capital 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.

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

**Subd. 6. Retaliatory provisions. (1)** When by the laws of any other state or country any taxes, fines, deposits, penalties, licenses, or fees, in addition to or in excess of those imposed by the laws of this state upon foreign insurance companies and their agents doing business in this state, are imposed on insurance companies of this state and their agents doing business in that state or country, or when any conditions precedent to the right to do business in that

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state are imposed by the laws thereof, beyond those imposed upon these foreign companies by the laws of this state, the same taxes, fines, deposits, penalties, licenses, fees, and conditions precedent shall be imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in this state so long as these foreign laws remain in force.

(2) In the event that a domestic insurance company, after complying with all reasonable laws and rulings of any other state or country, is refused permission by that state or country to transact business therein after the commissioner of insurance of Minnesota has determined that that company is solvent and properly managed and after he has so certified to the proper authority of that other state or country, then, and in every such case, the commissioner may in his discretion forthwith suspend or cancel the certificate of authority of every insurance company organized under the laws of that other state or country to the extent that it insures, or seeks to insure, in this state against any of the risks or hazards which that domestic company seeks to insure against in that other state or country. Without limiting the application of the foregoing provision, it is hereby determined that any law or ruling of any other state or country which prescribes to a Minnesota domestic insurance company the premium rate or rates for life insurance issued or to be issued outside that other state or country shall not be deemed reasonable.

Subd. 7. **Policy not invalidated by occurrence of hostilities.** No policy of insurance issued to a citizen of this state shall be invalidated by the occurrence of hostilities between any foreign country and the United States.

Subd. 8. **Insurance from unlicensed foreign companies.** When any person, firm, or corporation desires to obtain insurance upon any property, interests, or risks of any nature other than life insurance in this state in companies not authorized to do business therein he or they shall give bond to the commissioner in such sum as he shall deem reasonable, with satisfactory resident sureties, conditioned that the obligors, on the expiration of a license to obtain such insurance, shall pay to the commissioner, for the use of the state, a tax of two percent upon the gross premiums paid by the licensee. Thereupon the commissioner shall issue such license, good for one year, and all insurance procured thereunder shall be lawful and valid and the provisions of all policies thereof shall be deemed in accordance, and construed as if identical in effect, with the standard policy prescribed by the laws of this state and the insurers may enter the state to perform any act necessary or proper in the conduct of the business. This bond may be enforced by the commissioner in his own name in any district court. The licensee shall file with the com-

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missioner on June thirtieth and December thirty-first annually a verified statement of the aggregate premiums paid and returned premiums received on account of such insurance.

**Sec. 20. [60A.20] Surplus line law.** Subdivision 1. **Purpose clause.** Insurance transactions with unauthorized insurers are so affected with a public interest as to require regulation, taxation, supervision and control as provided in this section in order to: protect the citizens of this state in transactions involving the purchase of insurance from insurers not authorized to transact business in this state; provide for the public an orderly, reasonable, and regulated access to insurance from unauthorized insurers, where necessary, through qualified licensed and supervised surplus line agents; protect the revenues of this state; protect regulated authorized insurers from unregulated and unfair competition by unauthorized insurers; and regulate and supervise the procurement from unauthorized insurers in accordance with the laws of this state and Public Law 15 known as the McCarran Act.

**Subd. 2. Conditions to procurement.** If certain insurance coverages cannot be procured from authorized insurers, such coverages, hereinafter designated surplus line, may be procured from unauthorized insurers through a licensed surplus line agent, subject to the following conditions:

(1) The full amount of insurance required must not be procurable, after diligent effort has been made to do so from among the insurers who are authorized to transact and are actually writing the particular kind and class of insurance in this state, and the amount of insurance eligible for an unauthorized insurer is only the excess over the amount procurable from authorized insurers.

(2) The insurance must not be so procured for the purpose of securing advantages, either as to:

(a) A lower premium rate than would be accepted by an authorized insurer, or

(b) Terms of the insurance contract.

**Subd. 3. Affidavit by agent.** At the time each surplus line insurance contract is procured, the surplus line agent shall execute an affidavit setting forth facts from which it may be determined whether the requirements of subdivision 2 above have been met. Such affidavit shall be filed with the commissioner within 30 days after each surplus line contract is placed.

**Subd. 4. Policy to be labeled and bear name of agent.** Each

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*insurance contract, cover note, or certificate of insurance procured* as a surplus line coverage shall have stamped upon it and be initialed by or bear the name of the surplus line agent who procured it, the following:

“This contract is delivered as a surplus line coverage under the Surplus Line Insurance Law and this insurer is not licensed to do business in Minnesota.”

**Subd. 5. Insurance valid.** Insurance contracts procured as surplus line coverages from unauthorized insurers in accordance with this section shall be valid and enforceable and the provisions of policies shall be at least as favorable to the insured as any standard policy described by the laws of this state.

**Subd. 6. Agent to be licensed; application, fee, bond.** Any person, while licensed as a resident insurance agent of this state as to property, casualty, and surety insurances, and who is deemed by the commissioner to be qualified therefor by insurance experience and to be trustworthy, may be licensed as a surplus line agent as follows:

(1) Application to the commissioner for the license shall be made on forms furnished by the commissioner.

(2) License fee in the amount of \$50 shall be paid to the commissioner. The license shall expire on May 31 of each year.

Prior to the issuance of license, the applicant shall file with the commissioner, and maintain thereafter for as long as any such license remains in force, a bond, with an authorized corporate surety approved by the commissioner, in favor of the commissioner, in the penal sum of not less than \$5,000 conditioned upon compliance with this section. The commissioner may, in his discretion, require a bond in a larger amount commensurate with the volume of surplus line business transacted or to be transacted by a particular surplus line agent. The aggregate liability of the surety for any and all claims on any such bond shall, in no event, exceed the penal sum thereof. No such bond shall be terminated unless not less than 30 days prior written notice thereof shall be given to the licensee and filed with the commissioner.

**Subd. 7. Requirement of insurers.** *No surplus line agent shall procure surplus line insurance contracts from any unauthorized insurer unless the unauthorized insurer meets either of the following requirements:*

(1) The unauthorized insurer is an authorized insurer in at

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least one state of the United States for the kind of insurance involved, and which, if a stock insurer, has capital stock and surplus of at least \$350,000, or, if any other type of insurer, has surplus of at least \$350,000; or

(2) The unauthorized insurer, other than one qualified under (1) above, has an established and effective trust fund of at least \$400,000 within the United States, administered by a recognized financial institution and held for the benefit of all its policyholders in the United States or policyholders and creditors in the United States.

An unauthorized insurer assuming any surplus line risk pursuant to this surplus line law shall within 30 days thereafter file with the commissioner a duly executed and sworn affidavit showing facts in support of its qualification under either (1) or (2) above, except that requirement (2) may otherwise be sufficiently evidenced by an affidavit of the trustee institution filed with the commissioner showing the requisite facts and renewed from time to time as the commissioner may reasonably require to reflect the current condition of the trust fund, and any such trustee's affidavit properly filed and maintained shall be sufficient as to all risks placed with that unauthorized insurer pursuant to this surplus line law.

Provided that the foregoing limitations may be waived upon filing with the commissioner a signed statement of the insured requesting insurance in an unauthorized insurer which does not meet the requirements of this subsection.

If at any time the commissioner shall determine, in his judgment, that an unauthorized insurer is not in a safe or solvent financial condition, or has refused to pay just claims, he shall direct that no such insurance shall be placed with such insurer; and upon his written notice to that effect mailed to licensees under this section, thereafter no insurance shall be placed with such insurer.

Notwithstanding any provision of this subdivision, the placement by a surplus line agent of insurance with an unauthorized insurer, pursuant to the general authority and provisions of this section, shall not imply approval by the commissioner of such insurer's financial condition or mode of operation.

**Subd. 8. Evidence of insurance.** (1) Upon placing a surplus line coverage, the surplus line agent shall promptly issue and deliver to the insured evidence of the insurance, consisting either of the policy as issued by the insurer, or, if such policy is not then available, a certificate of insurance or cover note signed or countersigned by the agent. Such certificate or cover note shall show the subject, coverage, conditions, and term of the insurance, the pre-

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mium charged and taxes collected from the insured, and the name and address of the insurer. If the direct risk is assumed by more than one insurer, the certificate or cover note shall state the name and address and proportion of the entire direct risk assumed by each such insurer.

(2) If, after the issuance and delivery of any such certificate or cover note, there is any change as to the identity of the insurers, or the proportion of the direct risk assumed by the insurer as stated in the original certificate or cover note, or in any other material respect as to the insurance coverage evidenced by the certificate or cover note, the agent shall promptly issue and deliver to the insured a substitute certificate or cover note accurately showing the current status of the coverage and the insurers responsible thereunder.

(3) If a policy issued by the insurer is not available upon placement of the insurance and the agent has issued and delivered a certificate or cover note as hereinabove provided, upon request therefor by the insured, the agent shall, as soon as reasonably possible, procure from the insurer its policy evidencing such insurance and deliver such policy to the insured in replacement of the certificate or cover note theretofore issued.

(4) Any surplus line agent who knowingly or negligently issues or delivers a false certificate or cover note of insurance, or fails promptly to notify the insured of any material change with respect to such insurance by delivery to the insured of a substitute certificate or cover note as provided in clause (2) hereof, shall be guilty of a violation of this code, and, upon conviction, shall be subject to the penalties provided by this section, or to any greater applicable penalty otherwise provided by law.

**Subd. 9. Liability of insurer as to losses and unearned premiums.** As to a surplus line risk which has been assumed by an unauthorized insurer pursuant to this surplus line insurance law, and if the premium thereon has been received by the surplus line agent who placed such insurance, in all questions thereafter arising under the coverage as between the insurer and the insured, the insurer shall be deemed to have received the premium due to it for such coverage; and the insurer shall be liable to the insured as to losses covered by such insurance, and for unearned premiums which may become payable to the insured upon cancellation of such insurance, whether or not, in fact, the agent is indebted to the insurer with respect to such insurance or for any other cause. This provision shall not affect rights as between the insurer and the surplus line agent.

**Subd. 10. Agent to keep records and make reports. (1)**

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Each surplus line agent shall keep a separate record and account of all business transacted under his surplus line license, including a copy of each daily report, if any, and of each binder or cover note delivered by him. The records shall be available for examination by the commissioner at any reasonable time within the policy period, and shall be retained for at least three years following the termination of the coverage to which the records relate.

(2) Within 60 days following December 31 and June 30 of each year, the agent shall file with the commissioner a semi-annual statement which reports the following:

(a) Name and address of each insured for whom surplus line insurance was procured;

(b) Name and home office of each insurer providing such insurance;

(c) Amount of each coverage, the premium rate and gross premiums charged;

(d) Date and term of policy;

(e) Amount of premium returned on each policy cancelled or not taken, and

(f) Such additional information as the commissioner may reasonably require.

**Subd. 11. Agent to remit premium tax semi-annually. Tax must be charged to insured.** The premiums charged for surplus line insurance are subject to a premium receipts tax of two percent on all gross premiums, less any return premiums charged for such insurance. The surplus line agent shall charge the insured the amount of the tax at the time of delivery of the policy or other initial confirmation of insurance, in addition to the full amount of the gross premium charged by the insurer for the insurance; provided, however, that the tax on any unearned portion of the premium shall be returned to the policyholder by the surplus line agent. The surplus line agent is prohibited from absorbing such tax, or as an inducement for insurance, or for any other reason, rebating all or any part of such tax or all or any part of his commission.

Within 60 days following December 31 and June 30 of each year, the surplus line agent shall pay to the commissioner the amount of *premium receipts taxes due upon business done during the semi-annual period ending December 31 and June 30 of each year.*

If the surplus line policy covers risks or exposures only partially

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in this state, the tax payable shall be computed on the portion of the premium which is properly allocated to the risks or exposures located in this state.

**Subd. 12. Penalty for failure to file statement or pay tax.** Every surplus line agent who fails to make and file the semi-annual statement as required under subdivision 10, or to pay the taxes as required under this section, shall be liable to a penalty of \$25 for each seven days of delinquency, together with interest at the rate of six percent on any unpaid premium tax which is delinquent from the date of such delinquency. The tax and penalty may be recovered in an action instituted by the commissioner in the name of the state in any court of competent jurisdiction, the attorney general representing him. The surplus line agent's license shall also be subject to revocation as provided in subdivision 13.

**Subd. 13. Revocation or suspension of agent's license.** (1) The commissioner may revoke or suspend all licenses held by a surplus line agent:

(a) If the agent fails to file his semi-annual statement or to remit the tax, as required by law;

(b) If the agent fails to keep the records or to allow the commissioner to examine his records, as required by law;

(c) If the agent fails to file or falsifies the affidavit required by subdivision 3; or

(d) For any of the causes for which an insurance agent's license may be revoked or suspended.

(2) No agent whose licenses have been so revoked or suspended shall again be so licensed until all penalties and delinquent taxes owing by him have been paid.

**Subd. 14. Service of process.** No surplus line agent shall procure contracts from any unauthorized insurer unless: Such unauthorized insurer shall, prior to the time any risk is assumed, file with the commissioner a duly executed instrument whereby the unauthorized insurer shall appoint and constitute the commissioner the true and lawful attorney of such unauthorized insurer upon whom all lawful process in any action or legal proceeding against it may be served, and shall agree that any such lawful process against it, which may be served upon its said attorney as provided in this section, shall be of the same force and validity as if served upon the unauthorized insurer and that authority thereof shall continue in force irrevocably so long as any liability of the unauthorized insurer in this

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state shall remain outstanding. Such instrument shall designate therein, irrevocably but with full power of substitution, so long as any liability of the unauthorized insurer in this state shall remain outstanding, a resident of the state to whom a copy of such process shall be forwarded by the commissioner by fully prepaid registered or certified mail. Upon the mailing of such copy and receipt thereof, the service of such process shall be complete. The provisions of the unauthorized insurers process act, section 21, shall, to the extent not inconsistent herewith, be applicable in connection with such service of process.

**Subd. 15. Rules and regulations.** The commissioner shall make or may approve and adopt reasonable rules and regulations for the effectuation of this section.

**Subd. 16. Authorized insurance.** Any authorized insurer, upon submission of an affidavit to the commissioner setting forth facts which show that it is competing for a specific risk with a named unauthorized insurer, may issue a policy without regard to rate and form requirements otherwise applicable; provided that the provisions of policies shall be at least as favorable to the insured as any standard policy described by the laws of this state. Insurance issued by authorized insurers under the provisions of this subdivision shall be considered for the purposes of regulation and taxation as authorized insurance rather than surplus line insurance.

**Subd. 17. Exemptions.** The provisions of this section, controlling the placing of insurance with unauthorized insurers, shall not apply to life insurance, health insurance, annuities, or reinsurance, nor to the following insurance when so placed by a licensed agent of this state

(1) Insurance on subjects located, resident, or to be performed wholly outside of this state.

(2) Insurance on the property or operations of aircraft or railroads engaged in transportation in interstate and foreign commerce.

(3) Insurance of vessels, crafts or hulls, cargoes, marine builders' risks, marine protection and indemnity, or other risks including strikes and war risks commonly insured under ocean or wet marine forms of policies.

**Sec. 21. [60A.21] Unauthorized insurers process act.**  
**Subdivision 1. Purpose.** The purpose of the unauthorized insurers process act is to subject certain insurers to the jurisdiction of

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courts of this state in suits by or on behalf of insureds or beneficiaries under insurance contracts.

The legislature declares that it is a subject of concern that many residents of this state hold policies of insurance issued or delivered in this state by insurers while not authorized to do business in this state, thus presenting to such residents the often insuperable obstacle of resorting to distant forums for the purpose of asserting legal rights under such policies. In furtherance of such state interest the legislature herein provides a method of substituted service of process upon such insurers and declares that in so doing it exercises its power to protect its residents and to define for the purpose of this statute what constitutes doing business in this state and also exercises powers and privileges available to the state by virtue of Public Law 15, 79th Congress of the United States, Chapter 20, 1st Session, S. 340, which declares that the business of insurance and every person engaged therein shall be subject to the laws of the several states.

**Subd. 2. Service of process upon unauthorized insurer.**

(1) Any of the following acts in this state effected by mail or otherwise by an unauthorized foreign or alien insurer: (a) the issuance or delivery of contracts of insurance to residents of this state or to corporations authorized to do business therein; (b) the solicitation of applications for such contracts; (c) the collection of premiums, membership fees, assessments, or other considerations for such contracts; or (d) any other transaction of insurance business, is equivalent to and shall constitute an appointment by such insurer of the commissioner of insurance and his successor or successors in office to be its true and lawful attorney upon whom may be served all lawful process in any action, suit, or proceeding instituted by or on behalf of an insured or beneficiary arising out of any such contract of insurance and any such act shall be signification of its agreement that such service of process is of the same legal force and validity as personal service of process in this state upon such insurer.

(2) Such service of process shall be made by delivering to and leaving with the commissioner of insurance or some person in apparent charge of his office two copies thereof and the payment to him of a filing fee of \$3. The commissioner of insurance shall forthwith mail by registered mail one of the copies of such process to the defendant at its last known principal place of business and shall keep a record of all process so served upon him. Such service of process is sufficient provided notice of such service and a copy of the process are sent within ten days thereafter by registered mail by plaintiff or plaintiff's attorney to the defendant at its last known principal place of business and the defendant's receipt, or receipt issued by the post-

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office with which the letter is registered showing the name of the sender of the letter and the name and address of the person to whom the letter is addressed, and the affidavit of the plaintiff or plaintiff's attorney showing a compliance herewith are filed with the clerk of the court in which such action is pending on or before the date the defendant is required to appear or within such further time as the court may allow.

(3) Service of process in any such action, suit, or proceeding shall in addition to the manner provided in clause (2) of this subdivision be valid if served upon any person within this state who, in this state on behalf of such insurer, is: (a) soliciting insurance, or (b) making, issuing, or delivering any contract of insurance, or (c) collecting or receiving any premium, membership fee, assessment, or other consideration for insurance; and if a copy of such process is sent within ten days thereafter by registered mail by the plaintiff or plaintiff's attorney to the defendant at the last known principal place of business of the defendant and the defendant's receipt, or the receipt issued by the postoffice with which the letter is registered showing the name of the sender of the letter and the name and address of the person to whom the letter is addressed, and the affidavit of the plaintiff or plaintiff's attorney showing a compliance herewith are filed with the clerk of the court in which such action is pending on or before the date the defendant is required to appear or within such further time as the court may allow.

(4) No plaintiff or complainant shall be entitled to a judgment by default under this subdivision until the expiration of 30 days from the date of the filing of the affidavit of compliance.

(5) Nothing in this subdivision contained shall limit or abridge the right to serve any process, notice, or demand upon any insurer in any other manner now or hereafter permitted by law.

(6) The provisions of this section shall not apply to surplus line insurance lawfully effectuated under Minnesota law, or to reinsurance, nor to any action or proceeding against an unauthorized insurer arising out of:

- (a) Wet marine and transportation insurance;
- (b) Insurance on or with respect to subjects located, resident, or to be performed wholly outside this state, or on or with respect to vehicles or aircraft owned and principally garaged outside this state;
- (c) Insurance on property or operations of railroads engaged in interstate commerce; or

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(d) Insurance on aircraft or cargo of such aircraft, or against liability, other than employer's liability, arising out of the ownership, maintenance, or use of such aircraft, where the policy or contract contains a provision designating the commissioner as its attorney for the acceptance of service of lawful process in any action or proceeding instituted by or on behalf of an insured or beneficiary arising out of any such policy, or where the insurer enters a general appearance in any such action.

**Subd. 3. Defense of action by unauthorized insurer.** (1) *Before any unauthorized foreign or alien insurer shall file or cause to be filed any pleading in any action, suit, or proceeding instituted against it such unauthorized insurer shall: (a) Deposit with the clerk of the court in which such action, suit, or proceeding is pending cash or securities or file with such clerk a bond with good and sufficient sureties to be approved by the court in an amount to be fixed by the court sufficient to secure the payment of any final judgment which may be rendered in such action; or (b) procure a certificate of authority to transact the business of insurance in this state.*

(2) The court in any action, suit, or proceeding in which service is made in the manner provided in clauses (2) or (3) of subdivision 2 hereof, may, in its discretion, order such postponement as may be necessary to afford the defendant reasonable opportunity to comply with the provisions of clause (1) of this subdivision and to defend such action.

(3) Nothing in clause (1) of this subdivision is to be construed to prevent an unauthorized foreign or alien insurer from filing a motion to quash a writ or to set aside service thereof made in the manner provided in clauses (2) and (3) of subdivision 2 hereof on the ground either (a) that such unauthorized insurer has not done any of the acts enumerated in clause (1) of subdivision 2 hereof, or (b) that the person on whom service was made pursuant to clause (3) of subdivision 2 hereof, was not doing any of the acts therein enumerated.

**Subd. 4. Attorney fees and judgment.** In any action hereunder against an unauthorized foreign or alien insurer upon a contract of insurance issued or delivered in this state to a resident thereof or to a corporation authorized to do business therein, if the insurer has failed for 30 days after demand prior to the commencement of the action to make payment in accordance with the terms of the contract and it appears to the court that such refusal was vexatious and without reasonable cause, the court may allow to the plaintiff a reasonable attorney fee and include such fee in any judgment that may be rendered in such action. Failure of an insurer to defend any

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such action shall be deemed prima facie evidence that its failure to make payment was vexatious and without reasonable cause.

Subd. 5. **Constitutionality.** If any provision of this section or the application thereof to any person or circumstances is held invalid such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application and to this end the provisions of this section are declared to be severable.

Subd. 6. **Citation.** Section 21 may be cited as the Unauthorized Insurers Process Act.

Sec. 22. [60A.22] **Special provisions as to stock companies—Stockholders, officers, directors and investors.** Subdivision 1. **Shareholders' rights.** (1) If an insurance corporation has given notice to shareholders of a proposal to amend the articles of incorporation, which proposed amendment would substantially change the corporate purposes or would extend the duration of the corporation, a shareholder may, at any time prior to the date of the meeting at which such proposed amendment is to be voted upon, file a written objection to such amendment in the office of the secretary or president of the corporation and demand payment for his shares; provided, that such demand shall be of no force and effect if such shareholder votes in favor of the amendment, or at any time consents thereto in writing, or if the proposed amendment be not in fact effected.

(2) If, after such a demand by a shareholder, the corporation and the shareholder cannot agree upon the fair cash value of the shares at the time such amendment was authorized, such value shall be determined by three disinterested appraisers, one of whom shall be named by the shareholder, another by the corporation, and the third by the two thus chosen. The determination of a majority of the appraisers in good faith made shall be final, and if the amount so determined is not paid by the corporation within 30 days after it is made, such amount may be recovered in an action by the shareholder against the corporation. The corporation shall not be required to make payment of such amount except upon transfer to it of the shares for which such payment was demanded and upon surrender of the certificate or certificates evidencing the same.

(3) A shareholder shall not be entitled to payment for his shares under the provisions of this subdivision unless the value of the corporate assets which would remain after such payment would be at least equal to the aggregate amount of its debts and liabilities exclusive of stated capital.

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**Subd. 2. Transactions of principal stockholders, directors, and officers in equity securities.** (1) Every person who is directly or indirectly the beneficial owner of more than ten percent of any class of any equity security of a domestic stock insurance company, or who is a director or an officer of such company, shall file in the office of the commissioner of insurance on or before January 31, 1966, or within ten days after he becomes such beneficial owner, director, or officer, a statement, in such form as the commissioner of insurance may prescribe, of the amount of all equity securities of such company of which he is the beneficial owner, and within ten days after the close of each calendar month thereafter, if there has been a change in such ownership during such month, shall file in the office of the commissioner of insurance a statement, in such form as the commissioner of insurance may prescribe, indicating his ownership at the close of the calendar month and such changes in his ownership as may have occurred during such calendar month.

(2) For the purpose of preventing the unfair use of information which may have been obtained by such beneficial owner, director, or officer by reason of his relationship to such company, any profit realized by him from any purchase and sale, or any sale and purchase, of any equity security of such company within any period of less than six months, unless such security was acquired in good faith in connection with a debt previously contracted, shall inure to and be recoverable by the company, irrespective of any intention on the part of such beneficial owner, director, or officer in entering into such transaction of holding the security purchased or of not repurchasing the security sold for a period exceeding six months. Suit to recover such profit may be instituted at law or in equity in any court of competent jurisdiction by the company, or by the owner of any security of the company in the name and in behalf of the company if the company shall fail or refuse to bring such suit within 60 days after request or shall fail diligently to prosecute the same thereafter; but no such suit shall be brought more than two years after the date such profit was realized. This clause shall not be construed to cover any transaction where such beneficial owner was not such both at the time of the purchase and sale, or the sale and purchase, of the security involved, or any transaction or transactions which the commissioner of insurance by rules and regulations may exempt as not comprehended within the purpose of this clause.

(3) It shall be unlawful for any such beneficial owner, director, or officer, directly or indirectly, to sell any equity security of such company if the person selling the security or his principal (a) does not own the security sold, or (b) if owning the security, does not deliver it against such sale within 20 days thereafter, or does not

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within five days after such sale deposit it in the mails or other usual channels of transportation; but no person shall be deemed to have violated this clause if he proves that notwithstanding the exercise of good faith he was unable to make such delivery or deposit within such time, or that to do so would cause undue inconvenience or expense.

(4) The provisions of clause (2) of this subdivision shall not apply to any purchase and sale, or sale and purchase, and the provisions of clause (3) of this subdivision shall not apply to any sale, of any equity security of a domestic stock insurance company not then or theretofore held by him in an investment account, by a dealer in the ordinary course of his business and incident to the establishment or maintenance by him of a primary or secondary market, otherwise than on an exchange as defined in the federal Securities Exchange Act of 1934, for such security. The commissioner of insurance may, by such rules and regulations as he deems necessary or appropriate in the public interest, define and prescribe terms and conditions with respect to securities held in an investment account and transactions made in the ordinary course of business and incident to the establishment or maintenance of a primary or secondary market.

(5) The provisions of this subdivision shall not apply to foreign or domestic arbitrage transactions unless made in contravention of such rules and regulations as the commissioner of insurance may adopt in order to carry out the purposes of this subdivision.

**Subd. 3. Regulation of proxies, consents and authorizations.**

(1) It shall be unlawful for any person, in contravention of such rules and regulations as the commissioner of insurance may prescribe as necessary or appropriate in the public interest or for the protection of investors, to solicit or to permit the use of his name to solicit any proxy or consent or authorization in respect of any equity security of a domestic stock insurance company.

(2) Unless proxies, consents, or authorizations in respect of an equity security of a domestic stock insurance company are solicited by or on behalf of the management of such company from the holders of record of such security in accordance with the rules and regulations prescribed under clause (1) of this subdivision, prior to any annual or other meeting of the holders of such security, such company shall, in accordance with such rules and regulations as the commissioner of insurance may prescribe as necessary or appropriate in the public interest or for the protection of investors, if required thereby, file with the commissioner of insurance and transmit to all holders of record of such security information substantially equiva-

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lent to the information which would be required to be transmitted if a solicitation were made.

**Subd. 4. Securities excepted.** The provisions of subdivisions 2 and 3 hereof shall not apply to equity securities of a domestic stock insurance company if (a) any equity security of such company shall be registered, or shall be required to be registered, pursuant to section 12 of the federal Securities Exchange Act of 1934, or if (b) such company shall not have equity securities held of record by 100 or more persons on the last day of the year next preceding the year in which the provisions of subdivisions 2 and 3 hereof would apply except for the provisions of this clause (b).

**Subd. 5. 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 2 and 3 hereof, and may for such purpose classify domestic stock insurance companies, securities, and other persons or matters within his jurisdiction. No provision of subdivisions 2 and 3 hereof imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule or regulation of the commissioner of insurance, notwithstanding that such rule or regulation may, after such act or omission, be amended or rescinded or determined by judicial or other authority to be invalid for any reason.

**Subd. 6. Definitions.** (1) The term "equity security" when used in this section means any stock or similar security; or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right; or any other security which the commissioner of insurance shall deem to be of similar nature and consider necessary or appropriate, by such rules and regulations as he may prescribe in the public interest or for the protection of investors, to treat as an equity security.

(2) The term "domestic stock insurance company" when used in this section includes a domestic stock and mutual insurance company as defined in sections 33 to 38 of Article II.

**Sec. 23. [60A.23] Miscellaneous.** Subdivision 1. **Liability of directors and officers generally.** If a company be at any time under liability for losses exceeding its net assets, and the president and directors, or any of them, knowing it, directly or indirectly, issue or consent to the issue of further insurance, each shall be personally liable for any loss under this insurance; and if any of them insures or allows to be insured on a single risk a larger sum than is authorized by law, he shall be personally liable for any loss thereon above the amount which might lawfully be insured.

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**Subd. 2. Liability of directors and officers of mutual company.** No director or other officer of any mutual company shall, officially or privately, guarantee a policyholder thereof against an assessment to which he would otherwise be liable. When the directors of any mutual company fail for 30 days after entry of any judgment, or for six months after the accruing of any other indebtedness against it, to levy and deliver for collection any assessment required by law for payment thereof, or to apply the proceeds thereof in either case, each shall be personally liable for the amount thereof, and for all debts and claims then outstanding or which may accrue until the assessment shall be levied and put in process of collection. When the treasurer unreasonably fails to collect and properly apply the proceeds of any such assessment he shall be personally liable, not exceeding the total assessment, to any person entitled thereto, and shall be repaid only out of funds thereafter collected thereon.

**Subd. 3. Conflict of interest and compensation in mutual fire company.** No officer or other person employed to determine the character of a risk, and decide the question of its acceptance by any mutual fire company other than a town or farmers company, shall receive a commission or other payment therefrom, but his compensation shall be by fixed salary and such share, if any, of the net profits as the directors may determine; and such officer or person shall not be an employee of any other officer or agent of the company, nor interested in his business.

**Subd. 4. Stock dividends; limitations.** No domestic stock company shall declare a dividend either in cash or stock, except from its actual net surplus computed as required by law in its annual statement; nor shall any such company which has ceased to do new business divide any portion of its assets, except surplus, until it shall have performed or canceled its policy obligations. It may declare and pay, annually or semiannually, from its surplus, cash dividends of not more than ten percent of its capital stock and surplus in any year and, if the dividends in any one year are less than ten percent, the difference may be made up in any subsequent year or years from surplus accumulations. It may pay such dividend as the directors deem prudent out of any surplus remaining after charging, in addition to all liabilities except unearned premiums, an amount equal to the whole amount of premiums on unexpired risks and deducting from the assets all securities and accounts receivable on which no part of the principal or interest has been paid within the preceding year, or for which foreclosure or suit has been commenced, or upon which judgment obtained has remained more than two years unsatisfied and on which interest has not been paid, and also deducting all liens due and unpaid on any of its property.

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**Subd. 5. Provisions as to fidelity and surety companies. (1) Requirements and acceptability.** No company for guaranteeing the fidelity of persons in fiduciary positions, public or private, or for acting as surety, shall transact any business in this state until it shall have satisfied the commissioner that it has complied with all the provisions of law and obtained his certificate to that effect. Thereupon it shall be authorized to execute as sole or joint surety any bond, undertaking, or recognizance which, by any municipal or other law, or by the rules or regulations of any municipal or other board, body, organization, or officer, is required or permitted to be made, given, tendered, or filed for the security or protection of any person, corporation, or municipality, or any department thereof, or of any other organization, conditioned for the doing or omitting of anything in such bond or other instrument specified or provided; and any and all courts, judges, officers, and heads of departments, boards, and municipalities required or permitted to accept or approve of the sufficiency of any such bond or instrument may in their discretion accept the same when executed, or the conditions thereof guaranteed solely or jointly by any such company, and the same shall be in all respects full compliance with every law or other provisions for the execution or guaranty by one surety or by two or more sureties, or that sureties shall be residents or householders, or freeholders, or all or either.

**(2) Countersignature not required.** The countersignature of a licensed resident agent shall not be required of any bid bond issued in connection with any public or private contract when such bid bond is issued by an insurer duly authorized to do business in this state.

**Subd. 6. Company's principal place of business to be designated.** When a company establishes any agency in a place other than that of its principal place of business, all signs, cards, pamphlets, or other printed matter issued shall designate such principal place.

**Subd. 7. Licenses required for employers making deductions from wages for certain purposes. (1) Requirements.** No employer shall make deductions from the wages of his employees for the purpose of furnishing them with life insurance, funeral benefits, medical or hospital care, accident, sickness or old age insurance or benefits, unless he first receives from the commissioner of insurance a license for the benefit plan he operates or proposes to operate. Such license shall be granted only when the commissioner is satisfied that the benefits given are commensurate with the charges made and that the charges will keep the fund solvent. All such licenses shall be

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for the period of one year. The commissioner may require a statement of the operation of the fund, on a form to be prescribed by him, before granting a renewal. The fee for any such license is \$1 and for filing the annual statement \$1. Before granting a license the commissioner of insurance shall submit the proposed plan to the chairman of the industrial commission in order that he may determine whether the benefits are in conjunction with the benefits under the workmen's compensation act.

(2) **Exceptions.** The above requirements shall not apply to deductions made from employees' wages for group insurance issued by insurers authorized to transact business in this state nor to railroad companies engaged in interstate commerce.

(3) **Penalty.** Any person, firm, corporation, or association that makes deductions from the wages of his, their, or its employees in violation of clause (1) shall be guilty of a misdemeanor.

Sec. 24. **[60A.24] Exemptions from insurance laws of this state.** The following are exempt from all insurance laws of the state: All organizations listed in section 45 of the laws relating to fraternal beneficiary associations, Article V.

Sec. 25. Minnesota Statutes 1965, Sections 60.01 to 60.90, Section 60.91, Subdivision 1, and Sections 60.92 to 60.954 are repealed.

## ARTICLE II

### Life Insurance Generally

Section 1. **[61A.01] Life insurance company defined.** Every corporation or association, domestic or foreign, operating upon any plan involving payment of money or other thing of value to policy or certificate holders, or members, or families, or representatives of either, conditioned upon the continuance or cessation of human life, or for the payment of endowments or annuities (except benevolent, fraternal, cooperative or secret societies of orders for the sole purpose of mutual welfare, protection and relief of their members and the payment of stipulated amounts, or the proceeds of assessments, to the families of deceased members), shall be deemed a life insurance company, and wherever used in this Article, the terms "company", "life company", "corporation" or "association" shall be construed to mean life insurance company unless the context clearly indicates otherwise.

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### Contracts

Sec. 2. **[61A.02] Forms of policy.** Subdivision 1. **Prohibited.** So-called coupon policies shall not be issued or delivered by any company to any residents of this state.

Subd. 2. **Approval required.** No policy of life insurance nor any rider of any kind or description which is made a part thereof shall be issued or delivered in this state, or be issued by a life insurance company organized under the laws of this state, until the form of the same has been filed with the commissioner; and after he shall have notified any company of his disapproval of any form, it shall be unlawful for the company to issue any policy in the form so disapproved. *The commissioner's action shall be subject to review by any court of competent jurisdiction.*

Sec. 3. **[61A.03] Necessary provisions.** No policy of life insurance shall be issued in this state or be issued by a life insurance company organized under the laws of this state unless the same contains the following provisions:

(1) **Premium.** A provision that all premiums shall be payable in advance either at the home office of the company, or to an agent of the company, upon delivery of a receipt signed by one or more officers named in the policy and counter-signed by the agent, but any policy may contain a provision that the policy itself shall be a receipt for the first premium;

(2) **Grace period.** A provision for a grace of one month for the payment of every premium after the first, which may be subject to an interest charge, during which month the insurance shall continue in force, which provision may contain a stipulation that if the insured dies during the month of grace the overdue premium will be deducted in any settlement under the policy;

(3) **Entire contract.** A provision that the policy constitutes the entire contract between the parties and is incontestable after it is in force during the lifetime of the insured for two years from its date, except for non-payment of premiums and except for violations of the conditions of the policy relating to naval and military services in time of war and, at the option of the company, provisions relative to benefits in the event of total and permanent disability and provisions which grant additional insurance specifically against death by accident, may be excepted, a special form of policy may be issued on the life of a person employed in an occupation classed by the company as extra hazardous or as leading to hazardous employment, which provides that service in certain designated occupations may

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reduce the company's liability under the policy to a certain designated amount not less than the full policy reserve;

(4) **Representations and warranties.** A provision that, in the absence of fraud, all statements made by the insured shall be deemed representations and not warranties, and that no such statement shall avoid the policy unless it is contained in a written application, and a copy of the application is endorsed upon or attached to the policy when issued;

(5) **Misstatement of age.** A provision that if the age of the insured is understated, the amount payable under the policy shall be such as the premium would have purchased at the correct age;

(6) **Dividends on participating policies.** A provision that the policy shall participate in the surplus of the company and that, beginning not later than the end of the third policy year, the company will, annually, determine and account for the portion of the divisible surplus accruing on the policy, and that the owner of the policy shall have the right, each year after the fifth to have the current dividend arising from such participation paid in cash, and if the policy shall provide other dividend options, it shall specify which option shall be effective if the owner of the policy shall not elect any option, which provision may stipulate that any dividends payable during the first five years of such policy shall be conditioned upon the payment of the next ensuing annual premium; this provision shall not be required in non-participating policies, nor in policies issued on under-average lives, nor in insurance in exchange for lapsed or surrendered policies;

(7) **Policy loans.** A provision that after three full years premiums have been paid, the company at any time while the policy is in force, will advance, on proper assignment of the policy, and on the sole security thereof, at a specified rate of interest, a sum equal to, or, at the option of the owner of the policy, less than the loan value thereof. Such loan value shall be the cash surrender value thereof at the end of the current policy year, and the policy shall provide that such loan, except when made to pay premiums, may be deferred for not exceeding six months after the application therefor is made; it shall be further stipulated in the policy that the company will deduct from such loan value any existing indebtedness on the policy and any unpaid balance of the premium for current policy year, and may collect interest in advance on the loan to the end of the current policy year, and that the failure to repay any such advance or to pay interest shall not void the policy unless the total indebtedness thereon to the company shall equal or exceed such loan value at the time of such failure, nor until one month after notice shall have been mailed by the company to the last known address of the

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insured and of the assignee of record at the home office of the company; no condition other than as herein provided shall be exacted as a prerequisite to any such advance; but this provision shall not be required in term insurance.

(8) **Reinstatement.** A provision that if, in event of default in premium payments, the nonforfeiture value of the policy shall be applied to the purchase of other insurance, and if such insurance shall be in force and the original policy shall not have been surrendered to the company and canceled, the policy may be reinstated within three years from such default, upon evidence of insurability satisfactory to the company, and payment of arrears of premiums, with interest;

(9) **Payment of claims.** A provision that, when a policy becomes a claim by the death of the insured, settlement shall be made upon receipt of due proof of death, or not later than two months after receipt of such proof;

(10) **Settlement option.** A table showing the amount of installments in which the policy may provide its proceeds may be payable;

(11) **Description of policy.** A title on the face and on the back of the policy briefly and correctly describing in bold letters the same, and so specifying its general character, dividend periods, and other particulars, that the holder will not be able to mistake the nature and scope of the contract.

Any of the foregoing provisions or portions thereof relating to premiums not applicable to single premium policies shall not be incorporated therein.

Sec. 4. [61A.04] **Spendthrift provision.** In addition to the provisions now required by law to be in the standard form of life insurance policies issued or delivered in this state, there shall be, when such policy provides for the payment to the beneficiary the proceeds thereof, in either monthly, quarterly, semi-annual or annual instalments, to continue during the lifetime of the beneficiary, or for a stipulated number of years, whenever requested by the insured under the policy, the following provisions:

All rights of the beneficiary to commute, change time of payment or amount of instalments, surrender for cash, borrow against or assign for any purpose, are hereby withdrawn and those parts of this policy giving the beneficiary such rights are hereby declared inoperative and void; it being the intent hereof that the beneficiary shall have no right under this contract except to receive the instalments at such times and in such amounts as stated in this policy, and all the provi-

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sions of this policy in conflict herewith are hereby declared to be inoperative.

This provision may be attached to any policy in the form of a rider thereon, and, when so attached, shall become a part of and form a part of the contract of insurance, evidenced by the policy to all intents and purposes as if set forth at length therein.

**Sec. 5. [61A.05] Life policies to contain entire contract.** Every policy of insurance issued or delivered within this state on or after the first day of January, 1908, by any life insurance corporation doing business within the state, shall contain the entire contract between the parties.

Every policy which contains a reference to the application, either as a part of the policy or as having any bearing thereon, shall have a copy of such application attached thereto or set out therein.

**Sec. 6. [61A.06] Aviation and war risk exclusion permitted.** Policies of life insurance may be delivered or issued for delivery in this state which limit the amount to be paid in the event of death occurring as a result of travel or flight in, or descent from or with, any kind of aircraft if the insured (1) is a pilot, officer or member of the crew of such aircraft, or is participating in aeronautic or aviation training during such flight, or (2) is in the military, naval or air forces of any country and is being transported in a military, naval or air force aircraft. Such amount shall not be less than the reserve on the policy plus any dividends standing to the credit of the policy and the reserve for any paid-up additions, less any indebtedness to the company on the policy. Such limitation may be made by a provision in the policy or by a rider made a part thereof provided, that no such limitation shall be effective unless and until the insured or applicant shall agree in writing thereto; and provided, further, that except in case of policies issued on the lives of persons who have received aeronautic or aviation training or whose occupation entails duty aboard aircraft in flight, such limitation shall apply only in event death occurs within five years after date of issue of the policy. This section shall not affect the validity of provisions which limit the amount to be paid in the event of death of the insured while in the military, naval or air forces of any country at war, or of provisions relative to benefits in the event of total and permanent disability, or of provisions which grant additional insurance specifically against death by accident. Policies issued by life insurance companies organized under the laws of this state for delivery in any other state, territory, district, or country may contain any provisions limiting the amount to be paid in the event of death

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which are permitted by the laws of such other state, territory, district, or country.

**Sec. 7. [61A.07] Prohibited provisions.** No policy of life insurance shall be issued or delivered in this state, or be issued by a *life insurance company organized under the laws of this state*, if it contains a provision:

(1) for forfeiture of the policy for failure to repay any loan on the policy or to pay interest on such loan while the total indebtedness on the policy is less than the loan value thereof; or for forfeiture for failure to repay any such loan or to pay interest thereon, unless such provision contain a stipulation that no such forfeiture shall occur until at least one month after notice shall have been mailed by the company to the last known address of the insured and of the assignee, if any, notice of whose address and contract of the assignment has been filed with the company, at its home office; or

(2) *limiting the time within which any action at law or in equity may be commenced to less than five years after the cause of action shall accrue*; or

(3) by which the policy shall purport to be issued or to take effect more than six months before the original application for the insurance was made; or

(4) for any mode of settlement at maturity of less value *than the amount insured on the face of the policy plus any dividend additions, less any indebtedness to the company on the policy, and less any premium that may be deducted by the terms of the policy.*

**Sec. 8. [61A.08] Exceptions.** Sections 2, 3, 7, 23, and 25 shall not, except as expressly provided in this Article, apply to annuities, industrial or group term policies, or to corporations or associations operating on the assessment or fraternal plan, and in every case where a contract provides for both insurance and annuities, sections 2, 3 and 7 shall apply only to that part of the contract which provides for insurance, but every contract containing a provision for a deferred annuity on the life of the insured only, unless paid for by a single premium, shall provide that, in event of the non-payment of any premium after three full years' premium shall have been paid, the annuity shall automatically become converted into a paid-up annuity for that proportion of the original annuity as the number of completed years' premiums paid bears to the total number of premiums required under the contract.

**Sec. 9. [61A.09] Group life insurance.** No group life insurance policy shall be issued for delivery in this state until the form

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thereof and the form of any certificates issued thereunder have been filed in accordance with and subject to the provisions of section 2. Each person insured under such a group life insurance policy (excepting policies which insure the lives of debtors of a creditor or vendor to secure payment of indebtedness) shall be furnished a certificate of insurance issued by the insurer and containing the following:

- (a) Name and location of the insurance company;
- (b) A statement as to the insurance protection to which the certificate holder is entitled, including any changes in such protection depending on the age of the person whose life is insured;
- (c) Any and all provisions regarding the termination or reduction of the certificate holder's insurance protection;
- (d) A statement that the master group policy may be examined at a reasonably accessible place;
- (e) The maximum rate of contribution to be paid by the certificate holder;
- (f) Beneficiary and method required to change such beneficiary;
- (g) In the case of a group term insurance policy if the policy provides that insurance of the certificate holder will terminate, in case of a policy issued to an employer, by reason of termination of the certificate holder's employment, or in case of a policy issued to an organization of which the certificate holder is a member, by reason of termination of his membership, a provision to the effect that in case of termination of employment or membership the certificate holder shall be entitled to have issued to him by the insurer, without evidence of insurability, upon application made to the insurer within 31 days after termination of employment or membership, and upon payment of the premium applicable to the class of risk to which he belongs and to the form and amount of the policy at his then attained age, a policy of life insurance only, in any one of the forms customarily issued by the insurer except term insurance, in an amount equal to the amount of his life insurance protection under such group insurance policy at the time of such termination; and shall contain a further provision to the effect that upon the death of the certificate holder during such 31-day period and before any such individual policy has become effective, the amount of insurance for which the certificate holder was entitled to make application shall be payable as a death benefit by the insurer.

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**Sec. 10. [61A.10] Extension of time for payment of premiums.** Parties to any policy of life insurance now or hereafter issued shall have the right at any time to mutually agree, in writing, for an extension of time in which to pay a second or subsequent premium on the policy, upon condition that the failure to pay the amount agreed upon at the time agreed, shall lapse the policy as of the date mutually agreed upon in the writing; provided, no such agreement shall impair any right to extended or paid-up insurance which the insured may have under the policy, nor any right to have the premiums, any part thereof, or the amount payable for the extension charged against the policy under the terms of the policy. No such agreement need be attached to or made a part of the insurance policy so affected.

**Sec. 11. [61A.11] Misstatement, when not to invalidate policy.** In any claim upon a policy issued in this state without previous medical examination, or without the knowledge or consent of the insured, or, in case of a minor, without the consent of his parent, guardian, or other person having his legal custody, the statements made in the application as to the age, physical condition, and family history of the insured shall be valid and binding upon the company, unless wilfully false or intentionally misleading.

**Sec. 12. [61A.12] Beneficiaries.** Subdivision 1. **Proceeds of life policy, who entitled to.** When any insurance is effected in favor of another, the beneficiary shall be entitled to its proceeds against the creditors and representatives of the person effecting the same. All premiums paid for insurance in fraud of creditors, with interest thereon, shall inure to their benefit from the proceeds of the policy, if the company be specifically notified thereof, in writing, before payment.

**Subd. 2. Exemption in favor of family.** Every policy made payable to, or for the benefit of, the wife of the insured, or after its issue assigned to or in trust for her, shall inure to her separate use and that of her children, subject to the provisions of this section.

**Subd. 3. Certain minors may receive payments of insurance benefits.** Any minor domiciled in the state for whose estate there is no qualified guardianship established and who has attained the age of 18 years, determined by his nearest birthday, shall be deemed competent to receive and to give full release and discharge for a payment or payments not exceeding \$100 in any one month, made by an insurer either (a) as death benefits payable to that minor as beneficiary under one or more policies of life insurance, or (b) as proceeds of a policy on the life of that minor payable to him upon maturity of the policy as an endowment or upon surrender of the

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policy for its cash value. No such minor shall be deemed competent to alienate his right to, or to anticipate, such payments.

Subd. 4. **Change of beneficiary.** The person applying for and procuring a policy may change the beneficiary or beneficiaries, if the consent of the beneficiary or beneficiaries named in the policy is obtained, or if a power so to do is reserved in the contract of insurance, or in case of the death or divorcement of a married woman named as beneficiary.

#### **Contracts—Variable Basis**

Sec. 13. **[61A.13] Definitions.** Subdivision 1. When used in sections 13 to 21, "contract on a variable basis" means any contract on either a group or an individual basis issued by a life insurance company providing for the dollar amount of benefits or other contractual payments or values thereunder to vary so as to reflect investment results of a separate account in which amounts received in connection with any such contracts have been placed.

Subd. 2. "Commission" means the commerce commission of the state of Minnesota.

Sec. 14. **[61A.14] Companies entitled to issue contracts; accounts; investments.** Subdivision 1. Any domestic life insurance company which has satisfied the commission that its financial condition and methods of operation will not be prejudicial to residents of this state shall have authority to establish and operate one or more separate accounts and to issue contracts on a variable basis, subject to the provisions of sections 13 to 21 and (except as to the contracts referred to in section 20) to the provisions of Minnesota Statutes, Chapter 80, as amended.

Subd. 2. Except as may be otherwise specifically provided by the contract concerned, all amounts received by a life insurance company in connection with any contract on a variable basis shall be allocated to the appropriate separate account. The income, if any, and gains or losses, realized or unrealized on each such account may be credited to or charged against the amount allocated to such account in accordance with such contract, without regard to the other income, gains, or losses of the company.

Subd. 3. All amounts allocated to such accounts, and accumulations thereon, may be invested and reinvested in any class or classes of loans and investments authorized for domestic life insurance companies; provided that investments in corporate stocks, bonds, notes, and other evidences of indebtedness as authorized by

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section 28, subdivision 6, shall not be subject to (1) the limitations or requirements specified in subdivision 6 of said section 28, or (2) the percentage limitations specified in subdivision 12 of said section 28. No sale, transfer, exchange, or substitution of investments may be made between a separate account and any other investment account of a company.

**Sec. 15. [61A.15] Contract provisions.** All contracts on a variable basis issued in this state shall stipulate the expense, mortality, and investment-increment factors to be used in computing (1) in the case of individual contracts, the dollar amount of variable benefits or other contractual payments or values, and (2) in the case of group contracts, the dollar amount payable with respect to a unit of variable benefits purchased thereunder. All such contracts shall guarantee that expense and mortality results shall not affect such dollar amounts adversely. *The mortality and investment-increment factors used in computing the dollar amount of variable benefits or other contractual payments or values under an individual contract on a variable basis shall not produce a larger initial payment than would be produced by use of the 1937 Standard Annuity Mortality Table and an annual investment-increment assumption of three percent, or such other mortality table and investment-increment assumption as the commissioner may designate.*

**Sec. 16. [61A.16] Contract provisions.** No contract on a variable basis, nor certificate evidencing variable benefits issued pursuant to any such contract on a group basis, shall be issued in this state unless it contains (1) a statement of the essential features of the procedure to be followed by the insurance company in determining the dollar amount of variable benefits or other contractual payments or values thereunder and (2) a statement that such amounts may decrease or increase according to such procedure and (3) a statement in a prominent position on its first page that the benefits or other contractual payments or values thereunder are on a variable basis.

**Sec. 17. [61A.17] Filing and registration of contracts.** No contract on a variable basis shall be issued in this state until a copy of the form thereof (and, in the case of a group contract, the form of any certificate evidencing variable benefits issued pursuant thereto) and any form of application for such contract shall have been filed with the commissioner and (except as to contracts referred to in section 20) with the commission, as part of the application for the registration of contracts pursuant to the requirements of said Chapter 80. After registration of contracts, annual reports shall be furnished each contract holder, giving complete information pertaining to his interests in the contract.

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Sec. 18. [61A.18] **Disapproval of contracts.** The commissioner shall have the power to disapprove any contract form, application, or certificate (1) if it does not comply with the foregoing provisions of sections 13 to 21; or (2) if it contains provisions which are unjust, unfair, inequitable, ambiguous, or misleading; or (3) if sales of such contract are being solicited by any means of advertising, communication, or dissemination of information which involves misleading or inadequate description of the provisions of the contract. After the commissioner shall have notified a company of his disapproval, it shall be unlawful for that company to issue or use the contract, application or certificate in the form so disapproved.

Sec. 19. [61A.19] **Foreign companies.** Subject to the provisions of sections 13 to 21 and to the provisions of said chapter 80, any foreign life insurance company which has a certificate of authority to do business in this state and which has been authorized by the laws of its state of domicile to issue contracts on a variable basis may issue such contracts in this state on the same basis permitted domestic companies provided that it has satisfied the commissioner that its financial condition and methods of operation will not be prejudicial to residents of this state.

Sec. 20. [61A.20] **Group contracts.** A group contract on a variable basis (1) which meets the requirements of the Federal Internal Revenue Code of 1954, as amended, for qualification of a pension, profit-sharing, or annuity plan and (2) which does not permit the allocation to a separate account of any payment or contribution made by an employee and (3) which covers at least 25 employees at the time of its execution and (4) under which the promised payments are in fixed-dollar amounts shall be exempt from the requirement of registration pursuant to the provisions of said chapter 80, and the sale thereof shall be exempt from the licensing requirements of said chapter 80.

Sec. 21. [61A.21] **Rules and regulations.** The commissioner and the commission may issue such rules and regulations as may be necessary to carry out the purposes of sections 13 to 21.

#### **Contracts—Miscellaneous**

Sec. 22. [61A.22] **Contracts to specify benefits and consideration.** No life insurance company shall make any insurance, guaranty, contract, or pledge in this state, or to or with any citizen or resident thereof, which does not distinctly specify the amount and manner of payment of benefits and the consideration therefor, except that contracts on a variable basis need not specify the amount of benefits.

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Sec. 23. **[61A.23] Provisions in policies; laws of other states.** The policies of a life insurance company, not organized under the laws of this state, may contain any provision which the laws of the state, territory, district, or country under which the company is organized, prescribe shall be in such policies, and the policies of a life insurance company organized under the laws of this state may, when issued or delivered in any other state, territory, district, or country, contain any provision required by the laws of the state, territory, district, or country in which the same are issued, anything in sections 2, 3, 7, 8, 23, and 25 to the contrary notwithstanding.

#### **Standard Nonforfeiture Law**

Sec. 24. **[61A.24] Standard nonforfeiture law.** Subdivision 1. **Citation.** This section shall be known as the Standard Nonforfeiture Law.

Subd. 2. **Policy provisions.** No policy of life insurance, except as stated in subdivision 14, shall hereafter be issued or delivered in this state unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering policyholder:

(1) That, in the event of default in any premium payment, the company will grant, upon proper request not later than 60 days after the date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date, of such value as may be hereinafter specified.

(2) That, upon surrender of the policy within 60 days after the due date of any premium payment in default after premiums have been paid for at least three full years in the case of Ordinary insurance or five full years in the case of Industrial insurance, the company will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be hereinafter specified.

(3) That a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not later than 60 days after the due date of the premium in default.

(4) That, if the policy shall have become paid-up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of Ordinary insurance or the fifth policy

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anniversary in the case of Industrial insurance, the company will pay, upon surrender of the policy within 30 days after any policy anniversary, a cash surrender value of such amount as may be hereinafter specified.

(5) A statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary either during the first 20 policy years or during the term of the policy, whichever is shorter, such values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the company on the policy.

(6) A brief and general statement of the method to be used in calculating the cash surrender value and the paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values are consecutively shown in the policy with an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the company on the policy.

**Subd. 3. Exception; deferred payment.** Any provision or portion of subdivision 2 not applicable by reason of the plan of insurance may be omitted from the policy. The company shall reserve the right to defer the payment of any cash surrender value for a period of six months after demand therefor with surrender of the policy.

**Subd. 4. Cash surrender value.** Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by subdivisions 2 and 3 shall be an amount not less than the excess of the present value on such anniversary of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions, if there had been no default, over the sum of (1) the then present value of the adjusted premiums as prescribed in subdivisions 6 to 12, corresponding to premiums which would have fallen due on and after such anniversary, and (2) the amount of any indebtedness to the company on the policy. Any cash surrender value available within 30 days after any policy anniversary under any policy paid-up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit, whether or not required by subdivisions 2 and 3, shall be an amount not less

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than the present value on such anniversary of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the company on the policy.

**Subd. 5. Paid-up nonforfeiture benefit.** Any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surrender value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by this section in the absence of the condition that premiums shall have been paid for at least a specified period.

**Subd. 6. Calculation of adjusted premiums; general.** Except as provided in subdivision 8, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year (*excluding extra premiums on a substandard policy*) that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of (1) the then present value of the future guaranteed benefits provided for by the policy; (2) two percent of the amount of insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy; (3) *40 percent of the adjusted premium for the first policy year*; (4) 25 percent of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less. In applying the percentages specified in (3) and (4), no adjusted premiums shall be deemed to exceed four percent of the *amount of insurance or uniform amount equivalent thereto*. The date of issue of a policy for the purpose of this section shall be the date as of which the rated age of the insured is determined.

**Subd. 7. Adjusted premiums; varying amount of insurance.** In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of subdivisions 6 to 11 is the uniform amount of insurance provided by an otherwise similar policy containing the same endowment benefit or benefits issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy; provided, however, that in the case of a policy providing a varying amount of insurance issued on the

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life of a child under age ten, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten were the amount provided by such policy at age ten.

**Subd. 8. Adjusted premiums; supplemental term insurance.** The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (a) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable, by (b) the adjusted premiums for such term insurance, the foregoing items (a) and (b) being calculated separately and as specified in subdivisions 6 and 7 except that, for the purposes of (2), (3) and (4) of subdivision 6, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (b) shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (a).

**Subd. 9. Adjusted premiums; ordinary insurance.** In the case of Ordinary policies hereafter issued all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table and the rate of interest, not exceeding three and one-half percent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that for any category of Ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured. Provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1958 Extended Term Insurance Table. Provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the company and approved by the commissioner.

**Subd. 10. Adjusted premiums; industrial insurance.** Except as otherwise provided in subdivisions 11 and 12, all adjusted premiums and present values referred to in this section shall for all policies of Industrial insurance be calculated on the basis of the 1941 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest, not exceeding three and one-half

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percent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits. In calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than 130 percent of the rates of mortality according to such applicable table. For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the company and approved by the commissioner.

**Subd. 11. Adjusted premiums; industrial insurance.** In the case of industrial policies issued on or after the operative date of this subdivision as defined in subdivision 12, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table and the rate of interest, not exceeding three and one-half percent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits. Provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table. Provided, further, that for insurance issued on a substandard basis, the calculations of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the company and approved by the commissioner.

**Subd. 12. Operative date of Subdivision 11.** After April 9, 1963, any company may file with the commissioner a written notice of its election to comply with the provisions of subdivision 11 after a specified date before January 1, 1968. After the filing of such notice, then upon such specified date (which shall be the operative date of subdivision 11 for such company), subdivision 11 shall become operative with respect to the Industrial policies thereafter issued by such company. If a company makes no such election, the operative date of subdivision 11 for such company shall be January 1, 1968.

**Subd. 13. Default in premium payment.** Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in subdivisions 4 to 12 may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death.

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The net value of any paid-up additions, other than paid-up term additions, shall be not less than the dividends used to provide such additions. Notwithstanding the provisions of subdivision 4, additional benefits payable (1) in the event of death or dismemberment by accident or accidental means, (2) in the event of total and permanent disability, (3) as reversionary annuity or deferred reversionary annuity benefits, (4) as term insurance benefits provided by a rider or supplemental policy provisions to which, if issued as a separate policy, this section would not apply, (5) as term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if such term insurance expires before the child's age is 26, is uniform in amount after the child's age is one, and has not become paid-up by reason of the death of a parent of the child, and (6) as other policy benefits additional to life insurance and endowment benefits, and premiums for all such additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

Subd. 14. **Application.** The foregoing subdivisions of this section shall not apply to any reinsurance, group insurance, pure endowment, annuity or reversionary annuity contract nor to any term policy of uniform amount, or renewal thereof, of 15 years or less expiring before age 66, for which uniform premiums are payable during the entire term of the policy, nor to any term policy of decreasing amount on which each adjusted premium, calculated as specified in subdivisions 6 to 12, is less than the adjusted premium so calculated, on such 15-year term policy issued at the same age and for the same initial amount of insurance, nor to any policy which shall be delivered outside this state through an agent or other representative of the company issuing the policy.

### Standard Valuation Law

Sec. 25. [61A.25] **Standard valuation law.** Subdivision 1. **Citation.** This section shall be known as the standard valuation law.

Subd. 2. **Valuation of reserves.** The commissioner shall cause to be valued annually the reserve liabilities, hereinafter called reserves, for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurance company doing business in this state, except that in the case of a foreign or alien insurer such valuation shall be limited to its insurance transactions in the United States, and may certify the amount of any such reserves,

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specifying the mortality table or tables, rate or rates of interest and methods (net level premium method or other) used in calculation of such reserves. In calculating such reserves, he may use group methods and approximate averages for fractions of a year or otherwise. In lieu of the valuation of the reserves herein required of any foreign or alien company, he may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the commissioner when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction. In the case of insurance issued by a domestic insurer upon the lives of residents of a foreign country, the commissioner may vary the mortality standard to a standard applicable to that country.

**Subd. 3. Minimum standards of valuation.** The minimum standard for the valuation of all such policies and contracts issued prior to the operative date of Laws 1947, Chapter 182, shall be that provided by the laws in effect immediately prior to such date. The minimum standard for the valuation of all such policies and contracts issued on or after the operative date of Laws 1947, Chapter 182, shall be the commissioner's reserve valuation method described in subdivision 4, three and one-half percent interest, and the following tables:

(1) For all Ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies, the Commissioners 1941 Standard Ordinary Mortality Table for such policies issued prior to the operative date of subdivision 9 of section 24 and the Commissioners 1958 Standard Ordinary Mortality Table for such policies issued on or after such operative date; provided that for any category of such policies issued on female risks all modified net premiums and present values referred to in Laws 1959, Chapter 26, may be calculated according to an age not more than three years younger than the actual age of the insured.

(2) For all Industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies, the 1941 Standard Industrial Mortality Table for such policies issued prior to the operative date of subdivision 11 of section 24 and the Commissioners 1961 Standard Industrial Mortality Table for such policies issued on or after such operative date.

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(3) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies, the 1937 Standard Annuity Mortality Table or, at the option of the company, the Annuity Mortality Table for 1949, ultimate, or any modification of either of these tables approved by the commissioner.

(4) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies, the Group Annuity Mortality Table for 1951, any modification of such table approved by the commissioner, or at the option of the company, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

(5) For total and permanent disability benefits in or supplemental to Ordinary policies or contracts, for policies or contracts issued on or after January 1, 1966, the tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the Society of Actuaries, with due regard to the type of benefit; for policies or contracts issued on or after January 1, 1963, and prior to January 1, 1966, either such tables or, at the option of the company, the class (3) disability table (1926); and for policies issued prior to January 1, 1963, the class (3) disability table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(6) For accidental death benefits in or supplementary to policies, for policies issued on or after January 1, 1966, the 1959 Accidental Death Benefits Table; for policies issued on or after January 1, 1963, and prior to January 1, 1966, either such table or, at the option of the company, the Inter-Company Double Indemnity Mortality Table; and for policies issued prior to January 1, 1963, the Inter-Company Double Indemnity Mortality Table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(7) For group life insurance, life insurance issued on the substandard basis and other special benefits, such tables as may be approved by the commissioner.

**Subd. 4. Reserve valuation of life insurance and endowment benefits; modified premiums.** Reserves according to the commissioner's reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value at the date of valuation of such future guaranteed benefits provided for by such policies over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uni-

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form percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (a) over (b) as follows:

(a) A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value at the date of issue of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; provided, however, that such net level annual premium shall not exceed the net level annual premium on the nineteen year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such policy.

(b) A net one year term premium for such benefits provided for in the first policy year.

*Reserves according to the commissioners reserve valuation method for (1) life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums, (2) annuity and pure endowment contracts, (3) disability and accidental death benefits in all policies and contracts, and (4) all other benefits, except life insurance and endowment benefits in life insurance policies, shall be calculated by a method consistent with the principles of the preceding paragraph, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.*

**Subd. 5. Minimum aggregate reserves.** In no event shall a company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, issued on or after the operative date of Laws 1947, Chapter 182, be less than the aggregate reserves calculated in accordance with the method set forth in subdivision 4 and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

**Subd. 6. Calculation of reserves.** (1) Reserves for all policies and contracts issued prior to the operative date of Laws 1947, Chapter 182, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by the laws in effect immediately prior to such date.

(2) Reserves for any category of policies, contracts or benefits as established by the commissioner, issued on or after the operative date of Laws 1947, Chapter 182, may be calculated, at the op-

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tion of the company, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein. Reserves for participating life insurance policies issued on or after the operative date of Laws 1947, Chapter 182, may, with the consent of the commissioner, be calculated according to a rate of interest lower than the rate of interest used in calculating the nonforfeiture benefits in such policies, with the further proviso that if such lower rate differs from the rate used in the calculation of the nonforfeiture benefits by more than one-half percent the company issuing such policies shall file with the commissioner a plan providing for such equitable increases, if any, in the cash surrender values and nonforfeiture benefits in such policies as the commissioner shall approve.

(3) Any such company which at any time shall have adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the commissioner, adopt any lower standard of valuation, but not lower than the minimum herein provided.

**Subd. 7. Deficiency reserves.** If the gross premium charged by any life insurance company on any policy or contract is less than the net premium for the policy or contract according to the mortality table, rate of interest and method used in calculating the reserve thereon, there shall be maintained on such policy or contract a deficiency reserve in addition to all other reserves required by law. For each such policy or contract the deficiency reserve shall be the present value, according to such standard, of an annuity of the difference between such net premium and the premium charged for such policy or contract, running for the remainder of the premium paying period.

#### **Provisions as to Dividends**

**Sec. 26. [61A.26] Dividends.** Subdivision 1. **Annual apportionment and accounting of surplus.** Every life insurance company doing business in this state conducted on the mutual plan or in which policyholders are entitled to share in the profits or surplus shall make an annual apportionment and accounting of divisible surplus to each policyholder, beginning not later than the end of the third policy year, on all participating policies hereafter issued; and each such policyholder shall be entitled to and be credited with or paid, in the manner hereinafter provided, such a portion of the entire divisible surplus as has been contributed thereto by his policy.

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Subd. 2. **Policyholder to choose.** Every policyholder shall, on all participating policies hereafter issued, be permitted, after his policy has been in force five years, annually, to select the manner and method of the application of the surplus to be annually apportioned to his policy from among those set forth in the policy. All apportioned surplus not actually paid over to the insured, or applied in the reduction of current or future premiums or in the purchase of paid-up insurance or pure endowment additions, shall be credited to the insured and carried as an actual liability and be paid at the maturity of the policy.

Subd. 3. **Waiver prohibited.** No agreement between the company and the policyholder or applicant for insurance shall be held to waive any of the provisions of subdivisions 1 and 2.

Subd. 4. **Policies issued prior to January 1, 1908.** Every life insurance company doing business in this state conducted on the mutual plan, or in which policyholders are entitled to share in the profits or surplus, shall, on all policies of life insurance issued prior to January 1, 1908, under the conditions of which the distribution of surplus is deferred to a fixed or specified time, and contingent upon the policy being in force and the insured living at that time, annually ascertain the amount of surplus to which all such policies as a separate class are entitled, and shall annually apportion to such policies as a class the amount of surplus so ascertained, and carry the amount of such apportioned surplus, plus the actual interest earnings and accretions of such fund, as a distinct and separate liability to such class of policies on and for which the same was accumulated, and no company or any of its officers shall be permitted to use any part of such apportioned surplus fund for any purpose other than the express purpose for which the same was accumulated. This subdivision shall not apply to industrial policies.

Subd. 5. **Required policy provision.** The required policy provision is contained in section 3(6).

### Contingency Reserve

Sec. 27. [61A.27] **Contingency reserve; limitations.** Any life insurance company doing business in this state may accumulate and maintain, in addition to the capital and surplus contributed by its stockholders, and in addition to an amount equal to the net values of its policies, computed according to the laws of the jurisdiction under which it is organized, a contingency reserve not exceeding the following respective percentages of these net values: When the net values are less than \$100,000, 20 percent thereof, or the sum of \$10,000, whichever is the greater; when the net values are greater than \$100,000, the percentage thereof measuring the contingency re-

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serve shall decrease one-half of one percent for each \$100,000 of the net values up to \$1,000,000; when the net values are greater than \$1,000,000, but do not exceed \$25,000,000, the contingency reserve shall not exceed 15 percent thereof; when the net values are greater than \$25,000,000, but do not exceed \$150,000,000, the contingency reserve shall not exceed 12½ percent thereof; when the net values are greater than \$150,000,000, the contingency reserve shall not exceed ten percent thereof; provided, that as the net values of these policies increase and the maximum percentage measuring the contingency reserve decreases, the corporation may maintain the contingency reserve already accumulated hereunder, although for the time being it may exceed the maximum percentage herein prescribed, but may not add to the contingency reserve when the addition will bring it beyond the maximum percentage. For cause shown, the commissioner may, at any time and from time to time, permit any corporation to accumulate and maintain a contingency reserve in excess of the limit above mentioned for a prescribed period, not exceeding one year under any one permission, by filing in his office a decision stating his reasons therefor and causing the same to be published in his next annual report. This section shall not apply to any company doing exclusively a non-participating business.

### Investments

Sec. 28. **[61A.28] Domestic companies, investments.**  
Subdivision 1. **Funds to be invested.** The capital, surplus and other funds of every domestic life insurance company, whether incorporated by special act or under the general law (in addition to investments in real estate as otherwise permitted by law) may be invested only in one or more of the following kinds of securities or property:

Subd. 2. **Governmental obligations.** Bonds or treasury notes or other obligations of the United States; bonds or other obligations of this state or of any state of the United States, or of the Dominion of Canada or any province thereof; bonds or other obligations of, or insured or guaranteed by any of the foregoing or by any agency or instrumentality thereof; bonds or other obligations of any county, city, town, village, organized school district, municipality, or civil division of this state, or of any state of the United States or of any province of the Dominion of Canada; debentures issued by the federal housing administrator; obligations of national mortgage associations; or obligations payable in United States dollars issued or fully guaranteed by International Bank for Reconstruction and Development not exceeding in aggregate face amount three percent of the total admitted assets of such life insurance company.

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Subd. 3. **Notes or bonds secured by mortgage.** Notes or bonds secured by first mortgage, or trust deed in the nature thereof, on improved real estate in the United States, having a value of at least 50 percent more than the amount of the loan secured thereby, or, when the loan is to be fully amortized by installment payments of principal and interest at least annually over a period of not to exceed 30 years, of at least 33 $\frac{1}{3}$  percent more than the amount of such loan. In calculating the ratio of the value of property to the loan secured thereby, no part of the amount of any loan is to be included which the United States or any agency or instrumentality thereof has insured or guaranteed or made a commitment to insure or guarantee; provided, in no event shall the loan exceed the value of the property. No improvement shall be included in estimating the value of such real estate unless the same shall be insured against fire by policies payable to and held by the security holder or a trustee for its benefit. Also, if approved by the commissioner, notes or bonds secured by mortgage or trust deed upon leasehold estates in improved real property where 40 years or more of the term are unexpired and where unencumbered except by the lien reserved in the lease for the payment of rentals and the observance of the other covenants, terms and conditions of the lease and where the mortgagee, upon default, is entitled to be subrogated to, or to exercise, all the rights and to perform all the covenants of the lessee, provided that no loan on such leasehold estate shall exceed 50 percent of the fair market value thereof at the time of such loan, and the value thereof shall be shown by the sworn certificate of a competent appraiser. Notes or bonds secured by mortgage, or trust deed in the nature thereof, which the United States or any agency or instrumentality thereof has insured or guaranteed or made a commitment to insure or guarantee.

Subd. 4. **Public utility obligations.** Bonds or obligations of railway companies, street railway companies, and other public utility corporations incorporated under the laws of this state, the United States or any state thereof, or the Dominion of Canada, or any province thereof, which shall not be in default as to the principal or interest on any outstanding issue of bonds; the debentures of farm mortgage debenture companies organized under the laws of this state, and federal farm loan bonds.

Subd. 5. **Certificate of deposit.** Certificates of deposit of banks organized under the laws of the United States or any state thereof; provided, that not more than five percent of the admitted assets of the company shall be invested in these certificates of deposit; provided, however, that such investment of any company with admitted assets of less than one million dollars may be made to the extent of ten percent of the admitted assets, where the amount invested

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in such certificates of deposit in any bank does not exceed the amount insured by the Federal Deposit Insurance Corporation.

**Subd. 6. Corporate stocks and obligations.** Stocks, bonds, notes, or other evidences of indebtedness as set forth in this subdivision, provided that no investment may be made which will increase the aggregate investment in all stocks beyond ten percent of admitted assets as of the end of the preceding calendar year; in applying the standards prescribed in clauses (b), (c), and (d) of this subdivision to the stocks, bonds, notes or other evidences of indebtedness of a corporation which in the qualifying period preceding purchase of such stocks, bonds, notes or other evidences of indebtedness acquired its property or a substantial part thereof through consolidation, merger, or purchase, the earnings of the several predecessors or constituent corporations shall be consolidated.

(a) Stocks of banks, insurance companies, and municipal corporations organized under the laws of the United States or any state thereof; but not more than seven percent of the admitted assets of any domestic life insurance company may be invested in stocks of other insurance corporations and banks;

(b) Common stocks of any corporation not designated in clause (a) of this subdivision, organized under the laws of the United States or any state thereof, which (1) over the five completed fiscal years immediately preceding date of purchase earned an average amount per annum applicable to dividends on its common stock at least equal to six percent of the par value of its common stock (or in case of common stock having no par value, of the issued or stated value of such stock) outstanding at date of purchase, and (2) earned such amount during each of three of said five fiscal years; but the company shall not invest in more than ten percent of the common stock of any one such corporation;

(c) Preferred stock of, or common or preferred stock guaranteed as to dividends by, any corporation not designated in clause (a) of this subdivision, organized under the laws of the United States or any state thereof, which (1) over the five completed fiscal years immediately preceding date of purchase earned an average amount per annum applicable to dividends at least equal to five percent of the par value of its common and preferred stocks (or, in the case of stocks having no par value, of its issued or stated value) outstanding at date of purchase, and (2) earned such amount during each of three of said five fiscal years; or which (1) over such period earned an average amount per annum at least equal to two times the total of its annual fixed charges and preferred dividends, determined with reference to the date of purchase and (2) earned such amount dur-

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ing each of three of said five fiscal years. No investment shall be made under this clause (c) in a stock upon which any dividend is in arrears or has been in arrears for an aggregate of 90 days within the immediately preceding three-year period; but the company shall not invest in more than 20 percent of the preferred stock of any one such corporation and the total investment in the preferred and common stocks of any one such corporation shall not exceed ten percent of the aggregate par or stated value of the preferred and common stocks of such corporation;

(d) Bonds, notes, debentures, or other evidences of indebtedness, issued or guaranteed by a corporation (other than a corporation *designated in subdivision 4*) organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, which, (1) over the five completed fiscal years immediately preceding date of purchase, earned an average amount per annum applicable to dividends at least equal to four percent upon the par value (or in case of stock having no par value, then upon its issued or stated value) of all its capital stock outstanding in each of such five years and (2) earned such amount during each of three of said five fiscal years. No investment shall be made under this clause (d) upon which any interest obligation is in default or which has been in default for an aggregate of 90 days within the immediately preceding three-year period.

Subd. 7. **Railroad equipment obligations.** Railroad equipment obligations, comprising bonds, notes, certificates, conditional sales contracts or other adequately secured instruments, not exceeding the cost or fair value of such railroad equipment whichever is less, which when issued are secured by standard gauge rolling stock purchased or leased by any railroad incorporated in the United States or in Canada, or by the receiver or trustee of any such railroad, or by any corporation engaged in the business of leasing or furnishing railroad rolling stock, provided, that the entire issue of such obligations is required to be paid within 15 years from date of issue in approximately equal installments payable annually or at more frequent intervals and commencing not later than three years after the date of issue.

Subd. 8. **Promissory notes secured by warehouse receipts.** *Promissory notes maturing within six months, secured by the pledge of registered terminal warehouse receipts issued against grain deposited in terminal warehouses, as defined in section 233.01.* At the time of investing in these notes, the market value of the grain shall exceed the indebtedness secured thereby, and the note or pledge agreement shall provide that the holder may call for additional like security or sell the grain without notice upon depreciation of the

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security; the insurance company may accept, in lieu of the deposit with it of the warehouse receipts, a trustee certificate issued by any national or state bank at a terminal point, certifying that the warehouse receipts have been deposited with it and are held as security for the notes; and the amount invested in the securities mentioned in this subdivision shall not, at any time, exceed 25 percent of the unassigned surplus and capital of the company.

**Subd. 9. Obligations of trustees and receivers.** Certificates, notes, or other obligations issued by trustees or receivers of any institution created or existing under the laws of the United States or of any state, district, or territory thereof, which, or the assets of which, are being administered under the direction of any court having jurisdiction if such obligation is adequately secured as to principal and interest; the amount invested in the securities mentioned in this subdivision shall not, at any time, exceed 25 percent of the unassigned surplus and capital of the company.

**Subd. 10. Real estate sales contracts.** Real estate sales contracts to which the company is not an original party, involving unencumbered real property situated in the United States, having a value of at least 50 percent more than the amount of the unpaid balance of the contract, same to be assigned or otherwise transferred to the company or to a trustee or nominee of its choosing. No improvement shall be included in estimating the value unless the same shall be insured against fire by policies payable to and held by the company or a trustee or nominee for its benefit. The foregoing provisions of this subdivision shall not apply to real estate sales contracts to which the company is an original party and shall not prohibit the company from holding such contracts as an investment.

**Subd. 11. Policy loans.** Loans on the security of insurance policies issued by itself to an amount not exceeding the loan value thereof; and loans on the pledge of any of the securities eligible for investment under the provisions of subdivisions 2 to 10, but not exceeding 95 percent of the value of securities enumerated in subdivisions 2, 3, and 4 and 80 percent of the value of stocks and other securities; in case of securities enumerated in subdivisions 3, 5, and 10 "value" means principal amount unpaid thereon and in case of other securities market value thereof; in case of securities enumerated in subdivisions 3 and 10 the pledge agreement shall require principal payments by the pledgor at least equal to and concurrent with principal payments on the pledged security; in loans authorized by this subdivision, except as otherwise provided by law in regard to policy loans, the company shall reserve the right at any time to declare the indebtedness due and payable when in excess of such proportions of

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value or, in case of pledge of securities other than those enumerated in subdivisions 3 and 10, upon depreciation of security.

**Subd. 12. Additional investments.** Investments of any kind, without regard to the categories, conditions, standards, or other limitations set forth in the foregoing subdivisions may be made by a domestic life insurance company in an amount not to exceed the lesser of the following:

(1) Five percent of the company's total admitted assets as of the end of the preceding calendar year, or

(2) Fifty percent of the amount by which its capital and surplus as of the end of the preceding calendar year exceeds \$350,000. Provided, however, that a company's total investment in the common stock of any corporation, other than the stock of the types of corporations specified in subdivision 6(a), shall not exceed ten percent of the common stock of the corporation. Provided, further, that no investment may be made under the authority of this clause (2) or clause (1) by a company that has not completed five years of actual operation since the date of its first certificate of authority.

If, subsequent to being made under the provisions of this subdivision, an investment is determined to have become qualified or eligible under any of the foregoing subdivisions, the company may consider such investment as being held under the applicable provisions of such foregoing subdivision and such investment need no longer be considered as having been made under the provisions of this subdivision.

**Sec. 29. [61A.29] Investments; authorization; foreign investments.** Subdivision 1. **Authorization.** No investment or loan, except policy loans, shall be made by any domestic life insurance company unless the same shall have been authorized by the board of directors or by a committee charged with the duty of supervising the investment or loan, and in either case accurate records of all authorizations shall be maintained.

**Subd. 2. Foreign investments.** Any domestic life insurance company doing business in a foreign country may invest the funds required to meet its obligations incurred in such foreign country in conformity to the laws thereof in the kind of securities of such foreign country in which the company is authorized to invest in this state.

**Sec. 30. [61A.30] Investments; joint.** No domestic life insurance company shall subscribe to or participate in any underwriting of the purchase or sale of securities or property, or enter into any transactions for such purchase or sale on account of the

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company jointly with any other person, firm, or corporation; nor shall any such company enter into any agreement to withhold from sale any of its property, but the disposition of its property shall be, at all times, within the control of its board of directors. Nothing contained herein shall be construed to invalidate or prohibit an agreement by two or more investors to join and share in the purchase of investments for bona fide investment purposes, provided that, in such investments secured by mortgage or deed of trust, provisions be made for a method of resolving any matters relating thereto as to which the investors are not in agreement.

**Sec. 31. [61A.31] Real estate holdings.** Subdivision 1. **Purposes.** Except as provided in subdivisions 2 and 3, every domestic life insurance company may acquire, hold and convey real property only for the following purposes and in the following manner:

- (1) Such as shall be requisite for convenient accomodation in the transaction of its business;
- (2) Such as shall have been mortgaged to it in good faith by way of security for loans previously contracted, or for moneys due;
- (3) Such as shall have been conveyed to it in satisfaction of debts previously contracted in the course of its dealings;
- (4) Such as shall have been purchased at sales on judgments, decrees or mortgages obtained or made for such debts.

All the real property specified in clauses (2), (3), and (4), which shall not be necessary for its accommodation in the convenient transaction of its business, shall be sold and disposed of within five years after the company shall have acquired title to the same, or within five years after the same shall have ceased to be necessary for the accommodation of its business, and it shall not hold this property for a longer period unless it shall procure a certificate from the commissioner of insurance that its interest will suffer materially by the forced sale thereof, in which event the time for the sale may be extended to such time as the commissioner shall direct in the certificate.

**Subd. 2. Building projects.** In order to promote and supplement public and private efforts to provide an adequate supply of decent, safe, and sanitary dwelling accommodations for persons of low and moderate income; to relieve unemployment; to alleviate the shortage of rental residences; and to assist in relieving the emergency in the housing situation in cities and their environs in this country through investment of funds, any domestic life insurance company, prior to December 1, 1951, may purchase or lease from any owner

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or owners (including states and political subdivisions thereof), real property in, or within ten miles from, any city having a population of 25,000 or more in any state in which such company is licensed to transact the business of life insurance; and on any real property so acquired or on real property so located and acquired otherwise in the conduct of its business, such company may erect apartment, tenement, or other dwelling houses, not including hotels, but including accommodations for retail stores, shops, offices, and other community services reasonably incident to such projects; or, to provide such housing or accommodations, may construct, reconstruct, improve, or remove any buildings or other improvements thereon. Such company may thereafter own, improve, maintain, manage, collect or receive income from, sell, lease, or convey any such real property and the improvements thereon. The aggregate investment by any such domestic life insurance company in all such projects, including the cost of all real property so purchased or leased and the cost of all improvements to be made upon such real property otherwise acquired, shall not, at the date of purchase or other acquisition of such real property, exceed ten percent of the total admitted assets of such company on the last day of the previous calendar year. The purchase or lease of, or investment in, any such housing projects shall be subject to the approval of the commissioner of insurance.

**Subd. 3. Acquisition of property.** Any domestic life insurance company may acquire real property other than property to be used primarily for agricultural, horticultural, ranch, mining, recreational, amusement, hotel, club, or church purposes, as an investment for the production of income, and improve or otherwise develop, and lease, sell, and convey the same, subject to the following conditions and limitations:

(1) The cost of each parcel of real property acquired pursuant to this subdivision, including the estimated cost to the company of the improvement or development thereof, when added to the book value of all other real property then held by it pursuant to this subdivision, shall not exceed five percent of its admitted assets as of the end of the preceding calendar year, and (2) the cost of each parcel of real property acquired pursuant to this subdivision, including the estimated costs to the company of the improvement or development thereof, shall not exceed one-half of one percent of its admitted assets as of the end of the preceding calendar year. Each parcel of real property held by the company under this subdivision shall be valued on its books as of the end of each calendar year at an amount that will include a write-down of the cost of such property, including all improvement or development costs, at a rate that will average not less than two percent per annum of such cost for each

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year or part thereof that the property has been so held, and (3) if, as of the end of any calendar year, the aggregate net income before depreciation from all the properties held by the company under this subdivision, less the sum of all previous write-downs applied with respect to such properties, shall exceed five and one-half percent per annum on the total book value of all such properties for the entire period during which such properties have been so held, the amount of such excess shall be applied, in such amounts as to such properties as the company shall determine, as a further write-down of such total book value. In order to enable the commissioner to obtain comparable information from all companies with respect to their operations under this subdivision and to determine compliance therewith, he may, by regulation, prescribe a uniform classification of all items of investment, income and expense, and a uniform method of reporting such operations.

### **Domestic Mutual Life Companies;**

#### **Additional Provisions**

Sec. 32. [61A.32] **Domestic mutual and stock and mutual companies; voting rights of members.** Every person insured by a domestic mutual life insurance company, and every participating policyholder of a domestic stock and mutual life insurance company as defined in sections 33 to 36, shall be a member, entitled to one vote and one vote additional for each \$1,000 of insurance in excess of the first \$1,000; provided, that no member shall be entitled to more than 100 votes; and, provided, further, that in the case of group insurance on employees such group shall be deemed to be a single member and the employer shall be deemed to be such member for the purpose of voting, having not to exceed 100 votes, provided, that in cases where the employees pay all or any part of the premium, either directly or by payroll deductions, the employees shall be allowed to choose their representative, who shall exercise a voting power in proportion to the percentage of premium paid by such employees. Every member shall be notified of its annual meetings by a written notice mailed to his address, or by an imprint on the back of his policy, premium notice, receipt or certificate of renewal, as follows:

"The insured is hereby notified that by virtue of his policy he is a member of the \_\_\_\_\_ Insurance Company, and that the annual meetings of said company are held at its home office on the \_\_\_\_\_ day of \_\_\_\_\_ in each year, at \_\_\_\_\_ o'clock."

The blanks shall be duly filled in print. Any such member may vote by proxy by filing written proxy appointment with the secretary

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of the company at its home office at least five days before the first meeting at which it is to be used. Such proxy appointment may be for a specified period of time or may provide that it will be in effect until revoked. A proxy may be revoked by a member at any time by written notice to the secretary of the company or by executing a new proxy appointment and filing it as required herein: provided, however, that any member may always appear personally and exercise his rights as a member at any meeting of the company.

A domestic mutual life insurance company may by its articles of incorporation or bylaws provide for a representative system of voting in any meeting of members. The articles or bylaws may provide for the selection of representatives from districts as therein specified, such representatives to represent approximately equal numbers of members with power to exercise all the voting powers, rights and privileges of the members they represent with the same force and effect as might be exercised by the members themselves. In such a representative system the votes cast by the representative shall be one vote for each member, notwithstanding the amount of insurance carried, and proxy voting shall not be permitted; provided, however, that any member may always appear personally and exercise his rights as a member of the company at any meeting of the membership.

### **Combined Stock and Mutual Companies; Additional Provisions.**

Sec. 33. **[61A.33] Stock and mutual life insurance companies.** Insurance corporations for the transaction of the kinds of business authorized and permitted by article I, section 6, subdivision 1, clause (4), and subject to these provisions and limitations, may be formed having a capital stock, but which shall be controlled by the votes of both stockholders and participating policyholders. All such companies shall be known as stock and mutual companies. Corporations so formed shall have the right to make any contracts which insurance companies formed to transact the same kinds of business upon the stock plan or upon the mutual plan are authorized by law to make.

Sec. 34. **[61A.34] Application.** All provisions of law relating to stock companies and all such provisions relating to mutual companies shall, so far as applicable, relate to and govern such stock and mutual companies and the rights of stockholders and members thereof.

Sec. 35. **[61A.35] Voting rights.** Unless otherwise pro-

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vided in the certificate of incorporation or an amendment thereto adopted as provided by section 300.45 or by section 36, each stockholder of a stock and mutual life insurance company shall, at all meetings, be entitled to one vote for each share of stock held by him and, except as otherwise provided by law, each holder of a policy entitled to participate in profits or savings shall be a member and, as such, shall be entitled to the number of votes to which he would be entitled in a mutual company.

**Sec. 36. [61A.36] Conversion of existing companies; amendment of certificates of incorporation.** Any existing stock or mutual insurance company authorized to do the kinds of business referred to in section 33 may amend its certificate of incorporation so as to become a stock and mutual company; provided, that no such amendment shall deprive any stockholder or member or policyholder of the right, at any and all meetings of stockholders and members or policyholders held thereafter, to cast as many votes for directors as are provided by the certificate of incorporation in force at the time of the adoption of such amendment, or by the law in force at such time. No such amendment shall be construed to change the identity of the corporation and it shall thereafter continue to be governed by the laws applicable thereto at the time of such amendment and as amended hereafter and not inconsistent with sections 33 to 36, as well as those relating to the added characteristic of capital stock or mutuality which it shall have acquired by such amendment.

The certificate of incorporation of a stock and mutual life insurance company may be amended in any respect therein provided by section 300.45, in the manner therein provided. The certificate of incorporation of a stock and mutual life insurance company may also be amended in respect to any matter which an original certificate of incorporation of a stock and mutual life insurance company might lawfully have contained, or so as to vest in its board of directors authority to make and alter bylaws subject to the power of the stockholders and members to change or repeal such bylaws, by the affirmative vote, at a regular meeting of stockholders and members or at a special meeting of stockholders and members called for that expressly stated purpose by the board of directors which shall first have proposed the amendment and declared it to be advisable, of (1) a majority of the total number of votes to which all stockholders are entitled, and (2) at least one-fifth of the total number of votes to which all participating policyholder members are entitled, provided the proposed amendment does not receive the negative vote of more than five percent of the total number of votes to which all participating policyholder members are entitled. The certificate of incorporation of a stock and mutual life insurance company may also be amended so as to increase or decrease its capital stock, or so as to

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change the number and par value of the shares of its capital stock, or so as to limit or deny to stockholders the pre-emptive right to subscribe to any or all shares of stock which may be authorized to be thereafter issued, by a majority vote of all its shares but without the vote of its members, at a regular meeting or at a special meeting of stockholders called for that expressly stated purpose by the board of directors which shall first have proposed the amendment and declared it to be advisable and not adverse to or in conflict with the rights and interests of the members, provided that if the proposed amendment is to increase or decrease the capital stock or to change the number of the shares of the capital stock, the resolution specifying the proposed amendment and the certificate of amendment shall expressly provide (1) that the stockholders holding all its shares shall, at all meetings, be entitled to the same number of total votes after the amendment is adopted as they were entitled to before the amendment, and (2) that each stockholder shall, at all meetings, be entitled to a fraction of one vote for each share of stock held by him, the numerator of which fraction shall be the number of shares outstanding before the first such amendment is adopted and the denominator of which fraction shall be the number of shares outstanding. The resolution specifying the amendment shall be embraced in a certificate duly executed by its president and secretary, or other presiding and recording officers, under its corporate seal, and approved, filed, recorded, and published in the manner prescribed for the execution, approval, filing, recording, and publishing of an original certificate of incorporation.

Sec. 37. **[61A.37] Domestic insurance corporations may become mutual corporations.** Any domestic insurance corporation heretofore or hereafter incorporated for the transaction of the kinds of business authorized and permitted by article I, section 6, subdivision 1, clause (4), and having capital stock may become a mutual corporation and to that end may formulate and carry out a plan for the acquisition by it of its outstanding capital stock, and for the mutualization of such corporation, as follows:

(a) Such plan shall have been adopted by vote of a majority of the directors of such company.

(b) Such plan shall have been submitted to the commissioner of insurance and shall have been approved by him as conforming to the requirements of sections 37 and 38 and as not prejudicial to the policyholders of such company or to the insuring public.

(c) Such plan shall have been approved by a vote of stockholders representing a majority of the outstanding capital stock at a meeting of stockholders called for that purpose. Stockholders may vote in person or by proxy filed with the company at least five days

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before the meeting at which it is to be used. Notice of such meeting shall be given by mailing such notice from the home office of such company at least 30 days prior to such meeting in a sealed envelope, postage prepaid, directed to each stockholder at his address as shown on the stock records of the company.

(d) Such plan shall have been approved by a majority of the votes cast by policyholders (whether or not members) who vote at a meeting called for that purpose. Eligibility of policyholders, whether or not members of the company, and the number of votes to which each is entitled, shall be determined by the laws of Minnesota relating to the rights of members of domestic mutual life insurance companies to vote at company meetings. Policyholders may vote in person or by proxy filed with the company at least five days before the meeting at which it is to be used. Notice of such meeting shall be given by mailing such notice from the home office of such company at least 30 days prior to such meeting in a sealed envelope, postage prepaid, directed to each policyholder at his address as shown on the policy records of the company. Such meeting shall be conducted in such manner as may be provided for in such plan, with the approval of the commissioner. The commissioner shall supervise and direct the methods and procedure of said meeting and appoint an adequate number of inspectors to conduct the voting at said meeting, who shall have power to determine all questions concerning the verification of the ballots, the ascertaining of the validity thereof, the qualifications of the voters and the canvass of the vote. Such inspectors, or any one thereof designated by the commissioner, shall certify to the commissioner and to such company the result of such vote, and with respect thereto shall act under such rules as shall be prescribed by the commissioner. All necessary expenses incurred by the commissioner, or incurred with his approval by the inspectors appointed by him, shall be paid by such company upon the certificate of the commissioner.

(e) Approval of the plan by stockholders and policyholders as above provided may be given at a joint meeting thereof.

(f) Such plan may specify the purchase price to be paid by such company for shares of its capital stock, and in such case the price so specified shall be adhered to. If such plan does not specify the price to be paid for such shares, such company shall first obtain the approval of the commissioner for every payment made for the acquisition of any shares of its capital stock.

(g) Such plan may authorize the board of directors of the company to provide for participation in the surplus of the company by holders of policies which do not by their terms provide for such

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participation or which provide for a limited participation only, and may include appropriate proceedings to confer upon policyholders the right to vote at meetings of the company. Policyholders upon whom the right to vote is so conferred shall have the same voting rights and shall be entitled to the same notice of annual meeting as members of domestic mutual life insurance companies.

(h) Before approving any such plan or any such payment, the commissioner shall be satisfied, by such investigation as he may make or such evidence as he may require, that such company, after deducting the aggregate sum appropriated by such plan for the acquisition of any part or all of its capital stock, and in the case of any payment not fixed by such plan and subject to approval as aforesaid, after deducting also the amount of such payment, will be possessed of admitted assets in an amount equal to the sum of (1) and (2) as follows:

(1) Its entire liabilities, including the net value of its outstanding contracts computed as provided by law, and (2) the contingency reserve deemed by the commissioner necessary to protect its policyholders and the insuring public, in view of the past experience of such company, the character of its assets, its present management and its probable future earnings.

The commissioner's action in refusing to give any approval required by this section shall be subject to review by any court of competent jurisdiction.

Such plan may be amended by vote of stockholders representing a majority of the outstanding capital stock and by a majority of the votes cast by policyholders who vote at the meeting, but in such case the plan shall not become effective until approved, as amended, by vote of a majority of the directors of such company and by the commissioner.

Sec. 38. **[61A.38] May acquire capital stock.** In pursuance of any plan such company shall have power, and shall be privileged, to acquire any shares of its capital stock by gift, bequest, or purchase. Until all of the shares of its outstanding capital stock are acquired, any shares so acquired shall be taken and held in trust for all the policyholders of such company, as hereinafter provided, and shall be assigned and transferred on the books of the company to three trustees, who shall be named in such plan and shall be approved by the commissioner. All shares held by such trustees shall be deemed admitted assets of such company at their par value. Such trustees, who may be directors of the company, shall vote all shares so acquired and held by them at all corporate meetings in accordance with the majority vote of policyholders voting on any question be-

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fore the meeting. When all of the outstanding capital stock of any such corporation shall have been acquired, the entire capital stock of such corporation shall be retired and canceled and thereupon such corporation shall be and become a mutual life insurance company without capital stock. The plan of conversion formulated pursuant to section 37 shall provide for the method of filling vacancies among such trustees. Before undertaking any of the duties of his appointment each trustee shall file with the company a verified acceptance of his appointment and a declaration that he will faithfully discharge his duties as such trustee. All dividends and other sums received by such trustees on the shares of stock so acquired by them shall, after paying the necessary expenses of executing the trust, be immediately repaid to such company for the benefit of all who are or may become policyholders of such company and entitled to participate in the profits or savings thereof.

### **Cooperative Companies; Special Provisions**

**Sec. 39. [61A.39] Cooperative life and casualty companies.** Every 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, any money is to be paid to, or benefit conferred upon, the legal representatives or designated beneficiaries of such member, or reaching a certain age, to pay any money or benefit to him, such money or benefit to be derived from voluntary donations, admission fees, dues, or assessments to be collected from its members or any class thereof, and which reserves the right to make any additional assessments, or without the consent of the certificate or policyholder to increase the premium named therein, shall be deemed to be engaged in the business of life insurance upon the cooperative or assessment plan. Every corporation which likewise agrees, in case of accident, sickness, or other physical disability, or reaching a certain age, to pay money or confer benefits likewise derived and issuing certificates or policies with similar conditions with reference to the payment of dues or assessments, shall be deemed to be engaged in the business of casualty insurance upon the cooperative or assessment plan, and shall, except as herein otherwise specified, be subject to the provisions of sections 39 to 42 and 44 to 50.

**Sec. 40. [61A.40] Qualifications for license; number of members.** No corporation not now authorized to transact business in this state shall be licensed to transact the business of life or casualty insurance, or both, upon the cooperative or assessment plan, until at least 300 persons eligible to membership therein have made individual applications, in writing, therefor; containing warranties of age,

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health, and other required conditions of membership, and shall have on deposit with the commissioner, as security for all its policyholders, stocks 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 \$10,000; provided, that any such corporation which has heretofore procured and filed with the commissioner a part of the total number of applications required by law shall only be required to deposit securities of the market value of \$5,000; provided, such a corporation that confines its membership exclusively to the members of volunteer fire departments shall be required to have not less than 100 individual applications, in writing, from persons eligible to membership and the sum of at least \$1,000, which amount shall be liable only for death or indemnity claims made under its policy or membership certificate contracts.

Sec. 41. **[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 de-

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cease 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 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 actually 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 39 to 42 and 44 to 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 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 securities of like character and upon the same terms as provided herein for the deposit of the reserve required by this section.

Sec. 42. **[61A.42] Payments; liens; assessments; policies to be labeled.** No cooperative or assessment life insurance company shall hereafter issue any policy in this state which does not provide for the payment of a fixed minimum sum, which may be increased each year the insurance remains in force, in the amounts to be provided in the policy. Any agreement or bylaw providing for the placing of a lien upon such policy, except for non-payment of premium or assessment, and any agreement or bylaw providing for the payment of a less sum than the minimum sum specified in the contract, because of the failure of the corporation to receive or collect the amount in the contract by assessment upon the surviving members, shall be void. Nothing in this section contained shall be so construed as to render any member liable for more than one assessment for each death occurring during his period of membership, unless

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otherwise specified in the policy. All policies issued by the company shall contain a title including the word "assessment" on the face and on the back of the policy correctly describing the same.

This section shall not apply to any existing domestic company until it has been in existence for four years.

**Sec. 43. [61A.43] Accumulations; amendment to articles or bylaws.** Any insurance company transacting the business of life or casualty insurance upon the cooperative or assessment plan under any law of this state may, upon so providing in its articles or bylaws, elect to ascertain and apportion to its outstanding policies or certificates the respective accumulations upon each such policy or certificate, and to carry to the credit of each such policy or certificate the future net premiums or assessments and the accretions thereto, less its equitable contribution to the death claims and other benefits, and that the premiums or assessments upon any such policy or certificate may, upon such credit becoming exhausted, be increased as may be necessary to meet its share of death claims and other benefits, and that the holder of any such policy or certificate may be granted extended or paid-up insurance or the right to convert into any other form of policy or insurance then being issued by such company and to have the credit on such former policy or certificate applied to such new policy or insurance. When making the ascertainment and apportionment, account shall be taken of the premiums or assessments theretofore paid and of the death claims and other benefits which should be borne by the policy or certificate, of the interest earnings and other accretions to the accumulated funds, and of other matters which should equitably be taken into consideration for the purposes of the apportionment. Subject to such adjustment as shall be equitable, the experience of the company, or any table of mortality recognized for the purpose of insurance in any law of this state, may be used as a basis for the ascertainment and apportionment herein authorized; provided, that any company availing itself of the provisions of this section shall, in its articles or bylaws, specify the table of mortality and rate of interest which are to be the basis for the charges thereafter to be made to the policies or certificates aforesaid; and, provided, further, that when any table of mortality is specified in any policy that table shall be followed.

**Sec. 44. [61A.44] Limitation on expenses; life insurance.** Every corporation, as described in section 39, now or hereafter organized or admitted to transact the business of life insurance in this state, shall set aside and appropriate exclusively to its mortuary or benefit funds, including reserve or special benefit funds, not less than 65 percent of all premium receipts and all interest earnings thereon upon such life insurance policies that shall have been in force one

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year or more, and the entire amount of receipts upon post-mortem assessment certificates, except the expense dues and charges therein provided. No such funds heretofore or hereafter so appropriated to such mortuary or benefit fund, including reserve or special benefit funds, shall ever be used for the expense of conducting such business; provided, that every such corporation 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, and which pays no accident, disability, or other benefits, shall set aside and appropriate exclusively to its mortuary or benefit funds, including reserve or special benefit funds, not less than 60 percent of all premium receipts upon such insurance policies that shall have been in force one year or more, and the entire amount of receipts upon post-mortem assessment certificates, except the expense dues and charges therein provided. No such funds heretofore or hereafter so appropriated to such mortuary or benefit funds, including reserve or special benefit funds, shall ever be used for the expense of conducting such business.

The net accretions to the funds enumerated in this section derived from interest, rents, or other sources shall also be set aside and appropriated exclusively to the fund producing the net accretions.

**Sec. 45. [61A.45] Limitation on expenses; companies with reserve deposits.** No company, as described in section 39, transacting the business of casualty or health insurance in this state shall incur, lay out, or expend, in any one calendar year, as and for the expenses of conducting such business, more than its application or membership fees and 40 percent of its total premiums or assessments. When any such company shall have on deposit with the commissioner a reserve of \$25,000, as provided by law, then and thereafter the company may expend, in addition to the 40 percent, the interest earnings on the reserve fund and the interest on any additional surplus funds it may accumulate.

Any officer of any corporation violating, or consenting to the violation of, this section or section 44 shall be guilty of a gross misdemeanor.

**Sec. 46. [61A.46] Net rates; reserve fund; limitation of expenses.** No corporation organized to transact the business of life insurance upon the cooperative or assessment plan, and no such corporation not already admitted to transact business in this state, shall be licensed to transact such life insurance business in this state unless it shall, by its charter, bylaws and policy or certificate contracts, provide for and actually charge and collect from its members,

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for and on account of the insurance furnished to them, net rates which are at least equal to the rates known as the national fraternal congress rates, with four percent interest. When any such corporation has adopted the use of a net rate not less than the national fraternal congress table of mortality and interest at the rate of four percent, on the full preliminary term plan, and shall set aside the net premium to its mortuary or benefit funds, including reserve or special benefits, for the use and benefit of its members, such corporation shall, on all premiums or assessments collected from and after January 1, 1927, be exempt from the provisions of sections 41 and 44; but it shall keep on deposit, for the use and benefit of all its policyholders, an amount equal to the value of its individual policies, as shown by its annual statement each year, with the commissioner, until the same shall amount to the sum of \$25,000. The accretions to the various funds derived from interest, rents, or other sources, less expense incidental to investment supervision, shall also be set aside and appropriated to the fund producing the accretions. Gain from lapses, savings in mortality, surrenders, and changes shall revert to the expense fund. Policies issued by such corporation may contain a provision that in the event of default in premium payments, after premiums shall have been paid for three years, shall secure to the owner of the policy a stipulated form of insurance, the net value of which shall be at least equal to the reserve at the date of default on the policy and on any dividend additions thereto, specifying the mortality table and the rate of interest adopted for computing such reserve, less a sum not more than two and one-half percent of the amount insured by the policy, and of any existing dividend additions thereto, and less any existing indebtedness to the company on the policy; and that the policy may be surrendered to the company, at its home office, within one month from date of default for a specified cash value at least equal to the sum which would otherwise be available for the purchase of insurance, and shall stipulate that the company may defer payment for not more than six months after the application therefor is made. This provision shall not be required in term insurance of 20 years or less. Such corporation shall value its policies at the end of each calendar year and show in its annual statement as a reserve liability the amount of such valuation. If infantile insurance is written, it may be valued on the table known as Craig's extension below age ten. If any corporation, society or association operating the business of life or casualty insurance on the assessment plan under any law of this state shall reincorporate under section 39 and in connection with such reincorporation shall provide in its articles or bylaws that this section shall not apply to any class or group of assessment policies in force at the time that such reincorporation becomes effective, then this section shall not apply to such policies; provided that such corporation, society or association

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shall, in all other operations and as to all other policies, be subject to the provisions of sections 39 to 42 and sections 44 to 50.

Sec. 47. [61A.47] **Reinsurance or consolidation.** Any corporation, association, or society organized or authorized to transact business under the provisions of sections 39 to 42 and 44 to 50 may, by contract of reinsurance, assume the risks of any other similar corporation, association, or society engaged in the business of life or casualty insurance, or both, only on the following conditions:

(1) That both the corporations, associations, or societies which propose to enter into the reinsurance contract, shall be, upon the date of reinsurance, duly authorized under the provisions of sections 39 to 42 and 44 to 50 to transact business in this state;

(2) That the contract of reinsurance shall have previously been submitted to the commissioner and the attorney general and received the approval of the commissioner duly endorsed thereon;

(3) That the corporation, association, or society, which proposes to reinsure and retire, shall have been thoroughly examined by the commissioner within six months of the date of the proposed consolidation or reinsurance; provided, that, in the judgment of the commissioner, the consolidation or reinsurance can in no way impair the solvency of the corporation, association, or society which proposes to reinsure and assume the business and affairs of the corporation, association, or society contemplating reinsurance and retirement;

(4) That the contract of reinsurance shall have been approved by a majority vote of all the members of the corporation, association, or society, which proposes to reinsure and retire, present in person or by proxy, at any regular meeting thereof, or at any special meeting thereof called to consider the same; and, that a written or printed notice of the purpose of the corporation, association, or society to reinsure shall have been mailed to each of its members at least 30 days prior to the date fixed for the meeting.

When the members of any such corporation, association, or society shall have so voted to reinsure and retire, its officers and the officers of the corporation, association, or society which proposes to assume the risks and other obligations are hereby authorized to enter into and consummate the contract of reinsurance as submitted and approved and to do and perform all other acts necessary to the final and complete consolidation or reinsurance. The retiring corporation, association, or society shall turn over all its property, securities, moneys, and other assets to the corporation, association, or society reinsuring and assuming its obligations, to become the sole and absolute property thereof. The actual and reasonable expenses and costs

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incident to proceedings under the provisions of this section may be paid by the companies so consolidating or reinsuring, and an itemized and verified statement of these expenses, together with proper vouchers for each of the same, shall be filed with the commissioner. No officer of any such company, nor any employee of the state, shall receive any compensation, gratuity, employment, or other promise or thing of value, directly or indirectly, for in any manner aiding, promoting, or assisting in the consolidation or reinsurance. Any officer or director of any company which is a party to the agreement of reinsurance herein provided for, who shall receive any compensation or gratuity for aiding or promoting or consenting to the contract, shall be guilty of theft; and any other person guilty of wilfully violating, or consenting to the wilful violation of, the provisions of sections 39 to 42 and 44 to 50, shall be guilty of a gross misdemeanor.

**Sec. 48. [61A.48] May change to legal reserve or level premium companies.** Any corporation, association, or society, as described in section 39, may, with the written consent of the commissioner, upon a majority vote of its governing body, amend its articles of incorporation and bylaws in such manner as to transform itself into a legal reserve or level premium insurance company and, upon so doing and upon procuring from the commissioner a certificate of authority, as provided by law, to transact business in this state as a legal reserve or level premium company, shall incur the obligations and enjoy the benefits thereof, the same as though originally thus incorporated, and this corporation, under its charter, as amended, shall be a continuation of the original corporation, and the officers thereof shall serve through their respective terms, as provided in the *original charter, but their successors shall be elected and serve as in the amended articles provided*; but the amendment or reincorporation shall not affect existing suits, rights, or contracts. Any corporation, association, or society so reincorporated to transact the business of life insurance, shall, unless a higher method of valuation be provided for in its policy, or certificates of membership previously written, value its assessment policies or certificates of membership previously written as yearly renewable term policies, according to the standard of valuation of life insurance policies prescribed by the laws of this state.

**Sec. 49. [61A.49] Exemption from taxation.** Article I, section 15 shall not apply to any corporation, association, or society engaged in the business of life insurance upon the cooperative or assessment plan, or to any such corporation, society, or association engaged in the business of casualty insurance upon the cooperative or assessment plan, as defined in section 39.

**Sec. 50. [61A.50] Application.** Article I, Section 16,

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and all other laws and parts of laws, in so far as they may be inconsistent with sections 39 to 42 and 44 to 50, shall not apply to corporations transacting the business of life or casualty insurance solely upon the cooperative or assessment plan, as defined in sections 39 to 42 and 44 to 50.

Sec. 51. **[61A.51] Insolvency.** In case any cooperative or assessment life, endowment, or casualty insurance association or society is adjudged insolvent, the balance of its reserve fund, if any, after payment of claims and other indebtedness, shall be paid to the commissioner and by him paid into the state treasury.

Sec. 52. **[61A.52] Reserve required.** No casualty company or association organized under the cooperative or assessment laws of this state not having a reserve of at least \$25,000 on deposit with the commissioner shall issue policies or contracts providing for the payment of endowments of any kind.

Sec. 53. Minnesota Statutes 1965, Chapter 61 is repealed.

### ARTICLE III

#### Accident and Health Insurance

Section 1. **[62A.01] Policy of accident and sickness insurance defined.** The term "policy of accident and sickness insurance" as used herein includes any policy covering the kind of insurance described in article 1, section 6, subdivision 1, clause (5) (a).

Sec. 2. **[62A.02] Policy forms.** Subdivision 1. **Filing.** On and after April 18, 1957, no policy of accident and sickness insurance shall be issued or delivered to any person in this state, nor shall any application, rider, or endorsement be used in connection therewith, until a copy of the form thereof and of the classification of risks and the premium rates pertaining thereto have been filed with the commissioner.

Subd. 2. **Approval.** No such policy shall be issued, nor shall any application, rider, or endorsement be used in connection therewith, until the expiration of 30 days after it has been so filed unless the commissioner shall sooner give his written approval thereto.

Subd. 3. **Disapproval.** The commissioner may, within 30 days after the filing of any such form, disapprove such form (1) if the benefits provided therein are unreasonable in relation to the premium charged, or (2) if it contains a provision or provisions which are unjust, unfair, inequitable, misleading, deceptive or encourage misrepresentation of such policy. If the commissioner shall

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notify the insurer which has filed any such form that it does not comply with the provisions of this section or sections 3 to 5 and article XII, section 20, subdivision 1, it shall be unlawful thereafter for such insurer to issue such form or use it in connection with any policy. In such notice the commissioner shall specify the reasons for his disapproval and state that a hearing will be granted within 20 days after request in writing by the insurer.

**Subd. 4. Hearing.** The commissioner shall hear the party or parties within 20 days after receipt of the request and shall give not less than ten days written notice of the time and place of the hearing. Within 15 days after the hearing the commissioner shall affirm, reverse or modify his previous action, specifying his reasons therefor. Pending the hearing and decision thereon, the commissioner may suspend or postpone the effective date of his previous action.

**Subd. 5. Withdrawal of approval.** The commissioner may at any time, after a hearing of which not less than 20 days written notice shall have been given to the insurer, withdraw his approval of any such form on any of the grounds stated in this section. It shall be unlawful for the insurer to issue such form or use it in connection with any policy after the effective date of such withdrawal of approval. The notice of any hearing called under this subdivision shall specify the matters to be considered at such hearing and any decision affirming disapproval or directing withdrawal of approval under this subdivision shall be in writing and shall specify the reasons therefor.

**Subd. 6. Court review.** Any order or decision of the commissioner under this section shall be subject to review by writ of certiorari at the instance of any party in interest. In the case of disapproval or withdrawal of approval of a form previously in use the court shall determine whether the petition for such writ shall operate as a stay of any such order or decision. The court may, in disposing of the issue before it, modify, affirm, or reverse the order or decision of the commissioner in whole or in part.

**Sec. 3. [62A.03] General provisions of policy.** Subdivision 1. No policy of individual accident and sickness insurance shall be delivered or issued for delivery to any person in this state unless the following conditions are met:

(1) **Premium.** The entire money and other considerations therefor are expressed therein.

(2) **Time effective.** The time at which the insurance takes effect and terminates is expressed therein.

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(3) **One person.** It purports to insure only one person, except that a policy may insure, originally or by subsequent amendment, upon the application of an adult member of a family who shall be deemed the policyholder, any two or more eligible members of that family, including:

- (a) husband
- (b) wife
- (c) dependent children
- (d) any children under a specified age which shall not exceed 19 years
- (e) any other person dependent upon the policyholder.

(4) **Appearance.** The style, arrangement, and over-all appearance of the policy give no undue prominence to any portion of the text, and unless every printed portion of the text of the policy and of any endorsements or attached papers is plainly printed in light-face type of a style in general use, the size of which shall be uniform and not less than ten point with a lower case unspaced alphabet length not less than 120 point (the "text" shall include all printed matter except the name and address of the insurer, name or title of the policy, the brief description, if any, the reference to renewal or cancellation by a separate statement, if any, the captions and subcaptions).

(5) **Description of policy.** The policy, on the first page, shall indicate or refer to its provisions for renewal or cancellation either in the brief description, if any, or by a separate statement printed in type not smaller than the type used for captions, or by a separate provision bearing a caption which accurately describes the renewability or cancellability of the policy.

(6) **Exceptions in policy.** The exceptions and reductions of indemnity are set forth in the policy and, except those which are set forth in section 4, are printed, at the insurer's option, either included with the benefit provision to which they apply, or under an appropriate caption such as "EXCEPTIONS," or "EXCEPTIONS AND REDUCTIONS," provided that if an exception or reduction specifically applies only to a particular benefit of the policy, a statement of such exception or reduction shall be included with the benefit provision to which it applies.

(7) **Form number.** Each such form, including riders and endorsements, shall be identified by a form number in the lower left hand corner of the first page thereof.

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(8) **No incorporation by reference.** It contains no provision purporting to make any portion of the charter, rules, constitution, or bylaws of the insurer a part of the policy unless such portion is set forth in full in the policy, except in the case of the incorporation of, or reference to, a statement of rates or classification of risks, or short rate table filed with the commissioner.

(9) **Medical benefits.** If the policy contains a provision for medical expense benefits, the term "medical benefits" or similar terms as used therein shall include treatments by all licensed practitioners of the healing arts unless the policy specifically states the practitioners whose services are covered.

Subd. 2. If any policy is issued by an insurer domiciled in this state for delivery to a person residing in another state, and if the official having responsibility for the administration of the insurance laws of such other state shall have advised the commissioner that any such policy is not subject to approval or disapproval by such official, the commissioner may by ruling require that such policy meet the standards set forth in subdivision 1 and in section 4.

Sec. 4. - [62A.04] - **Standard provisions.** Subdivision 1. **Reference.** Any reference to "standard provisions" which may appear in other sections and which refer to accident and sickness or accident and health insurance shall hereinafter be construed as referring to accident and sickness policy provisions.

Subd. 2. **Required provisions.** Except as provided in subdivision 4 each such policy delivered or issued for delivery to any person in this state shall contain the provisions specified in this subdivision in the words in which the same appear in this section. The insurer may, at its option, substitute for one or more of such provisions corresponding provisions of different wording approved by the commissioner which are in each instance not less favorable in any respect to the insured or the beneficiary. Such provisions shall be preceded individually by the caption appearing in this subdivision or, at the option of the insurer, by such appropriate individual or group captions or subcaptions as the commissioner may approve.

(1) A provision as follows:

**Entire contract; changes:** This policy, including the endorsements and the attached papers, if any, constitutes the entire contract of insurance. No change in this policy shall be valid until approved by an executive officer of the insurer and unless such approval be endorsed hereon or attached hereto. No agent has authority to change this policy or to waive any of its provisions.

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(2) A provision as follows:

**Time limit on certain defenses:** (a) After two years from the date of issue of this policy no misstatements, except fraudulent misstatements, made by the applicant in the application for such policy shall be used to void the policy or to deny a claim for loss incurred or disability (as defined in the policy) commencing after the expiration of such two year period.

The foregoing policy provision shall not be so construed as to affect any legal requirement for avoidance of a policy or denial of a claim during such initial two year period, nor to limit the application of clauses (1), (2), (3), (4) and (5), of this subdivision, in the event of misstatement with respect to age or occupation or other insurance. A policy which the insured has the right to continue in force subject to its terms by the timely payment of premium (1) until at least age 50 or, (2) in the case of a policy issued after age 44, for at least five years from its date of issue, may contain in lieu of the foregoing the following provisions (from which the clause in parentheses may be omitted at the insurer's option) under the caption "INCONTESTABLE":

After this policy has been in force for a period of two years during the lifetime of the insured (excluding any period during which the insured is disabled), it shall become incontestable as to the statements contained in the application.

(b) No claim for loss incurred or disability (as defined in the policy) commencing after two years from the date of issue of this policy shall be reduced or denied on the ground that a disease or physical condition not excluded from coverage by name or specific description effective on the date of loss had existed prior to the effective date of coverage of this policy.

(3) A provision as follows:

**GRACE PERIOD:** A grace period of \_\_\_\_\_ (insert a number not less than "7" for weekly premium policies, "10" for monthly premium policies and "31" for all other policies) days will be granted for the payment of each premium falling due after the first premium, during which grace period the policy shall continue in force.

A policy which contains a cancellation provision may add, at the end of the above provision,

subject to the right of the insurer to cancel in accordance with the cancellation provision hereof.

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A policy in which the insurer reserves the right to refuse any renewal shall have, at the beginning of the above provision,

Unless not less than five days prior to the premium due date the insurer has delivered to the insured or has mailed to his last address as shown by the records of the insurer written notice of its intention not to renew this policy beyond the period for which the premium has been accepted.

(4) A provision as follows:

**REINSTATEMENT:** If any renewal premium be not paid within the time granted the insured for payment, a subsequent acceptance of premium by the insurer or by any agent duly authorized by the insurer to accept such premium, without requiring in connection therewith an application for reinstatement, shall reinstate the policy. If the insurer or such agent requires an application for reinstatement and issues a conditional receipt for the premium tendered, the policy will be reinstated upon approval of such application by the insurer or, lacking such approval, upon the forty-fifth day following the date of such conditional receipt unless the insurer has previously notified the insured in writing of its disapproval of such application. The reinstated policy shall cover only loss resulting from such accidental injury as may be sustained after the date of reinstatement and loss due to such sickness as may begin more than ten days after such date. In all other respects the insured and insurer shall have the same rights thereunder as they had under the policy immediately before the due date of the defaulted premium, subject to any provisions endorsed hereon or attached hereto in connection with the reinstatement. Any premium accepted in connection with a reinstatement shall be applied to a period for which premium has not been previously paid, but not to any period more than 60 days prior to the date of reinstatement. The last sentence of the above provision may be omitted from any policy which the insured has the right to continue in force subject to its terms by the timely payment of premiums (1) until at least age 50, or, (2) in the case of a policy issued after age 44, for at least five years from its date of issue.

(5) A provision as follows:

**NOTICE OF CLAIM:** Written notice of claim must be given to the insurer within 20 days after the occurrence or commencement of any loss covered by the policy, or as soon thereafter as is reasonably possible. Notice given by or on behalf of the insured or the beneficiary to the insurer at \_\_\_\_\_ (insert the location of such office as the insurer may designate for the purpose), or to any authorized agent of the insurer, with information sufficient to identify the insured, shall be deemed notice to the insurer.

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In a policy providing a loss-of-time benefit which may be payable for at least two years, as insurer may at its option insert the following between the first and second sentences of the above provision: ...

Subject to the qualifications set forth below, if the insured suffers loss of time on account of disability for which indemnity may be payable for at least two years, he shall, at least once in every six months after having given notice of claim, give to the insurer notice of continuance of said disability, except in the event of legal incapacity. The period of six months following any filing of proof by the insured or any payment by the insurer on account of such claim or any denial of liability in whole or in part by the insurer shall be excluded in applying this provision. Delay in the giving of such notice shall not impair the insured's right to any indemnity which would otherwise have accrued during the period of six months preceding the date on which such notice is actually given.

(6) A provision as follows:

**CLAIM FORMS:** The insurer, upon receipt of a notice of claim, will furnish to the claimant such forms as are usually furnished by it for filing proofs of loss. If such forms are not furnished within 15 days after the giving of such notice the claimant shall be deemed to have complied with the requirements of this policy as to proof of loss upon submitting, within the time fixed in the policy for filing proofs of loss, written proof covering the occurrence, the character and the extent of the loss for which claim is made.

(7) A provision as follows:

**PROOFS OF LOSS:** Written proof of loss must be furnished to the insurer at its said office in case of claim for loss for which this policy provides any periodic payment contingent upon continuing loss within 90 days after the termination of the period for which the insurer is liable and in case of claim for any other loss within 90 days after the date of such loss. Failure to furnish such proof within the time required shall not invalidate nor reduce any claim if it was not reasonably possible to give proof within such time, provided such proof is furnished as soon as reasonably possible and in no event, except in the absence of legal capacity, later than one year from the time proof is otherwise required.

(8) A provision as follows:

**TIME OF PAYMENT OF CLAIMS:** Indemnities payable under this policy for any loss other than loss for which this policy provides periodic payment will be paid immediately upon receipt of

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due written proof of such loss. Subject to due written proof of loss, all accrued indemnities for loss for which this policy provides periodic payment will be paid \_\_\_\_\_ (insert period for payment which must not be less frequently than monthly) and any balance remaining unpaid upon the termination of liability will be paid immediately upon receipt of due written proof.

(9) A provision as follows:

**PAYMENT OF CLAIMS:** Indemnity for loss of life will be payable in accordance with the beneficiary designation and the provisions respecting such payment which may be prescribed herein and effective at the time of payment. If no such designation or provision is then effective, such indemnity shall be payable to the estate of the insured. Any other accrued indemnities unpaid at the insured's death may, at the option of the insurer, be paid either to such beneficiary or to such estate. All other indemnities will be payable to the insured.

The following provisions, or either of them, may be included with the foregoing provision at the option of the insurer:

*If any indemnity of this policy shall be payable to the estate of the insured, or to an insured or beneficiary who is a minor or otherwise not competent to give a valid release, the insurer may pay such indemnity, up to an amount not exceeding \$\_\_\_\_\_ (insert an amount which shall not exceed \$1,000), to any relative by blood or connection by marriage of the insured or beneficiary who is deemed by the insurer to be equitably entitled thereto. Any payment made by the insurer in good faith pursuant to this provision shall fully discharge the insurer to the extent of such payment.*

Subject to any written direction of the insured in the application or otherwise all or a portion of any indemnities provided by this policy on account of hospital, nursing, medical, or surgical services may, at the insurer's option and unless the insured requests otherwise in writing not later than the time of filing proofs of such loss, be paid directly to the hospital or person rendering such services; but it is not required that the service be rendered by a particular hospital or person.

(10) A provision as follows:

**PHYSICAL EXAMINATIONS AND AUTOPSY:** The insurer at its own expense shall have the right and opportunity to examine the person of the insured when and as often as it may reasonably require during the pendency of a claim hereunder and to make an autopsy in case of death where it is not forbidden by law.

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(11) A provision as follows:

**LEGAL ACTIONS:** No action at law or in equity shall be brought to recover on this policy prior to the expiration of 60 days after written proof of loss has been furnished in accordance with the requirements of this policy. No such action shall be brought after the expiration of three years after the time written proof of loss is required to be furnished.

(12) A provision as follows:

**CHANGE OF BENEFICIARY:** Unless the insured makes an irrevocable designation of beneficiary, the right to change of beneficiary is reserved to the insured and the consent of the beneficiary or beneficiaries shall not be requisite to surrender or assignment of this policy or to any change of beneficiary or beneficiaries, or to any other changes in this policy. The first clause of this provision, relating to the irrevocable designation of beneficiary, may be omitted at the insurer's option.

Subd. 3. **Optional provisions.** Except as provided in subdivision 4, no such policy delivered or issued for delivery to any person in this state shall contain provisions respecting the matters set forth below unless such provisions are in the words in which the same appear in this section. The insurer may, at its option, use in lieu of any such provision a corresponding provision of different wording approved by the commissioner which is not less favorable in any respect to the insured or the beneficiary. Any such provision contained in the policy shall be preceded individually by the appropriate caption appearing in this subdivision or, at the option of the insurer, by such appropriate individual or group captions or sub-captions as the commissioner may approve.

(1) A provision as follows:

**CHANGE OF OCCUPATION:** If the insured be injured or contract sickness after having changed his occupation to one classified by the insurer as more hazardous than that stated in this policy or while doing for compensation anything pertaining to an occupation so classified, the insurer will pay only such portion of the indemnities provided in this policy as the premiums paid would have purchased at the rates and within the limits fixed by the insurer for such more hazardous occupation. If the insured changes his occupation to one classified by the insurer as less hazardous than that stated in this policy, the insurer, upon receipt of proof of such change of occupation will reduce the premium rate accordingly, and will return the excess pro-rata unearned premium from the date of change of occupation or from the policy anniversary date imme-

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diately preceding receipt of such proof, whichever is the more recent. *In applying this provision, the classification of occupational risk and the premium rates shall be such as have been last filed by the insurer prior to the occurrence of the loss for which the insurer is liable or prior to date of proof of change in occupation with the state official having supervision of insurance in the state where the insured resided at the time this policy was issued; but if such filing was not required, then the classification of occupational risk and the premium rates shall be those last made effective by the insurer in such state prior to the occurrence of the loss or prior to the date of proof of change of occupation.*

(2) A provision as follows:

**MISSTATEMENT OF AGE:** If the age of the insured has been misstated, all amounts payable under this policy shall be such as the premium paid would have purchased at the correct age.

(3) A provision as follows:

**OTHER INSURANCE IN THIS INSURER:** If an accident or sickness or accident and sickness policy or policies previously issued by the insurer to the insured be in force concurrently herewith, making the aggregate indemnity for \_\_\_\_\_ (insert type of coverage or coverages) in excess of \$ \_\_\_\_\_ (insert maximum limit of indemnity or indemnities) the excess insurance shall be void and all premiums paid for such excess shall be returned to the insured or to his estate, or, in lieu thereof:

Insurance effective at any one time on the insured under a like policy or policies in this insurer is limited to the one such policy elected by the insured, his beneficiary or his estate, as the case may be, and the insurer will return all premiums paid for all other such policies.

(4) A provision as follows:

**INSURANCE WITH OTHER INSURERS:** If there be other valid coverage, not with this insurer, providing benefits for the same loss on a provision of service basis or on an expense incurred basis and of which this insurer has not been given written notice prior to the occurrence or commencement of loss, the only liability under any expense incurred coverage of this policy shall be for such proportion of the loss as the amount which would otherwise have been payable hereunder plus the total of the like amounts under all such other valid coverages for the same loss of which this insurer had notice bears to the total like amounts under all valid coverages for such loss, and for the return of such portion of the premiums paid

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as shall exceed the pro-rata portion for the amount so determined. For the purpose of applying this provision when other coverage is on a provision of service basis, the "like amount" of such other coverage shall be taken as the amount which the services rendered would have cost in the absence of such coverage.

If the foregoing policy provision is included in a policy which also contains the next following policy provision there shall be added to the caption of the foregoing provision the phrase "EXPENSE INCURRED BENEFITS." The insurer may, at its option, include in this provision a definition of "other valid coverage," approved as to form by the commissioner, which definition shall be limited in subject matter to coverage provided by organizations subject to regulation by insurance law or by insurance authorities of this or any other state of the United States or any province of Canada, and by hospital or medical service organizations, and to any other coverage the inclusion of which may be approved by the commissioner. In the absence of such definition such term shall not include group insurance, automobile medical payments insurance, or coverage provided by hospital or medical service organizations or by union welfare plans or employer or employee benefit organizations. For the purpose of applying the foregoing policy provision with respect to any insured, any amount of benefit provided for such insured pursuant to any compulsory benefit statute (including any workmen's compensation or employer's liability statute) whether provided by a governmental agency or otherwise shall in all cases be deemed to be "other valid coverage" of which the insurer has had notice. In applying the foregoing policy provision no third party liability coverage shall be included as "other valid coverage."

(5) A provision as follows:

**INSURANCE WITH OTHER INSURERS:** If there be other valid coverage, not with this insurer, providing benefits for the same loss on other than an expense incurred basis and of which this insurer has not been given written notice prior to the occurrence or commencement of loss, the only liability for such benefits under this policy shall be for such proportion of the indemnities otherwise provided hereunder for such loss as the like indemnities of which the insurer had notice (including the indemnities under this policy) bear to the total amount of all like indemnities for such loss, and for the return of such portion of the premium paid as shall exceed the pro-rata portion for the indemnities thus determined.

If the foregoing policy provision is included in a policy which also contains the next preceding policy provision there shall be added to the caption of the foregoing provision the phrase—"OTHER

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BENEFITS." The insurer may, at its option, include in this provision a definition of "other valid coverage," approved as to form by the commissioner, which definition shall be limited in subject matter to coverage provided by organizations subject to regulation by insurance law or by insurance authorities of this or any other state of the United States or any province of Canada, and to any other coverage the inclusion of which may be approved by the commissioner. In the absence of such definition such term shall not include group insurance, or benefits provided by union welfare plans or by employer or employee benefit organizations. For the purpose of applying the foregoing policy provision with respect to any insured, any amount of benefit provided for such insured pursuant to any compulsory benefit statute (including any workmen's compensation or employer's liability statute) whether provided by a governmental agency or otherwise shall in all cases be deemed to be "other valid coverage" of which the insurer has had notice. In applying the foregoing policy provision no third party liability coverage shall be included as "other valid coverage."

(6) A provision as follows:

RELATION OF EARNINGS TO INSURANCE: If the total monthly amount of loss of time benefits promised for the same loss under all valid loss of time coverage upon the insured, whether payable on a weekly or monthly basis, shall exceed the monthly earnings of the insured at the time disability commenced or his average monthly earnings for the period of two years immediately preceding a disability for which claim is made, whichever is the greater, the insurer will be liable only for such proportionate amount of such benefits under this policy as the amount of such monthly earnings or such average monthly earnings of the insured bears to the total amount of monthly benefits for the same loss under all such coverage upon the insured at the time such disability commences and for the return of such part of the premiums paid during such two years as shall exceed the pro-rata amount of the premiums for the benefits actually paid hereunder; but this shall not operate to reduce the total monthly amount of benefits payable under all such coverage upon the insured below the sum of \$200 or the sum of the monthly benefits specified in such coverages, whichever is the lesser, nor shall it operate to reduce benefits other than those payable for loss of time.

The foregoing policy provision may be inserted only in a policy which the insured has the right to continue in force subject to its terms by the timely payment of premiums (1) until at least age 50, or, (2) in the case of a policy issued after age 44, for at least five years from its date of issue. The insurer may, at its option, include in this provision a definition of "valid loss of time coverage," ap-

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proved as to form by the commissioner, which definition shall be limited in subject matter to coverage provided by governmental agencies or by organizations subject to regulation by insurance law or by insurance authorities of this or any other state of the United States or any province of Canada, or to any other coverage the inclusion of which may be approved by the commissioner or any combination of such coverages. In the absence of such definition such term shall not include any coverage provided for such insured pursuant to any compulsory benefit statute (including any workmen's compensation or employer's liability statute), or benefits provided by union welfare plans or by employer or employee benefit organizations.

(7) A provision as follows:

**UNPAID PREMIUM:** Upon the payment of a claim under this policy, any premium then due and unpaid or covered by any note or written order may be deducted therefrom.

(8) A provision as follows:

**CANCELLATION:** The insurer may cancel this policy at any time by written notice delivered to the insured or mailed to his last address as shown by the records of the insurer, stating when, not less than five days thereafter, such cancellation shall be effective; and after the policy has been continued beyond its original term the insured may cancel this policy at any time by written notice delivered or mailed to the insurer, effective upon receipt or on such later date as may be specified in such notice. In the event of cancellation, the insurer will return promptly the unearned portion of any premium paid. If the insured cancels, the earned premium shall be computed by the use of the short-rate table last filed with the state official having supervision of insurance in the state where the insured resided when the policy was issued. If the insurer cancels, the earned premium shall be computed pro-rata. Cancellation shall be without prejudice to any claim originating prior to the effective date of cancellation.

(9) A provision as follows:

**CONFORMITY WITH STATE STATUTES:** Any provision of this policy which, on its effective date, is in conflict with the statutes of the state in which the insured resides on such date is hereby amended to conform to the minimum requirements of such statutes.

(10) A provision as follows:

**ILLEGAL OCCUPATION:** The insurer shall not be liable for any loss to which a contributing cause was the insured's commis-

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sion of or attempt to commit a felony or to which a contributing cause was the insured's being engaged in an illegal occupation.

(11) A provision as follows:

**NARCOTICS:** The insurer shall not be liable for any loss sustained or contracted in consequence of the insured's being under the influence of any narcotic unless administered on the advice of a physician.

**Subd. 4. Coverage inconsistent.** If any provision of this section is in whole or in part inapplicable to or inconsistent with the coverage provided by a particular form of policy the insurer, with the approval of the commissioner, shall omit from such policy any inapplicable provision or part of a provision, and shall modify any inconsistent provision or part of the provision in such manner as to make the provision as contained in the policy consistent with the coverage provided by the policy.

**Subd. 5. Order of provisions.** The provisions which are the subject of subdivisions 2 and 3, or any corresponding provisions which are used in lieu thereof in accordance with subdivisions 2 and 3, shall be printed in the consecutive order of the provisions in subdivisions 2 and 3 or, at the option of the insurer, any such provision may appear as a unit in any part of the policy, with other provisions to which it may be logically related, provided the resulting policy shall not be in whole or in part unintelligible, uncertain, ambiguous, abstruse, or likely to mislead a person to whom the policy is offered, delivered or issued.

**Subd. 6. Applicant other than insured.** The word "insured," as used in sections 1 to 9, shall not be construed as preventing a person other than the insured with a proper insurable interest from making application for and owning a policy covering the insured or from being entitled under such a policy to any indemnities, benefits and rights provided therein.

**Subd. 7. Reciprocal provisions; foreign insurer.** Any policy of a foreign or alien insurer, when delivered or issued for delivery to any person in this state, may contain any provision which is not less favorable to the insured or the beneficiary than the provisions of sections 1 to 9 hereof, and which is prescribed or required by the law of the state under which the insurer is organized.

**Subd. 8. Reciprocal provisions; domestic insurer.** Any policy of a domestic insurer may, when issued for delivery in any other state or country, contain any provision permitted or required by the laws of such other state or country.

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Subd. 9. **Rules and regulations.** The commissioner may make such reasonable rules and regulations concerning the procedure for the filing or submission of policies subject to sections 1 to 9, as are necessary, proper or advisable to the administration of sections 1 to 9. This provision shall not abridge any other authority granted the commissioner by law.

Sec. 5. [62A.05] **Construction of provisions.** Subdivision 1. No policy provision which is not subject to section 4 shall make a policy, or any portion thereof, less favorable in any respect to the insured or the beneficiary than the provisions thereof which are subject to sections 1 to 9 hereof.

Subd. 2. A policy delivered or issued for delivery to any person in this state in violation of sections 1 to 9 hereof, shall be held valid but shall be construed as provided in sections 1 to 9 hereof. When any provision in a policy subject to sections 1 to 9 hereof, is in conflict with any provision of sections 1 to 9 hereof, the rights, duties and obligations of the insurer, the insured and the beneficiary shall be governed by the provisions of sections 1 to 9 hereof.

Sec. 6. [62A.06] **Statements in application.** Subdivision 1. **Inclusion in policy.** The insured shall not be bound by any statement made in an application for a policy unless a copy of such application is attached to or endorsed on the policy when issued as a part thereof. If any such policy delivered or issued for delivery to any person in this state shall be reinstated or renewed, and the insured or the beneficiary or assignee of such policy shall make written request to the insurer for a copy of the application, if any, for such reinstatement or renewal, the insurer shall within 15 days after the receipt of such request at its home office or any branch office of the insurer, deliver or mail to the person making such request, a copy of such application. If such copy shall not be so delivered or mailed, the insurer shall be precluded from introducing such application as evidence in any action or proceeding based upon or involving such policy or its reinstatement or renewal.

Subd. 2. **Alterations.** No alteration of any written application for any such policy shall be made by any person other than the applicant without his written consent, except that insertions may be made by the insurer, for administrative purposes only, in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant.

Subd. 3. **Effect of applicant's statement.** The falsity of any statement in the application for any policy covered by sections 1 to 9 hereof, may not bar the right to recovery thereunder unless such false

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statement materially affected either the acceptance of the risk or the hazard assumed by the insurer.

**Sec. 7. [62A.07] Rights of insurer, when not waived.** The acknowledgment by an insurer of the receipt of notice given under any policy covered by sections 1 to 9 hereof, or the furnishing of forms for filing proofs of loss, or the acceptance of such proofs, or the investigation of any claim thereunder shall not operate as a waiver of any of the rights of the insurer in defense of any claim arising under such policy.

**Sec. 8. [62A.08] Coverage of policy, continuance in force.** If any such policy contains a provision establishing, as an age limit or otherwise, a date after which the coverage provided by the policy will not be effective, and if such date falls within a period for which premium is accepted by the insurer or if the insurer accepts a premium after such date, the coverage provided by the policy will continue in force subject to any right of cancellation until the end of the period for which premium has been accepted. In the event the age of the insured has been misstated and if, according to the correct age of the insured, the coverage provided by the policy would not have become effective, or would have ceased prior to the acceptance of such premium or premiums, then the liability of the insurer shall be limited to the refund, upon request, of all premiums paid for the period not covered by the policy.

**Sec. 9. [62A.09] Limitation.** Nothing in sections 1 to 8 shall apply to or affect:

- (1) any policy of workmen's compensation insurance or any policy of casualty or fire and allied lines insurance with or without supplementary coverage therein; or
- (2) any policy or contract of reinsurance; or
- (3) any blanket or group policy of insurance; or
- (4) life insurance, endowment or annuity contracts, or contracts supplemental thereto which contain only such provisions relating to accident and sickness insurance as (a) provide additional benefits in case of death or dismemberment or loss of sight by accident, or as (b) operate to safeguard such contracts against lapse or to give a special surrender value or special benefit or an annuity in the event that the insured or annuitant shall become totally and permanently disabled, as defined by the contract or supplemental contract.

**Sec. 10. [62A.10] Group insurance.** Subdivision 1. **Requirements.** Group accident and health insurance is hereby de-

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clared to be that form of accident and health insurance covering not less than two employees nor less than ten members, and which may include the employee's or member's dependents, consisting of husband, wife, children, and actual dependents residing in the household, written under a master policy issued to any governmental corporation, unit, agency, or department thereof, or to any corporation, copartnership, individual, employer, or to any association having a constitution or bylaws and formed in good faith for purposes other than that of obtaining insurance under the provisions of this chapter, where officers, members, employees, or classes or divisions thereof, may be insured for their individual benefit.

Any insurer authorized to write accident and health insurance in this state shall have power to issue group accident and health policies.

**Subd. 2. Policy forms.** No policy of group accident and health insurance may be issued or delivered in this state unless the same has been approved by the commissioner in accordance with section 2, subdivisions 1 to 6. These forms shall contain the standard provisions relating and applicable to health and accident insurance in so far as they may be applicable to group accident and health insurance, and also the following provisions:

(1) **Entire contract.** A provision that the policy and the application of the employer, or executive officer or trustee of any association, and the individual applications, if any, of the employees or members insured, shall constitute the entire contract between the parties, and that all statements made by the employer or any executive officer or trustee in behalf of the group to be insured, shall, in the absence of fraud, be deemed representations and not warranties, and that no such statement shall be used in defense to a claim under the policy, unless it is contained in the written application;

(2) **Master policy-certificates.** A provision that the insurer will issue a master policy to the employer, or to the executive officer or trustee of the association; and the insurer shall also issue to the employer or to the executive officer or trustee of the association, for delivery to the employee or member who is insured under the policy, an individual certificate setting forth a statement as to the insurance protection to which he is entitled and to whom payable, together with a statement as to when and where the master policy, or a copy thereof, may be seen for inspection by the individual insured; this individual certificate may contain the names of, and insure the dependents of, the employee or member, as provided for herein;

(3) **New insureds.** A provision that to the group or class

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thereof originally insured may be added, from time to time, all new employees of the employer or members of the association eligible to and applying for insurance in that group or class and covered or to be covered by the master policy.

Sec. 11. [62A.11] **Blanket accident and sickness insurance.** Subdivision 1. **Requirements.** Blanket accident and sickness insurance is hereby declared to be that form of accident and sickness insurance covering special groups of persons as enumerated in one of the following paragraphs:

(1) Under a policy issued to any common carrier, which shall be deemed the policyholder, covering a group defined as all or any class of persons who may become passengers on such common carrier.

(2) Under a policy issued to an employer, who shall be deemed the policyholder, covering all employees or any group of employees defined by reference to exceptional hazards incident to such employment.

(3) Under a policy issued to a college, school, or other institution of learning or to the head or principal thereof, who or which shall be deemed the policyholder, covering students or teachers.

(4) Under a policy issued in the name of any volunteer fire department, first aid, or other such volunteer group, which shall be deemed the policyholder, covering all of the members of such department or group.

(5) Under a policy issued to a sports team or to a camp, which team or camp or sponsor thereof shall be deemed the policyholder, covering members or campers.

(6) Under a policy issued to any other substantially similar group which, in the discretion of the commissioner, may be subject to the issuance of a blanket accident and sickness policy.

Subd. 2. **Authority.** Any insurer authorized to write accident and sickness insurance in this state shall have the power to issue blanket accident and sickness policies.

Subd. 3. **Policy forms.** No policy of blanket accident and sickness insurance may be issued or delivered in this state unless a copy of the form thereof has been approved by the commissioner and it contains in substance such of the provisions required for individual policies as may be applicable to blanket accident and sickness insurance and the following provisions:

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(1) A provision that the policy and the application of the policyholder shall constitute the entire contract between the parties, and that, in the absence of fraud, all statements made by the policyholder shall be deemed representations and not warranties, and that no statement made for the purpose of affecting insurance shall avoid such insurance or reduce benefits unless contained in a written instrument signed by the policyholder, a copy of which has been furnished to such policyholder.

(2) A provision that to the group or class originally insured shall be added from time to time all new persons eligible for coverage.

**Subd. 4. Application-certificate.** An individual application shall not be required from a person covered under a blanket accident and sickness policy, nor shall it be necessary for the insurer to furnish each person a certificate.

**Subd. 5. Benefits.** All benefits under any blanket accident and sickness policy shall be payable to the person insured, or to his designated beneficiary, or beneficiaries, or to his estate, except that if the person insured be a minor, such benefits may be made payable to his parent, guardian, or other person actually supporting him. Provided further, however, that the policy may provide that all or any portion of any indemnities provided by any such policy on account of hospital, nursing, medical or surgical services may, at the insurer's option, be paid directly to the hospital or person rendering such services; but the policy may not require that the services be rendered by a particular hospital or person. Payment so made shall discharge the insurer's obligation with respect to the amount of insurance so paid.

**Subd. 6. Legal liability.** Nothing contained in this section shall be deemed to affect the legal liability of policyholders for the death of, or injury to, any such member of such group.

**Sec. 12. [62A.12] Transition provision as to individual policies, riders or endorsements.** A policy, rider or endorsement, which could have been lawfully used or delivered or issued for delivery to any person in this state immediately before April 18, 1957, may be used or delivered or issued for delivery to any such person until January 1, 1959, without being subject to the provisions of sections 3, 4, or 5.

**Sec. 13. [62A.13] Commercial traveler insurance companies.** Any domestic assessment, health or accident association now licensed to do business in this state, which confines its membership to commercial travelers, professional men, and others whose occupation is of such character as to be ordinarily classified as no

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more hazardous than commercial travelers, and which does not pay any other commissions or compensations, other than prizes to members of nominal value in proportion to the membership fees charged for securing new members, may issue certificates of membership, which, with the application of the member and the bylaws of the association, shall constitute the contract between the association and the member. A printed copy of the bylaws and a copy of the application shall be attached to the membership certificate when issued, and a copy of any amendment to the bylaws shall be mailed to the members following their adoption. Certified copies of certificate, bylaws and amendments shall be filed with the commissioner of insurance and subject to his approval. The bylaws shall conform to the requirements of this chapter, so far as applicable, and wherever the word "policy" appears in this chapter, it shall, for the purpose of this section, be construed to mean the contract as herein defined.

Sec. 14. Minnesota Statutes 1965, Chapter 62, is repealed.

#### ARTICLE IV

Section 1. **[63.011] Associations no longer permitted.**  
 Subdivision 1. From and after July 1, 1967, no assessment benefit association shall be organized under any provisions of this chapter.

Subd. 2. Section 1 of this article shall be deemed part of Minnesota Statutes, Chapter 63.

#### ARTICLE 5.

##### **Fraternal Beneficiary Associations.**

Section 1. **[64A.01] Definitions in general.** Unless the language or context clearly indicates a different meaning is intended, the words, terms and phrases defined in sections 2 to 9 shall, for the purposes of this Article, be given the meanings subjoined to them.

Sec. 2. **[64A.02] Fraternal beneficiary association defined.** Any corporation, society, order, or voluntary association without capital stock, organized and carried on solely for the mutual benefit of its members and their beneficiaries, and not for profit, having a representative form of government, and having a lodge system with ritualistic form of work or a branch system that confines its membership to any one religious denomination, and which shall provide for payment of benefits in accordance with this article is hereby declared to be a fraternal beneficiary association.

Sec. 3. **[64A.03] Lodge or branch system defined.** Any association having a supreme governing or legislative body and sub-

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ordinate lodges or branches, by whatever name known, into which members shall be elected, initiated, and admitted in accordance with its constitution, laws, rules, regulations, and prescribed ritualistic ceremonies, which subordinate lodges or branches shall be required by such association to hold regular or stated meetings at least once every three months, shall be deemed to be operating under the lodge system; provided, that any beneficiary society or association whose membership is confined to the members of any one religious denomination shall not be required to have ritualistic form of work or ceremonies.

**Sec. 4. [64A.04] Representative form of government defined.** Any association shall be deemed to have a representative form of government when:

- (1) It shall provide in its constitution and laws for a supreme legislative or governing body composed of representatives elected either by the members or by delegates elected by the members through a delegate convention system, together with such other members as may be prescribed by its constitution and laws;
- (2) The elective representatives shall constitute a majority in number and shall have not less than a majority of the votes, nor less than the votes required to amend its constitution and laws;
- (3) The meetings of the supreme or governing body and the election of officers, representatives, or delegates shall be held as often as once in four years;
- (4) The members, officers, representatives or delegates of a fraternal beneficiary association shall not vote by proxy.

**Sec. 5. [64A.05] Association defined.** The word "association" as used in sections 1 to 47 of this article shall mean a fraternal beneficiary corporation, society, order, or voluntary association, as defined in article 1, section 2.

**Sec. 6. [64A.06] Domestic association defined.** The words "domestic association" shall mean an association organized or incorporated under the laws of this state.

**Sec. 7. [64A.07] Foreign association defined.** The words "foreign association" shall mean an association organized or incorporated under the laws of another territory, district, state, province, or country.

**Sec. 8. [64A.08] State defined.** The word "state" shall mean "state," "territory," "district," "country," or "province."

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Sec. 9. [64A.09] **Commissioner defined.** The word "commissioner" shall mean the commissioner of insurance of the state of Minnesota and, in his absence or disability, his deputy or other person duly designated to act in his place.

Sec. 10. [64A.10] **Organization.** Subdivision 1. **Formation.** Seven or more persons, citizens of the United States, and a majority of whom are citizens of this state, who desire to form a domestic association, as defined in article 1, section 2, may make and sign, giving their addresses, and acknowledge before some officer competent to take acknowledgment of deeds, articles of association in which shall be stated:

- (1) The proposed corporate name of the association, which shall not so closely resemble the name of any association or insurance company already transacting business in this state as to mislead the public or lead to confusion;
- (2) The purpose for which it is formed, which shall not include more liberal powers than are granted by this article; provided, that any lawful, social, intellectual, educational, moral, or religious advantages may be set forth among the purposes of the association, and the mode in which its corporate powers are to be exercised; and
- (3) The names, residences, and official titles of all the officers, trustees, directors, or other persons who are to have and exercise the general control and management of the affairs and funds of the association for the first year or until the ensuing election, at which all these officers shall be elected by the supreme legislative or governing body.

Subd. 2. **Filing articles and documents.** The articles of association and duly certified copies of the constitution, laws, rules, and regulations, and copies of all proposed forms of benefit certificates, applications therefor and literature to be issued by the association, and a bond in the sum of \$5,000, with sureties approved by the commissioner, conditioned upon the return of the advance payments, as provided in this section, to applicants, if the organization is not completed within one year, or after such further period, not exceeding one year, as may be authorized by the commissioner, shall be filed with the commissioner, who may require such further information as he deems necessary, and if the purposes of the association conform to the requirements of this article and all provisions of law have been complied with, the commissioner shall so certify and retain and record the articles of association in a book kept for the purpose and furnish the incorporators a preliminary certificate authorizing the association to solicit members as herein provided.

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Subd. 3. **Initial solicitations and qualifications.** Upon receipt of the certificate from the commissioner, the association may solicit members for the purpose of completing its organization, and shall collect from each applicant the amount of not less than one death benefit assessment or payment, in accordance with its tables of rates, as provided by its constitution and laws, and shall issue to each applicant a receipt for the amount so collected. No association shall incur any liability other than for the advanced payments, nor issue any benefit certificate, nor pay or allow, or offer a promise to pay or allow, to any person, any death or disability benefit until:

- (1) Actual bona fide applications for death benefit certificates have been secured upon at least 500 lives for at least \$1,000 each;
- (2) All these applicants for death benefits shall have been regularly examined by legally qualified practicing physicians;
- (3) Certificates of these examinations have been duly filed and approved by the chief medical examiner of the association;
- (4) Ten subordinate lodges or branches have been established into which the 500 applicants have been initiated;
- (5) There has been submitted to the commissioner, under oath of the president and secretary or corresponding officers of the association, a list of the applicants, giving their names, addresses, date examined, date approved, date initiated, name and number of subordinate branch of which each applicant is a member, amount of benefits to be granted, and rate of regular payments or assessments;
- (6) The rate of regular payments or assessments for death benefit purposes shall not be lower than those required by the National Fraternal Congress table of mortality, with interest at four percent per annum;
- (7) It shall be shown to the commissioner, by sworn statement of the treasurer or corresponding officer of the association, that at least 500 applicants have each paid, in cash, at least one regular monthly payment or assessment, as herein provided, per \$1,000 of indemnity to be effected, which payments, in the aggregate, shall amount to at least \$2,500, all of which shall be credited to the mortuary or disability fund on account of these applicants, and no part of which may be used for expenses. These ad-

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vanced payments shall, during the period of organization, be held in trust for and, if the organization is not completed within one year, as hereinafter provided, returned to the applicants.

**Subd. 4. Time for completing organization.** No preliminary certificate granted under the provisions of this section shall be valid after one year from its date, or after such further period, not exceeding one year, as may be authorized by the commissioner upon cause shown, unless the 500 applicants herein required have been secured and the organization has been completed, as herein provided, and the articles of association and all proceedings thereunder shall become null and void in one year from the date of the preliminary certificate or at the expiration of the extended period, unless the association shall have completed its organization and commenced business as herein provided. When any domestic association shall have discontinued business for the period of one year, its charter shall become null and void.

**Subd. 5. Certificate of compliance; certified copy as evidence.** The commissioner may make such examination and require such further information as he deems advisable and, upon presentation of satisfactory evidence that the association has complied with all the provisions of the law, he shall issue to the association a certificate to that effect. These certificates shall be prima facie evidence of the existence of the association at the date of the certificate. The commissioner shall cause a record of the certificate to be made and a certified copy of this record may be given in evidence with like effect as the original certificate.

**Sec. 11. [64A.11] Corporate powers retained.** Any domestic association authorized to transact business in this state at the time this article becomes effective may thereafter exercise all the rights, powers and privileges prescribed in this article and in its charter or articles of incorporation as far as consistent with this article. A domestic association shall not be required to reincorporate, nor shall it be required to adopt the rates prescribed therein for new associations, in order to avail itself of the privileges thereof, and any such association may amend its articles of association, from time to time, in the manner provided therein, or in its constitution or laws, and all the amendments shall be filed with the commissioner and become operative upon such filing unless a later time be provided in the amendments, or in its articles of association, constitution, or laws.

**Sec. 12. [64A.12] Location of office.** The principal office of any domestic association shall be located in this state.

**Sec. 13. [64A.13] Place of meetings.** Any domestic as-

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sociation may provide that the meetings of its legislative or governing body may be held in any state, district, province, or territory wherein the association has subordinate branches, and all business transacted at these meetings shall be as valid in all respects as if the meetings were held in this state.

Sec. 14. [64A.14] **Mergers, consolidations and reinsurance.** Subdivision 1. **Requirements.** No association organized under the laws of this state to do the business of life, accident, or health insurance shall consolidate or merge with any other beneficiary association, or reinsure its insurance risks, or any part thereof, with any other association, or assume or reinsure the whole, or any portion, of the risks of any other association, except as herein provided:

- (1) No association, or subordinate body thereof, shall merge, consolidate with, or be reinsured by, any company or association not licensed to transact business as an association.
- (2) Any association organized under the laws of this state having an insurance membership in good standing at the time of merger, consolidation, or reinsurance of not more than 5,000 members, and which has been engaged in business for more than 15 years prior to such time, may merge or consolidate with, or be reinsured by, any life insurance company organized under the laws of this state.
- (3) This section shall not limit the reinsurance of individual certificates as provided in subdivision 5 of section 31.

Subd. 2. **Procedure and approval by commissioner.** When any association shall propose to merge or consolidate its business, or to enter into any contract of reinsurance, or to assume or reinsure the whole or any portion of the risks of any other association, it shall:

- (1) Submit, after giving 30 days written notice by mail to all policyholders stating the object of the meeting, the proposed contract in writing, setting forth the terms and conditions of the proposed merger, consolidation or reinsurance, to the legislative or governing bodies of each of the parties to the contract;
- (2) Obtain approval by a two-thirds vote by the legislative or governing bodies; and
- (3) The contract, as so approved, shall be submitted to the commissioner for his approval, and the parties to the con-

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tract shall, at the same time, submit a sworn statement showing the financial condition of each of the associations as of the thirty-first day of December preceding the date of the contract. The commissioner may, in his discretion, require such financial statement to be submitted as of the last day of the month preceding the date of the contract.

- (4) The commissioner shall thereupon consider the contract of merger, consolidation, or reinsurance and, if satisfied that the interests of the certificate holders of the associations are properly protected, that the contract is just and equitable to the members of each of the associations, and that no reasonable objection exists thereto, shall approve the contract as submitted.

Subd. 3. **Foreign parties to the contract.** In case the parties to the contract shall have been incorporated in separate states or territories:

- (1) The contract shall be submitted, as herein provided, to the commissioner of insurance of each of the incorporating states or territories, to be considered and approved separately by each of the commissioners;
- (2) When the contract of merger, consolidation, or reinsurance shall have been approved, as herein above provided, such commissioner or commissioners of insurance shall issue a certificate to that effect, and thereupon the contract of merger, consolidation, or reinsurance shall be in full force and effect;
- (3) In case the contract is not approved, the fact of its submission and its contents shall not be disclosed by the commissioner.

Subd. 4. **Payment of expenses.**

- (1) All necessary and actual expenses and compensation incident to the proceedings provided hereby shall be paid as provided by the contract of merger, consolidation, or reinsurance. An itemized statement of all these expenses shall be filed with the commissioner or commissioners, as the case may be, subject to approval, and when approved the same shall be binding on the parties thereto;
- (2) No brokerage or commission shall be included in such expenses and compensation or shall be paid to any person by either of the parties to any such contract in connection with the negotiation therefor or execution thereof;

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- (3) No compensation shall be paid to any officer or employee of either of the parties to the contract for, directly or indirectly, aiding in effecting such contract of merger, consolidation, or reinsurance;
- (4) Except as fully expressed in the contract of merger, consolidation, or reinsurance, or the approved itemized statement of expenses, as approved by the commissioner or commissioners, as the case may be, no compensation shall be paid to any person and no officer or employee of the state shall receive any compensation, directly or indirectly, for in any manner aiding, promoting, or assisting any such merger, consolidation, or reinsurance.

Sec. 15. **[64A.15] Fraternal beneficiary associations may become mutual life insurance companies.** Subdivision 1. Any domestic association organized and operating under the laws of this state on a solvent basis according to a recognized table of mortality acceptable to the commissioner, may amend its articles of incorporation and laws in such a manner as to transform itself into a mutual life insurance company with the name by which it is already known, or any other name, as its supreme legislative and governing body shall determine, by:

- (1) A two-thirds vote of its supreme legislative and governing body;
- (2) Provided that a 30-day written notice be given, by mail, to all insured members stating the object of the meeting.

Subd. 2. The proposed plan for reorganization or reincorporation shall be submitted to, and be subject to the approval of the commissioner. Upon so doing and procuring from the commissioner his approval and a certificate of authority, as prescribed by law, to transact business in this state as a mutual life insurance company, the corporation:

- (1) Shall incur the obligations and enjoy the benefits thereof the same as though originally thus incorporated;
- (2) Shall be a continuation of the original organization under its articles and bylaws as so framed or amended;
- (3) Officers thereof shall serve until their successors shall be elected as provided by the amended articles or bylaws of the company as thus reorganized;
- (4) But this incorporation, amendment, or reincorporation shall not affect existing suits.

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Subd. 3. The commissioner shall issue a certificate of authority to any such company so reorganized which is in a solvent condition and has fully complied with the laws of this state, to transact such insurance business in this state. The commissioner shall exercise the powers and discharge the duties concerning any such company so reorganized that are applicable to companies writing insurance or *issuing policies of the same class, organized or operating in this state.*

Subd. 4. The company so reorganized, and its officials, shall exercise all the rights and powers and perform all the duties conferred or imposed by law upon organizations writing the kinds of insurance written by the company so reorganized:

- (1) All outstanding certificates shall be recalled and new contracts issued based upon the same table of rates and reserves, but in form required by law for the company as reorganized;
- (2) The minimum reserve requirements shall be based on the tables upon which the certificates are based, if acceptable to the commissioner.

Sec. 16. [64A.16] **Qualifications for membership.** Subdivision 1. **Age of admission.** Except as provided in subdivision 3, no association shall admit to beneficial membership any person less than 16 nor more than 60 years of age.

Subd. 2. **Medical, non-medical examinations.** Except as provided in subdivision 3, no association shall admit to beneficial membership any person who has not been examined by a legally qualified practicing physician and whose examination has not been approved by the supervising medical authority of the association, as provided by the laws of the association; provided, that in lieu of the medical examination above required, a declaration of insurability may be accepted by the association on an applicant under 45 years of age and for benefits not exceeding \$2,500; provided, further, that this examination or declaration of insurability shall not be required of associations paying only accident or sick benefits or funeral benefits not exceeding \$300.

Subd. 3. **When limitations do not apply.** An association meeting the requirements of section 20, clause 3, shall not be subject to the limitations in subdivisions 1 and 2 of this section.

Sec. 17. [64A.17] **Constitution and laws.** The constitution and laws of the association may provide that no subordinate body, nor any of the officers or members of the subordinate body, shall have the power or authority to waive any of the provisions of

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the laws and constitution of the association, and the same shall be binding on the association and each and every member thereof.

Sec. 18. [64A.18] **Amendments to constitution.** Every association transacting business under this article shall file with the commissioner a duly certified copy of all amendments of, or additions to, its constitution and laws within 90 days after the enactment of the same. Printed copies of the constitution and laws and of additions or amendments thereto, certified by the secretary or corresponding officer of the association, shall be prima facie evidence of the legal adoption thereof.

Sec. 19. [64A.19] **Annual statement.** Subdivision 1. Every association transacting business in this state shall, annually, on or before the first day of March, file with the commissioner, in such form as he may require, a statement, under oath of its president and secretary, or corresponding officer:

- (1) Of its condition and standing on the thirty-first day of December, next preceding;
- (2) Of its transactions for the year ending on that date; and
- (3) Shall also furnish such other information as the commissioner may deem necessary to a proper exhibit of its business and plan of working.

Subd. 2. The commissioner may at other times require any further statement he may deem necessary to be made relating to these associations.

Sec. 20. [64A.20] **Benefits.** Every association transacting business under this article:

- (1) Shall provide for the payment of death or disability benefits, or both;
- (2) May provide for the payment of temporary or permanent physical disability benefits as a result of accident, disease, or old age; provided that benefits for disability on account of old age shall not be under 70 years;
- (3) May enter into contracts and grant such benefits with such persons in such forms and under such conditions as its laws may provide, provided that the association shall accumulate and maintain the assets required for the payment of benefits upon all contracts when valued by mortality and interest standards which provide reserves not less than those prescribed by the mortality tables and in-

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terest rates therein mentioned, or the mortality tables and interest rates prescribed by law for life insurance companies.

Sec. 21. **[64A.21] Non-forfeiture provisions, cash surrender values, certificate loans, reserves and other options.** Any association may grant to its members paid-up and extended protection, or such withdrawal equities as its constitution and laws may provide; provided that:

- (1) These grants shall in no case exceed in value the portion of the reserves to the credit of the members to whom they are made;
- (2) The association shall show, by an annual valuation made by a competent actuary approved by the commissioner, that it is accumulating and maintaining for the benefit of these members the reserves required by the American Experience table of mortality, with interest at the rate of four percent per annum, or by the National Fraternal Congress table of mortality, with interest at the rate of four percent per annum. The association shall carry as a liability the reserves so determined;
- (3) The assets representing these reserves shall be held in trust for these members separate and distinct from assets belonging to members holding certificates on which these reserves are not maintained;
- (4) The assets so held in trust shall not be used to pay any claims or benefits upon any certificates to members other than to the members for whom these assets are so held in trust;
- (5) Nothing contained in this section, or contained in the laws of this state regulating associations, shall be held to restrict any association in the use of any surplus over and above the accumulation required by the table by which the rates are computed and the accretions thereon, as prescribed by the laws or rules of the association; provided, the same are used for the common benefit of all the members.

Sec. 22. **[64A.22] Beneficiaries.** Subdivision 1. The member shall have the right at all times to change the beneficiary or beneficiaries in accordance with the constitution, laws or rules of the association. Every association by its constitution, laws or rules may limit the scope of beneficiaries and shall provide that no bene-

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fiary shall have or obtain any vested interest in the proceeds of any certificate until the certificate has become due and payable in conformity with the provisions of the insurance contract; except that associations which fail to meet the requirements of section 20, clause (3) shall confine the payment of death benefits to the wife, husband, family, relatives by blood or marriage, including illegitimate children, parent or child by adoption, affianced husband or wife, a person dependent on the member or on whom the member is dependent, the member's estate, a benevolent, educational, religious, or charitable corporation, or to an incorporated institution for the support of the member. Any association may limit the beneficiaries within the above classes.

Subd. 2. The member may at any time, by written instrument, authorize the association to provide and pay for the support, care, medical and surgical treatment, and funeral of such member and deduct the amount so paid, with legal interest, from the net reserve to the credit of the member's certificate or from the amount otherwise payable under the certificate to the beneficiary, or the member may, at any time, designate the association as beneficiary and, in such case, the association shall use this reserve or amount to the extent necessary for the purpose aforesaid.

Subd. 3. If, at the death of any member, there is no designated beneficiary to whom the insurance benefits shall be payable, the amount of such benefits, except to the extent that funeral benefits may be paid as hereinbefore provided, shall be payable to the personal representative of the deceased member or as provided in the laws of the association.

Sec. 23. **[64A.23] Benefits not attachable.** The money or other benefits, charity, relief, or aid to be paid, provided, or rendered by any association authorized to do business under this article shall, neither before nor after being paid, be liable to attachment, garnishment, or other process and shall not be seized, taken, appropriated, or applied by any legal or equitable process or operation of laws to pay any debt or liability of a certificate holder or of any beneficiary named in a certificate, or of any person who may have any right thereunder.

Sec. 24. **[64A.24] Children's benefits; association qualifications.** Subdivision 1. **Qualified associations.** Any association authorized to do business in this state may provide in its articles and bylaws for the payment of death, annuity, or endowment benefits upon the lives of children below age 16 at next birthday: provided, that the association has a class of adult membership carrying life insurance certificates at a rate of contribution at least equal to those

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known as National Fraternal Congress rates, or upon a table based upon the association's own experience of at least 20 years covering not less than 100,000 lives, with an interest assumption of not more than four percent per annum, or any higher standard at the option of the association, to which juvenile certificate holders shall be transferred without medical reexamination upon attaining the age of 16 years.

**Subd. 2. Five hundred certificates required.** No benefit certificate as to any child shall be issued unless the association shall simultaneously put in force at least 500 such certificates, on each of which at least one assessment shall have been paid, nor shall any such certificate be issued where the number of lives represented by such certificates falls below 500.

**Subd. 3. When limitations do not apply.** An association meeting the requirements of section 20, clause (3) may provide for benefits on the lives of children under the minimum age for adult membership, but not greater than 21 years of age, at time of application therefor by some adult person, without regard to the limitations specified in sections 24 to 30 inclusive.

**Sec. 25. [64A.25] Children's benefit certificates; requirements.** Subdivision 1. **Evidence of insurability.** No benefit certificate as to any child shall take effect until after medical examination by a legally qualified practicing physician, or other acceptable evidence of insurability in accordance with the laws of the association.

**Subd. 2. Eligible applicants.** Any person responsible for the support of a child may make application for these benefits; but neither such person nor the parent of the child need be a member of the association.

**Subd. 3. Eligible beneficiaries.** Children's benefits shall be payable to the estate of the child or to the person or persons responsible for the support of the child and named as beneficiary in the certificate.

**Subd. 4. Premiums, mortality table, extra assessments.** The death benefit contributions to be made upon the certificate shall be based upon the standard industrial mortality table or the English life table number six, and at a rate of interest not greater than four percent per annum, or upon a higher standard; provided, that the contributions may be waived or returns may be made from surplus in excess of reserve and other liabilities, as provided in the bylaws; and provided, further, that extra contributions shall be made if the reserves provided for in section 27 become impaired.

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Sec. 26. **[64A.26] Children's branches.** Any association qualified under section 24, subdivision 1, may, at its option, organize and operate divisions of local lodges or branches for such children, and membership in local lodges and initiation therein shall not be required of such children, nor shall they have any voice in the management of the association.

Sec. 27. **[64A.27] Children's insurance; reserve requirements.** Any association which provides children's benefits shall maintain on all such contracts the reserve required by the standard of mortality and interest adopted by the association for computing contributions as provided in subdivision 4 of section 25.

Sec. 28. **[64A.28] Children's certificates; adult membership.** Subdivision 1. **Exchange of children's certificate upon reaching adult membership.** An association may provide that when a child reaches the minimum age for initiation into membership in the association, any children's benefit certificate issued hereunder may be surrendered for cancellation and exchanged for any other form of certificate issued by the association, and upon issuance of the new certificate any reserve upon the original certificate herein provided for shall be transferred to the credit of the new certificate.

Subd. 2. **Beneficiary designation upon exchange for adult certificate.** Neither the person who originally made application for benefits on account of the child, nor the beneficiary named in the original certificate, nor the person who paid the contributions, shall have any vested right in the new certificate, the free nomination of a beneficiary under the new certificate being left to the child so admitted to benefit membership.

Sec. 29. **[64A.29] Valuations by commissioner; children's benefits.** The commissioner may make a valuation of such children's benefit certificates, or he may accept the valuation thereof made by the insurance commissioner of the state under whose authority the association is organized, when that valuation has been made on sound and recognized principles, when furnished with a certificate of that commissioner setting forth the value on the last day of the preceding year. Every association which fails to promptly furnish the certificate required shall, on demand, furnish the commissioner detailed lists of all its certificates and shall be liable for all charges and expenses resulting therefrom.

Sec. 30. **[64A.30] Specified expense.** Any association shall have the right to provide in its laws and the certificate issued hereunder for specified payments on account of the expense or general fund, which payments shall or shall not be mingled with the

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general fund of the association, as its constitution and bylaws may provide.

Sec. 31. **[64A.31] The contract.** Subdivision 1. **Certificates.** Every certificate issued by any association shall specify the maximum amount of benefit provided by the contract and shall provide that the certificate, the constitution and laws of the association, and the application for membership and medical examination, signed by the applicant, shall constitute the contract between the association and the member.

Subd. 2. **Evidence.** Copies of the certificate, certified by the secretary of the association, or corresponding officer, shall be received in evidence of the terms and conditions of the contract.

Subd. 3. **Amendments to charter.** Any changes, additions, or amendments to the charter or articles of association, constitution, or laws duly made or enacted subsequent to the issuance of the benefit certificate shall bind the member and his beneficiaries and govern and control the contract in all respects the same as though the changes, additions, or amendments had been made prior to and were in force at the time of the application for membership.

Subd. 4. **Minimum benefit.** Any association hereafter organized or admitted to do business in this state shall, in its certificates, specify a fixed minimum amount of benefit.

Subd. 5. **Reinsurance.** Any association organized or admitted to do business in this state may, with the approval of the commissioner, reinsure all or any part of the amount specified in the certificate in excess of the amount of \$5,000 in a company authorized to do business in this state.

Sec. 32. **[64A.32] Annual license.** Subdivision 1. Any domestic or foreign associations which are now authorized to transact business in this state may continue such business until the first day of March next succeeding the effective date of this article. The authority of such associations and all associations hereafter licensed may thereafter be renewed annually, subject to the provisions of Article I, section 13, subdivisions 1 and 5 to 7.

Subd. 2. For each license or renewal, the association shall pay the commissioner of insurance \$10.

Subd. 3. A duly certified copy or duplicate of such license shall be prima facie evidence that the licensee is an association within the meaning of this article.

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Sec. 33. [64A.33] **Foreign associations; admission.** Subdivision 1. No foreign association shall be authorized to transact any business in this state without a license from the commissioner. Before receiving such license, it shall file with the commissioner:

- (1) A duly certified copy of its charter or articles of association;
- (2) A copy of its constitution and laws, certified by its secretary or corresponding officer;
- (3) A power of attorney to the commissioner as provided in section 36;
- (4) A statement of the business of the preceding year, under oath in the form required by the commissioner.
- (5) A copy of its contract, which must show that benefits are provided for by assessments upon, or other payments by persons holding similar contracts; and
- (6) Shall furnish the commissioner with such other information as he may deem necessary to a proper exhibit of its business and plan of working.

Subd. 2. If the commissioner finds that the foreign association is:

- (1) Transacting business in accordance with the provisions of this article;
- (2) Investing its assets in accordance with the laws of the state where it is organized;
- (3) Maintaining the membership and qualifications required of domestic associations organized under this article, unless the foreign association has under its jurisdiction a Grand Lodge having a beneficiary department, which Grand Lodge is now authorized by the commissioner to transact business in this state;

the commissioner may license the association to do business in this state until the last day of the succeeding May, and the license may be renewed annually, but in all cases to terminate on the last day of the succeeding May.

Subd. 3. Any foreign beneficiary association or society, having a branch system and representative form of government, whose membership is confined to the members of any one religious denom-

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ination, and which, prior to the passage of Laws 1907, Chapter 345, was, and has been ever since, continuously licensed to do business in this state, may, upon being authorized to transact the business provided for in the laws governing fraternal beneficiary associations in the state of its organization and making such changes, if any, in its charter and plan of business as may be necessary to meet the requirements of this article, be licensed to do business in this state thereunder without being required to adopt the rates required by the National Fraternal Congress table of mortality.

**Sec. 34. [64A.34] Foreign associations; examinations; revocation of licenses.** Subdivision 1. **Examinations.** The commissioner, or any person whom he may appoint, may examine any foreign association transacting, or applying for admission to transact, business in this state.

- (1) The commissioner may employ assistants for the purpose of examination and he, or any person he may appoint, shall have free access to all the books, papers, and documents that relate to the business of the association and may summon and qualify as witnesses, under oath, and examine its officers, agents, employees, and other persons *in relation to the affairs, transactions, and condition of the association.*
- (2) He may, in his discretion, accept in lieu of this examination of the insurance department of the state, territory, district, province, or country where the association is organized.

Subd. 2. **Revocation of license.** If any such association or its officers, refuses to submit to examination or to comply with the provisions of this section relating thereto, or if upon an examination the commissioner, on investigation, is satisfied that any foreign association transacting business under this article has:

- (1) Exceeded its power;
- (2) Failed to comply with the provisions of the law;
- (3) Conducted business fraudulently;
- (4) Not carried out its contracts in good faith;
- (5) Been in such condition as to render further proceedings hazardous to the public or certificate holders;

the commissioner may, by a written order or decision filed in his

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office, revoke the license of the association to do business in this state, subject to an appeal by the association.

Subd. 3. **Notice.** No license shall be revoked by the commissioner until after notice has been duly served on an executive officer of the association and a reasonable opportunity given to it on a date to be named in the notice to show cause why the license should not be revoked.

Sec. 35. **[64A.35] Expenses of examinations.** The cost of any examination made by the commissioner, of any association, shall be paid by the association in accordance with Article I, section 3, subdivisions 3 and 5.

Sec. 36. **[64A.36] Service of process.** Subdivision 1. Each foreign association now transacting business in this state and each such association applying for admission shall, before being licensed:

- (1) Appoint, in writing, the commissioner and his successors in office to be its true and lawful attorney, upon whom all legal process in any action or proceedings against it shall be served; and
- (2) In such writing, shall agree that any lawful process against it, which is served upon such attorney, shall be of the same legal force and validity as if served upon the association; and
- (3) That the authority shall continue in force so long as any liability remains outstanding in this state.

Subd. 2. Copies of this appointment, certified by the commissioner, shall be deemed sufficient evidence thereof and shall be admitted in evidence with the same force and effect as the original thereof might be admitted.

Subd. 3. Service may only be made upon such attorney, must be in duplicate, and shall be deemed sufficient service upon the association; provided, that no such service shall be valid or binding against any such association when it is required thereunder to file its answer, pleading, or defense in less than 30 days after the date of such service.

Subd. 4. When legal process against any such association is served upon the commissioner, he shall forthwith forward, by registered mail, one of the duplicate copies, prepaid and directed to its secretary or corresponding officer.

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Subd. 5. The plaintiff in the process so served shall pay to the commissioner, for the use of the state, at the time of service, a fee of \$3, which shall be recovered by him as part of the taxable cost, if he prevails in the suit.

Sec. 37. [64A.37] **Domestic associations; examination; re-habilitation; dissolution.** Subdivision 1. The commissioner, or any person he may appoint, shall have the power of visitation and examination into the affairs of any domestic association. He may:

- (1) Employ assistance for the purposes of examination and he, or any person he may appoint, shall have free access to any books, papers, and documents that relate to the business of the association; and
- (2) Summon and qualify as witnesses, under oath, and examine its officers, agents, and employees, or other persons, in relation to the affairs, transactions, and condition of the association.

Subd. 2. Wherever the commissioner is satisfied that any of the conditions exist as stated in Article I, section 4, he may proceed as provided therein.

Sec. 38. [64A.38] **Proceedings by attorney general only.** No action or proceedings to discontinue or enjoin, in whole or in part, the business or methods of any such domestic association, or to appoint a receiver therefor, or to dissolve the same, or in any manner affecting its corporate rights, except for failure to pay final judgment, shall be entertained by any court, except on the suit of the attorney general under Article I, section 4.

Sec. 39. [64A.39] **Financial matters.** Subdivision 1. **Investments.** Any association may invest its funds in, hold, sell, and convey:

- (1) Real estate for lodge and office purposes;
- (2) Real estate acquired by foreclosure or received in satisfaction of loans;
- (3) Such investments, including real estate holdings, as are permitted by the laws of this state for the investment of assets of life insurance companies, and subject to the limitations thereon.

Subd. 2. **Foreign associations.** Every foreign association shall be empowered to invest its funds according to the laws of the state, province or country in which it is organized.

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Subd. 3. **Prohibited loans.** No association shall loan any of its funds to any of its officers or directors.

Sec. 40. **[64A.40] Reserve fund.** Subdivision 1. Any association may create, maintain, invest, disburse, and apply a reserve, emergency, surplus, or other fund in accordance with its constitution and laws, for the purpose specified in section 21. Any association so creating, maintaining, investing, disbursing, or applying any such reserve, emergency, or surplus fund shall not be held to be organized or carried on for profit within the intent of the provisions of section 2.

Subd. 2. These funds shall be held, invested, and disbursed for the use and benefits of the association, and no member or beneficiary shall have or acquire any individual rights therein, or be entitled to an apportionment or the surrender of any part thereof, except as provided in section 21.

Sec. 41. **[64A.41] Method of collection.** The funds from which benefits shall be paid and the funds from which the expenses of the association shall be defrayed shall be derived from periodical or other payments by the members of the association and accretions of these funds.

Sec. 42. **[64A.42] Extra assessments.** Every association shall provide in its constitution or laws that if the regular payments are insufficient to pay all matured death and disability claims in full and to provide for the creation and maintenance of the funds required by its constitution and laws, extra assessments, or other payments, may be levied upon the members to meet the deficiency.

Sec. 43. **[64A.43] Expenses.** Every association shall make provision in its constitution and laws for payment by members of the association, which provision shall state the purpose of the same and a proportion thereof which may be used for expenses, and no part of the money collected for mortuary or disability purposes and no part of the reserve, emergency, or surplus funds or the net accretions of either or any of these funds shall, except as provided in section 21, be used for expenses. From the accretions to the principal of the emergency fund may be paid the taxes, if any, and the expense actually and necessarily incurred in the investment and protection of that fund; and from the savings in mortality may be paid the expenses of medical examination and inspections of risks.

Sec. 44. **[64A.44] Taxation.** Fraternal beneficiary associations are declared to be charitable institutions, and the property held and used for lodge purposes, and the funds of these associations shall be exempt from taxation under the general tax or revenue laws

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of this state, except that the real estate of the association shall be taxable.

Sec. 45. [64A.45] **Certain organizations exempt.** Subdivision I. Nothing contained in this article shall be construed to affect or apply to:

- (1) Grand or subordinate lodges of Masons, Odd Fellows, Elks, or Knights of Pythias, exclusive of the insurance branch of the supreme lodge of Knights of Pythias, or to similar orders which do not issue insurance certificates; or
- (2) To associations which admit to membership only persons engaged in one or more hazardous occupations, in the same or similar lines of business; or
- (3) To local lodges of an association which was doing business in this state at the time of the enactment of Laws 1907, Chapter 345, that provide death benefits not exceeding \$300 to any one person, or disability benefits not exceeding \$300 in any one year to any one person, or both; or
- (4) To any contracts of reinsurance of or between such local lodges of such association now doing business on such a plan in this state; or
- (5) To domestic associations which limit their membership to the employees of a particular city or town, designated firm, business house, or corporation; or
- (6) To domestic lodges, orders, or associations of a purely religious, charitable, and benevolent description, which do not operate with a view to profit, and which do not provide for a death benefit of more than \$100, or for disability benefits of more than \$150 to any one person in any one year; or
- (7) To any domestic lodge, order, or association which was incorporated under the laws of this state prior to the year 1917 and has been doing business in this state since incorporation and which now has less than \$4,000 in cash or in securities acceptable to the commissioner and which has heretofore agreed, in its constitution or bylaws, to pay \$300 as death benefits and \$200 as funeral expenses, and which does not operate with a view to profit and which shall hereafter pay no funeral expenses and pay not more than \$300 as death benefits, and shall hereafter collect from its members, at their then attained ages, regular

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payments or assessments not lower than those required by the National Fraternal Congress table of mortality, with interest at four percent per annum;

and save and except as in this section otherwise specifically modified, limited or qualified that any such domestic order or association which has more than 500 members, and provides for death or disability benefits, and any such domestic lodge, order, or association which issues to any person a certificate providing for the payment of benefits shall not be exempt by the provisions of this section, but shall comply with the requirements of this article. All foreign associations transacting business in this state shall comply with the provisions of section 36.

Subd. 2. Any aid association confining its membership to one religious denomination, not operating for profit, and not charging stipulated premiums, which has been so operating in this state for more than 30 years and which pays death benefits not exceeding \$2,000 in any one case, shall not be subject to the insurance laws of this state.

Subd. 3. The commissioner may require from any association such information as will enable him to determine whether the association is exempt from the provisions of this article. No association which is exempt by the provisions of this section from the requirements of this article shall give or allow, or promise to give or allow, to any person any compensation for procuring new members.

Sec. 46. [64A.46] **Penalties.** Subdivision 1. Any person violating the provisions of section 14, subdivisions 3 and 4, shall be guilty of a felony; and, upon conviction, liable to a fine of not more than \$5,000, or to imprisonment for not more than five years, or to both fine and imprisonment.

Subd. 2. Any person, officer, member, or examining physician, who shall knowingly or wilfully make any false or fraudulent statement or representation in, or with reference to, any application for membership for the purpose of obtaining money from or benefit in any association transacting business under this article shall be guilty of a misdemeanor; and, upon conviction thereof, punished by a fine of not more than \$100 or imprisonment in the county jail for not more than 90 days in the discretion of the court:

- (1) And any person who shall wilfully make a false statement of any material fact or thing in a sworn statement as to the death or disability of a certificate holder in any such association, for the purpose of procuring payment of

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- a benefit named in the certificate of such holder, and any person who shall wilfully make any false statement and any verified report or declaration under oath, required or authorized under this article, shall be guilty of perjury and shall be proceeded against and punished as provided by the statutes of this state in relation to the crime of perjury;
- (2) Any person who shall solicit membership for, or in any manner assist in procuring membership in, any association not licensed to do business in this state, or who shall solicit membership for, or in any manner assist in procuring membership in, any such association not authorized to do business in this state, shall be guilty of a misdemeanor; and, upon conviction thereof, punished by a fine of not more than \$100;
- (3) Any association, or any officer, agent, or employee thereof, neglecting, refusing to comply with, or violating, any of the provisions of this article, the penalty for which neglect, refusal, or violation is not specified in this section, shall be fined not exceeding \$100 upon conviction thereof.

Sec. 47. **[64A.47] Laws applicable.** Subdivision 1. Except as therein provided, the association shall be governed exclusively by this article and shall be exempt from all provisions of the insurance laws of this state, not only in governmental relations with the state, but for every other purpose, and no law hereafter passed shall apply to them unless they be expressly designated therein.

Subd. 2. All provisions of this article, except as otherwise provided, shall be taken and construed as applying to both domestic and foreign associations.

Subd. 3. The provisions of Article II, sections 39 to 42 and sections 43 to 50 shall not apply to fraternal beneficiary associations nor shall anything therein be construed as governing or in anywise regulating such associations.

Sec. 48. **[64A.48] Beneficiary associations.** Subdivision 1. **Definitions.** "Beneficiary association" means a corporation, society, or voluntary association heretofore organized and now existing and carried on for the sole benefit of its members and their families, relatives, or dependents, but not for profit, to insure the lives of its members only upon the whole life assessment plan, so-called, and in which organization admission to membership by a vote of the members or some governing body thereof, is a prerequisite

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to being entitled to such relief or policy of insurance, and which association sells neither endowments nor annuities.

**Subd. 2. Benefits.** Any beneficiary association may make provisions for the payment of benefits in case of sickness, or temporary or permanent physical disability, as a result of disease, accident, or age exceeding 70 years, and may also provide for the payment of funeral expenses of a member not exceeding \$250; in any case, all of these benefits to be paid, subject to compliance by its members with its constitution and bylaws, out of funds derived from assessments and dues collected from its members.

**Subd. 3. Eligible beneficiaries.** Payments of death benefits shall be made only to the families, heirs, blood relatives, adopted children, fiancée of the member, or persons dependent upon him, or, when his certificate of membership may so provide, the executor or administrator of the estate of the member in trust for the person or persons above mentioned as may be designated in the certificate. Any member who, by reason of old age, or other disability, is dependent for his support, in whole or in part, upon another, whether or not such other stands in the above relationship to him, may, with the consent of the association, and under such regulations as it may prescribe, designate the person upon whom he is so dependent as a beneficiary under his certificate; and, in such case, the death benefits shall be paid according to this designation.

**Subd. 4. Reserve; taxation.** Every association may create and maintain a reserve fund for that purpose and shall be held to be an institution of public charity, and shall be exempt from payment of any taxes for state, county, or municipal purposes, except that the real estate of the association shall be taxed as other real estate in the state.

**Subd. 5. Law applicable.** The beneficiary society or association shall be governed by the provisions of this article not inconsistent with this section 48 of this article and be excluded from all provisions of the insurance laws of this state to the same extent as fraternal beneficiary associations.

**Sec. 49. Repealer.** Minnesota Statutes 1965, Sections 64.01 to 64.36 and 64.37 to 64.63 are hereby repealed.

## ARTICLE VI.

### Standard Fire Policy

**Section 1. [65A.01] Minnesota Standard Fire Insurance Policy.** Subdivision 1. **Designation and scope.** The printed

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form of a policy of fire insurance, as set forth in subdivision 3, shall be known and designated as the "Minnesota Standard Fire Insurance Policy" to be used in the state of Minnesota. No policy or contract of fire insurance shall be made, issued or delivered by any insurer including reciprocals or inter-insurance exchanges or any agent or representative thereof, on any property in this state, unless it shall conform as to all provisions, stipulations, and conditions, with such form of policy, except as provided in section 6. Any policy or contract otherwise subject to the provisions of this subdivision and subdivision 3 which includes either on an unspecified basis as to coverage or for a single premium, coverage against the peril of fire and coverage against other perils may be issued without incorporating the exact language of the Minnesota Standard Fire Insurance Policy, provided: Such policy or contract shall, with respect to the peril of fire, afford the insured all the rights and benefits of the Minnesota Standard Fire Insurance Policy and such additional benefits as the policy provides; the provisions in relation to mortgagee interests and obligations in said Minnesota Standard Fire Insurance Policy shall be incorporated therein without change; such policy or contract is complete as to its terms of coverage; and, the commissioner is satisfied that such policy or contract complies with the provisions hereof.

Subd. 2. **Company information.** There shall be printed on the first or front page at the head of said "Minnesota Standard Fire Insurance Policy" the name of the insurer or insurers issuing the policy, the location of the home office or United States office of the insurer or insurers, a statement whether said insurer or insurers are stock corporations, mutual corporations, reciprocal insurers or Lloyds Underwriters; there may be added thereto such device or devices as the insurer or insurers issuing said policy may desire. Any company organized under special charter provisions may so indicate upon its policy, and may add a statement of the plan under which it operates in this state.

Subd. 3. **Policy provisions.** On said policy following such matter as provided in subdivisions 1 and 2, printed in the English language in type of such size or sizes and arranged in such manner, as is approved by the commissioner of insurance, the following provisions and subject matter shall be stated in the following words and in the following sequence, but with the convenient placing, if desired, of such matter as will act as a cover or back for such policy when folded, with the blanks below indicated being left to be filled in at the time of the issuing of the policy, to wit:

(Space for listing the amounts of insurance, rates and premiums for the basic coverages provided under the standard form of policy

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and for additional coverages or perils provided under endorsements attached. The description and location of the property covered and the insurable value(s) of any building(s) or structure(s) covered by the policy or its attached endorsements; also in the above space may be stated whether other insurance is limited and if limited the total amount permitted.)

In consideration of the provisions and stipulations herein or added hereto and of the premium above specified this company, for a term of . . . . . from . . . . . (At Noon Standard Time) to . . . . . (At Noon Standard Time) at location of property involved, to an amount not exceeding the amount(s) above specified does insure . . . . . and legal representatives . . . . .

(In above space may be stated whether other insurance is limited.) (And if limited the total amount permitted.)

Subject to form No. (s) . . . . . attached hereto.

This policy is made and accepted subject to the foregoing provisions and stipulations and those hereinafter stated, which are hereby made a part of this policy, together with such provisions, stipulations and agreements as may be added hereto as provided in this policy.

This policy shall not be valid unless countersigned by the duly authorized agent of this company.

Countersigned at . . . . . this . . . . . day of . . . . . 19. . . . ., Agent.

The insurance effected above is granted against all loss or damage by fire originating from any cause, except as hereinafter provided, also any damage by lightning and by removal from premises endangered by the perils insured against in this policy, to the property described hereinafter while located or contained as described in this policy, or pro rata for five days at each proper place to which any of the property shall necessarily be removed for preservation from the perils insured against in this policy, but not elsewhere. The amount of said loss or damage, except in case of total loss on buildings, to be estimated according to the actual value of the insured property at the time when such loss or damage happens.

If the insured property shall be exposed to loss or damage from the perils insured against, the insured shall make all reasonable exertions to save and protect same.

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This entire policy shall be void if, whether before a loss, the insured has wilfully, or after a loss, the insured has wilfully and with intent to defraud, concealed or misrepresented any material fact or circumstance concerning this insurance or the subject thereof, or the interests of the insured therein.

This policy shall not cover accounts, bills, currency, deeds, evidences of debt, money or securities; nor, unless specifically named hereon in writing, bullion, or manuscripts.

This company shall not be liable for loss by fire or other perils insured against in this policy caused, directly or indirectly by: (a) enemy attack by armed forces, including action taken by military, naval or air forces in resisting an actual or immediately impending enemy attack; (b) invasion; (c) insurrection; (d) rebellion; (e) revolution; (f) civil war; (g) usurped power; (h) order of any civil authority except acts of destruction at the time of and for the purpose of preventing the spread of fire, providing that such fire did not originate from any of the perils excluded by this policy.

Other insurance may be prohibited or the amount of insurance may be limited by so providing in the policy or an endorsement, rider or form attached thereto.

Unless otherwise provided in writing added hereto this company shall not be liable for loss occurring:

(a) while the hazard is increased by any means within the control or knowledge of the insured; or

(b) while the described premises, whether intended for occupancy by owner or tenant, are vacant or unoccupied beyond a period of 60 consecutive days; or

(c) as a result of explosion or riot, unless fire ensue, and in that event for loss by fire only.

Any other peril to be insured against or subject of insurance to be covered in this policy shall be by endorsement in writing hereon or added hereto.

The extent of the application of insurance under this policy and the contributions to be made by this company in case of loss, and any other provision or agreement not inconsistent with the provisions of this policy, may be provided for in writing added hereto, but no provision may be waived except such as by the terms of this policy is subject to change.

No permission affecting this insurance shall exist, or waiver of

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any provision be valid, unless granted herein or expressed in writing added hereto. No provision, stipulation or forfeiture shall be held to be waived by any requirements or proceeding on the part of this company relating to appraisal or to any examination provided for herein.

This policy shall be cancelled at any time at the request of the insured, in which case this company shall, upon demand and surrender of this policy, refund the excess of paid premium above the customary short rates for the expired time. This policy may be cancelled at any time by this company by giving to the insured a ten days' written notice of cancellation with or without tender of the excess of paid premium above the pro rata premium for the expired time, which excess, if not tendered, shall be refunded on demand. Notice of cancellation shall state that said excess premium (if not tendered) will be refunded on demand.

If loss hereunder is made payable, in whole or in part, to a designated mortgagee not named herein as insured, such interest in this policy may be cancelled by giving to such mortgagee a ten days' written notice of cancellation.

Notwithstanding any other provisions of this policy, if this policy shall be made payable to a mortgagee of the covered real estate, no act or default of any person other than such mortgagee or his agent or those claiming under him, whether the same occurs before or during the term of this policy, shall render this policy void as to such mortgagee nor affect such mortgagee's right to recover in case of loss on such real estate; provided, that the mortgagee shall on demand pay according to the established scale of rates for any increase of risks not paid for by the insured; and whenever this company shall be liable to a mortgagee for any sum for loss under this policy for which no liability exists as to the mortgagor, or owner, and this company shall elect by itself, or with others, to pay the mortgagee the full amount secured by such mortgage, then the mortgagee shall assign and transfer to the company his interest, upon such payment, in the said mortgage together with the note and debts thereby secured.

This company shall not be liable for a greater proportion of any loss than the amount hereby insured shall bear to the whole insurance covering the property against the peril involved.

In case of any loss under this policy the insured shall give immediate written notice to this company of any loss, protect the property from further damage, and a statement in writing, signed and sworn to by the insured, shall within 60 days be rendered to the company, setting forth the value of the property insured, except in

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case of total loss on buildings the value of said buildings need not be stated, the interest of the insured therein, all other insurance thereon, in detail, the purposes for which and the persons by whom the building insured, or containing the property insured, was used, and the time at which and manner in which the fire originated, so far as known to the insured.

The company may also examine the books of account and vouchers of the insured, and make extracts from the same.

In case the insured and this company, except in case of total loss on buildings, shall fail to agree as to the actual cash value or the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within 20 days of such demand. In case either fails to select an appraiser within the time provided, then a presiding judge of the district court of the county wherein the loss occurs may appoint such appraiser for such party upon application of the other party in writing by giving five days' notice thereof in writing to the party failing to appoint. The appraisers shall first select a competent and disinterested umpire; and failing for 15 days to agree upon such umpire, then a presiding judge of the above mentioned court may appoint such an umpire upon application of party in writing by giving five days' notice thereof in writing to the other party. The appraisers shall then appraise the loss, stating separately actual value and loss to each item; and, failing to agree, shall submit their differences, only, to the umpire. An award in writing, so itemized, of any two when filed with this company shall determine the amount of actual value and loss. Each appraiser shall be paid by the party selecting him, or for whom he was selected, and the expense of the appraisal and umpire shall be paid by the parties equally.

It shall be optional with this company to take all of the property at the agreed or appraised value, and also to repair, rebuild or replace the property destroyed or damaged with other of like kind and quality within a reasonable time, on giving notice of its intention so to do within 30 days after the receipt of the proof of loss herein required.

There can be no abandonment to this company of any property.

The amount of loss for which this company may be liable shall be payable 60 days after proof of loss, as herein provided, is received by this company and ascertainment of the loss is made either by agreement between the insured and this company expressed in writing or by the filing with this company of an award as herein provided. It is moreover understood that there can be no abandonment

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of the property insured to the company, and that the company will not in any case be liable for more than the sum insured, with interest thereon from the time when the loss shall become payable, as above provided.

No suit or action on this policy for the recovery of any claim shall be sustainable in any court of law or equity unless all the requirements of this policy have been complied with, and unless commenced within two years after inception of the loss.

This company is subrogated to, and may require from the insured an assignment of all right of recovery against any party for loss to the extent that payment therefor is made by this company; and the insurer may prosecute therefor in the name of the insured retaining such amount as the insurer has paid.

Assignment of this policy shall not be valid except with the written consent of this company.

IN WITNESS WHEREOF, this company has executed and attested these presents.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name of office)

\_\_\_\_\_  
(Name of office)

**Subd. 4. Additional provisions permitted.**

(1) There may be printed in the policy or an endorsement attached to the policy, in case the assured desires liability to attach to several buildings, divisions or locations under one item, a printed form filed with and approved by the insurance commissioner.

(2) There may be printed in the policy or an endorsement attached to the policy, a printed form in the following words, to wit:

The insured has relinquished all rights to recover for loss or damage by fire from \_\_\_\_\_  
(here insert name of individual, partnership, association or corporation).

(3) There may be printed upon a policy issued in compliance herewith the words "Minnesota Standard Fire Insurance Policy".

(4) A company, if incorporated or formed in this state, may print in the policy any provisions which it is authorized or required by law to insert therein, if not incorporated in this state, it may, with the approval of the insurance commissioner, print in the policy any

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provision required by its charter or deed of settlement, or by the laws of its own state or country, not contrary to the laws of this state.

(5) Appropriate forms of other contracts or endorsements, *whereby the property described in such policy shall be insured against one or more of the additional perils which the insurer is empowered to assume, and forms of provisions or endorsements which serve to modify the policy or premium in favor of the insured,* may be attached to, used in or in connection with the Minnesota Standard Fire Insurance Policy when approved by the commissioner of insurance. Such forms of other contracts, provisions or endorsements attached to or printed thereon may contain provisions and stipulations inconsistent with the Minnesota Standard Fire Insurance Policy if applicable only to such other perils. There may be placed upon the Minnesota Standard Fire Insurance Policy, in such manner and form as is approved by the commissioner of insurance, such data as may be conveniently included for duplication on the daily reports for the office records of the company writing the policy.

(6) A company may print or use on its policy, printed forms covering the maintenance or supervision of watchman's service, automatic sprinkler service or the maintenance of a clear space in lumber yards, when approved by the commissioner of insurance, but no such clause shall contain any provision calling for the lapse or the suspension of the insurance coverage.

(7) A company may print or use in its policy printed forms for insurance against loss of rents and rental value, leasehold values, use and occupancy, and indirect or consequential loss or damage caused by change of temperature resulting from the destruction of refrigeration or cooling apparatus, or any of its connections. It may also use a form specifically excluding the last mentioned hazard.

*All contracts of insurance against loss of rents or rental values, use and occupancy, shall contain the following provisions:*

The period of idemnity under this contract shall be limited to such length of time (commencing with the date of the fire or lightning and not limited by the date of the expiration of the policy) as would be required through the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property described in said policy as may be destroyed or damaged.

(8) *There may be printed in the policy in a convenient place approved by the insurance commissioner, or on an endorsement attached to the policy, a printed form providing that in the case of loss, such loss shall be payable to the mortgagee, or other persons, as his, her, its or their interest may appear, to wit:*

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Subject to the stipulations, provisions and conditions contained in this policy, the loss, if any, is payable to \_\_\_\_\_, mortgagee, as his, her, its or their interest may appear.

**Subd. 5. Provision prohibited, total loss—limiting amount to be paid.** No provision shall be attached to or included in such policy limiting the amount to be paid in case of total loss on buildings by fire, lightning or other hazard to less than the amount of insurance on the same.

### Provisions Relating to Operations

**Sec. 2. [65A.02] Joint policy.** When two or more authorized companies unite in the issue of a joint policy, the heading thereof may show the severalty of the contract, and the policy shall show the proportion of premiums to be paid to each, and the proportion of liability which each assumes, and shall contain a provision to the effect that service of process, or any notice or proof of loss required by such policy, upon any of the insurers executing such policy, shall be deemed to be service upon all such insurers.

**Sec. 3. [65A.03] Binders, temporary insurance.** Binders or other contracts for temporary insurance may be made orally or in writing, and shall be deemed to include all the terms of such standard fire insurance policy and all such applicable endorsements as may be designated in such contract of temporary insurance; except that the cancellation clause of such standard fire insurance policy and the clause specifying the hour of the day at which the insurance shall commence, may be superseded by the express terms of such contract of temporary insurance.

**Sec. 4. [65A.04] Effect on section 8.** Nothing in the preceding sections of this article shall be construed to limit the effect of or in any way modify or repeal section 8.

**Sec. 5. [65A.05] Nuclear reaction, radiation or radioactive contamination; endorsement.** Loss or damage caused by nuclear reaction, nuclear radiation or radioactive contamination, all whether directly or indirectly resulting from an insured peril under the standard policy issued pursuant to sections 1, 2, 3, and 4, may be insured under said policy only by a written endorsement providing such insurance, with such endorsement affixed to said standard policy.

**Sec. 6. [65A.06] Motor vehicle, ocean and inland marine policies.** Insurance on automobiles, motorcycles, other motor vehicles, or on property insured by ocean marine, and inland marine policies as defined by section 70.61, subdivision 4, against loss or

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damage by fire, when combined in one policy with insurance against one or more of the other hazards mentioned in Article I, Section 6, Subdivision 1, Clause (1), need not be in accordance with section 1, but in no event shall this section be applicable to insurance on buildings or structures.

**Sec. 7. [65A.07] Cancellation of fire policy.** Any fire insurance company which has not collected the premium on its policy at the time of the delivery thereof may print or endorse, or attach by rider, on its policy the following clause:

“If the insured hereunder shall not have actually paid the premium hereon, or any part thereof, within 60 days from the date of this policy, then this policy may be canceled by the insurer by giving five days written notice to the insured and to the mortgagee, or other person to whom the policy is made payable, if any, without tendering any part or portion of such premium, anything to the contrary in the policy contract notwithstanding.”

**Sec. 8. [65A.08] Special provisions. Subdivision 1. Examination and appraisal required.** Every company insuring any building or other structure against loss or damage by fire, lightning, or other hazard, by the issue of a policy or renewal of one theretofore issued, or otherwise shall cause the structure to be previously examined, a full description thereof to be made, and its insurable value to be fixed all by the insurer or his agent, and the amount thereof to be stated in the policy.

**Subd. 2. Amount collectible.** In the absence of any change increasing the risk, without the consent of the insurer, of which the burden of proof shall be upon it, and in the absence of intentional fraud on the part of the insured, the insurer shall pay the whole amount mentioned in the policy or renewal upon which it receives a premium, in case of total loss, and in case of partial loss, the full amount thereof.

**Subd. 3. Agreement as to amount of loss.** Policies on farm buildings or other structures may, in consideration of a reduction in the premium by the company, include a provision determining the amount of loss in connection with repair or replacement of the insured property.

**Subd. 4. Prorating provided.** If there are two or more policies upon the property, each shall contribute to the payment of the whole or partial loss in proportion to the amount specified.

**Subd. 5. Coinsurance provision.** Any policy may contain a coinsurance clause, if the insured requests the same, in writing, of

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which fact such writing shall be the only evidence, and if, in consideration thereof, a reduction in the rate of premium is made by the company. When so demanded and attached to the policy, this agreement shall be binding upon both the insured and the company, and, in case of loss, the actual cash value of the property so insured at the time of the loss, including the buildings, shall be the basis for determining the proper amount of the coinsurance, and the amount of loss, notwithstanding any previous valuation of the building.

**Subd. 6. Term of policies.** No company shall knowingly issue any policy upon property in this state for a longer term than five years.

**Sec. 9. [65A.09] Insurance in excess of value.** No company shall knowingly issue any policy upon property in this state for an amount which, together with any existing insurance thereon, exceeds the fair value of the property. Any company wilfully insuring property for more than its real value shall forfeit to the state, for the benefit of the school fund, double the premium collected on the policy.

**Sec. 10. [65A.10] Limitation.** Nothing contained in sections 8 and 9 shall be construed to preclude insurance against the cost, in excess of actual cash value at the time any loss or damage occurs, of actually repairing, rebuilding or replacing the insured property.

**Sec. 11. [65A.11] Payment to mortgagee.** When the whole, or any part, of the loss is payable, in terms or otherwise, to or for one or more mortgagees, upon proof before payment of the rights of the parties, the company shall pay the same in the order of priority, to the extent of its liability and every such payment to such extent shall be payment and satisfaction of its liability under the policy.

**Sec. 12. [65A.12] Waiver of right to arbitration.** Subdivision 1. **Right to arbitration.** Any person who shall not, within 20 days after written request, appoint a qualified appraiser, as provided in the policy, shall at the election of the other party be deemed to have waived the right to appraisal, and, if it be the insurer, shall be liable to suit.

**Subd. 2. Appraiser.** No person shall be a qualified appraiser who is not a resident of the state, disinterested, and willing to act.

**Sec. 13. [65A.13] Liability of company.** Notwithstanding any penalty prescribed for the making, issuing, or delivery

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of any policy in violation of any provision of law, every such policy shall be binding upon the company issuing the same.

Sec. 14. **[65A.14] Person who procures an application agent of issuing company.** Every person who solicits insurance and procures an application therefor shall be held to be the agent of the party afterward issuing insurance thereon or a renewal thereof.

Sec. 15. **[65A.15] Violation.** Every company and every agent who shall wilfully make, issue, or deliver a policy in violation of sections 1, 2, and 3 shall be guilty of a gross misdemeanor; but every stipulation of the policy in favor of the insured shall, nevertheless, be binding upon the company issuing the same.

### **Optional Special Reserve Fund**

Sec. 16. **[65A.16] Guaranty surplus and special reserve fund.** Any insurance company organized under the laws of this state authorized to transact a fire insurance business may create the funds herein provided for, to be known and designated as the guaranty surplus fund and the special reserve fund, and may avail itself of the provisions of sections 16 to 25, upon complying with the requirements thereof.

Sec. 17. **[65A.17] Action of stockholders filed with commissioner.** Any such insurance company, desiring to create such funds, may do so if such action is authorized by its stockholders, upon the adoption of a resolution to that effect by its board of directors at a regular meeting of the board, or at any special meeting called for that purpose, and filing with the commissioner a copy thereof, declaring the intention of the company to create these funds and to do business under the provisions of sections 16 to 25; and, as soon after the filing of a copy of the resolution as convenient, the commissioner shall make, or cause to be made, an examination of the company, and he shall make a certificate of the result thereof, which shall particularly set forth the amount of surplus funds held by the company at the date of the examination, the whole or any part of which, under the provisions of sections 16 to 25, may be equally divided between and set apart to constitute guaranty surplus and special reserve funds, which certificate shall be recorded in the department of insurance.

Sec. 18. **[65A.18] Dividends declared out of surplus profits.** After the date of filing any such resolution with the commissioner, the company shall not make or declare or pay in any form any dividend upon its capital stock, exceeding eight percent per annum thereupon and six percent per annum upon the surplus funds to

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be formed hereunder, until after its guaranty surplus fund and its special reserve fund shall have together accumulated to an amount equal to its capital stock or to the sum of \$2,000,000; and any part of the surplus profits of the company above this annual dividend may be equally divided between and set apart to constitute the guaranty surplus fund and the special reserve fund, which funds shall be held and used as hereinafter provided, and not otherwise. Any company doing business under sections 16 to 25, whose guaranty surplus fund and special reserve fund shall have together accumulated to an amount equal to its capital stock or to the sum of \$2,000,000, may, from time to time, declare dividends out of its surplus profits in such amounts as its board of directors may prescribe, subject only to the limitation that the payment of these dividends shall not deplete its capital, nor reduce the aggregate amount of the guaranty surplus and special reserve funds to an amount less than the amount of its capital stock, or if its capital stock exceeds \$2,000,000, to an amount less than \$2,000,000; and, subject to the further limitation that no dividends exceeding ten percent upon the capital stock shall be declared in any year if the payment thereof would reduce the aggregate amount of all surplus funds, including guaranty surplus and special reserve funds, below an amount equal to 30 percent of its unearned premiums. Any company doing business under sections 16 to 25, which shall declare or pay any dividend contrary to the provisions herein contained, shall be liable to be proceeded against under Article I, section 4 for its dissolution.

**Sec. 19. [65A.19] Examination.** When the company shall notify the commissioner that it has fulfilled the requirements already expressed in sections 16 to 25, and that its guaranty surplus fund and its special reserve fund, taken together, equal its capital stock or amount to the sum of \$2,000,000, the commissioner shall make an examination of the company and make a certificate of the result thereof, and file the same in his office and, if the commissioner shall find that the combined funds shall equal the capital stock of the company or amount to the sum of \$2,000,000, thereafter the company may continue, out of any subsequent profits of its business, to add to these funds; provided, that when any addition is made to the special reserve fund, an equal sum shall be carried to the guaranty surplus fund.

**Sec. 20. [65A.20] Items considered in estimating profit.** In estimating the profit of any such company for the purpose of making a division thereof between the guaranty surplus fund and the special reserve fund, until these funds shall together amount to a sum equal to the capital stock of the company or amount to the sum of \$2,000,000, there shall be deducted from the gross assets of the

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company, including for this purpose the amount of the special reserve fund, the sum of the following items:

- (1) The amount of all outstanding claims;
- (2) An amount sufficient to meet the liability of the company for the unearned premiums upon its unexpired policies, which amount shall at least equal one-half the premiums received on policies having one year or less to run from the date of policy, and a pro rata proportion of the premiums received on the policies having more than one year to run from the date of policy, and shall be known as the reinsurance liability;
- (3) The amount of its guaranty surplus fund and of its special reserve fund;
- (4) The amount of the capital of the company; and
- (5) Interest at the rate of eight percent per annum upon the amount of capital, and six percent per annum upon the amount of the said funds for whatever time shall have elapsed since the last preceding cash dividend. The balance shall constitute the net surplus of the company, any portion of which is subject to an equal division between these funds, as herein provided.

Sec. 21. **[65A.21] Investment of guaranty surplus.** The guaranty surplus shall be held and be invested by the company in the same manner as its capital stock and surplus accumulation may be held and be invested, and shall be liable and applicable in the same manner as the capital stock to the payment generally of the losses of the company.

Sec. 22. **[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, 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 16 to 25.

Sec. 23. **[65A.23] When claims exceed guaranty surplus and capital stock.**

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(1) When the claims upon the company shall exceed the amount of its capital stock and of guaranty surplus fund, provided for by sections 16 to 25, and of its surplus funds, other than the special reserve fund, the company shall notify the commissioner of the fact, who shall then make, or cause to be made, an examination of the company, and issue his certificate of the result, showing the amounts of capital, of guaranty surplus fund, of special reserve fund, of reinsurance liability, and of other assets, and upon his issuing this certificate, in duplicate, one copy to be given to the company and one to be recorded in the department of insurance, the special reserve fund shall be immediately held to protect all policyholders of the company, other than such as are claimants upon it at the date of the certificate, and the special reserve fund, together with other assets, certified by the commissioner as equal in value to the amount of the unearned premiums of the company, to be ascertained, as hereinbefore provided, shall constitute the capital and assets of the company for the protection of policyholders, other than these claimants, and for the further conduct of its business, and any official certificate of the commissioner, herein provided for, shall be binding and conclusive upon all parties interested in the company, whether as stockholders, creditors, or policyholders, and upon the payment to claimants who are such at the date of the certificate, of the full amount of the capital of the company and of its guaranty surplus fund and of its assets at that date, excepting only the special reserve fund and an amount of its assets equal to the liability of the company for unearned premiums, as so certified by such insurance commissioner, the company shall be forever discharged from any and all further liability to these claimants, and to each of them, and the commissioner shall, after issuing his certificate, upon the demand of the company, transfer to it all such securities as shall have been deposited with him by the company as a special reserve fund and, if the amount of this special reserve fund be less than 50 percent of the full amount of the capital of the company, if the capital be \$2,000,000, or less, or if the amount of the special reserve fund be less than \$1,000,000, if the capital be over \$2,000,000, a requisition shall be issued by the commissioner upon the stockholders, to make up the capital to that proportion of its full amount, not exceeding \$1,000,000; provided, that any capital so impaired shall be made up at least to the sum of \$100,000, and in case the company, after this requisition, shall fail to make up its capital at least to the sum of \$100,000, as therein directed, the special reserve fund shall still be held as security and liable for any and all losses occurring upon policies of the company.

(2) If, after this application of the special reserve fund and requisition on the stockholders, the par value of outstanding shares of stock shall exceed the new amount of capital so established, out-

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standing shares, to the amount of the excess, shall be surrendered by the stockholders pro rata.

(3) The company shall, in its annual statement to the commissioner, set forth the amount of the special reserve fund and of its guaranty surplus fund.

(4) If, in consequence of the payment of losses by fires, or of the expenses of the business, or of the interest or dividends payable under the provisions of sections 16 to 25 to stockholders, or from any cause, the guaranty surplus fund shall be reduced in amount below the amount of the special reserve fund, the directors of the corporation shall make no additions to the special reserve fund until the guaranty surplus fund is equal to the special reserve fund.

(5) The policy registers, insurance maps, books of record, and other books in use by the company in its business, and its policy and other blanks, office furniture, fixtures, and supplies are not to be considered as assets, but shall be held by the company for its use in the protection of its policyholders.

(6) If any amount greater than a sum equal to one-half of its capital stock shall, by the company under the provisions of sections 16 to 25, have been deposited with the commissioner, he shall retain of these securities an amount equal to one-half of what amount he shall so hold thereof in excess of a sum equal to such one-half of such capital stock if the capital be \$2,000,000, or less, or in excess of \$3,000,000 if the capital be over \$2,000,000, and he shall transfer the balance thereof to the company, as herein provided, and the amount so transferred to the company shall, from the time of the transfer, provided the amount thereof shall not be less than \$100,000, constitute the capital stock of the company for the further conduct of its business, as hereinbefore provided, and the securities so retained shall be regarded as the special reserve fund of the company, to which additions may be made, as herein provided, and shall be held in the same manner, and for the same purpose, and under the same conditions, as the original special reserve fund of the company was held. The provisions of this section, providing for discharge of the company from further liability to existing claimants upon application to the payment of such claims of its capital, surplus, and assets, excepting the special reserve fund, and an amount equal to the liability for unearned premiums, shall not be construed to relieve the stockholders of the corporation from any liability imposed by the constitution of this state.

Sec. 24. [65A.24] **Stockholders to make up impairment.** If, at any time after the special reserve fund shall have been accumulated by any company, the directors of the company shall present

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evidence satisfactory to the commissioner that the capital of the company has become impaired, he shall order the directors to call upon the stockholders to make up this impairment, and the board of directors may thereupon require the necessary payment by the stockholders to make good the whole of the impairment, or they may apply for that purpose the whole or any part of the special reserve fund and require of the stockholders payment of such amount as may be necessary to make up the balance of the impairment not made up out of the special reserve fund. The stock of every stockholder shall be pledged and liable for the amount assessed upon him to make up the impairment, either in whole or in part, and in case any stockholder refuses to pay the assessment, the stock standing in his name may be sold at public auction, after 30 days notice, in such manner as the directors may provide. If the board of directors elect to make good the impairment, or any part thereof, out of the special reserve fund, the commissioner shall, upon request of the board, transfer to the company so much of the special reserve fund as is necessary for the purpose. No company doing business under sections 16 to 25 shall insure any larger amount upon any single risk than is permitted by law to a company possessing the same amount of capital, irrespective of the fund provided for in sections 16 to 25.

Sec. 25. [65A.25] **Statement printed on policy.** Every policy issued by a company which has constituted and set apart a guaranty surplus and special reserve fund, under sections 16 to 25, or any prior law of this state, shall have printed thereon by the company a statement that the same is issued under and in pursuance of the laws of the state relating to guaranty surplus and special reserve funds, and every policy shall be deemed to have been issued and received subject to the provisions thereof.

#### **Hail Insurance**

Sec. 26. [65A.26] **Hail insurance, policies, loss adjustment.** Every policy of insurance against damage by hail issued by any company, however organized, shall provide as follows: "In case of loss under this policy, and failure of the parties to agree as to the amount of such loss, it is mutually agreed that such amount shall be referred to three disinterested men, the company and the insured each choosing one out of three persons named by the other, the third being selected by such two. The written award of a majority of such referees shall be final and conclusive upon the parties as to amount of loss, and such reference, unless waived by the parties, shall be a condition precedent to any right of action to recover for such loss, and no suit for the recovery of any claim by virtue of this policy shall be sustained unless commenced within six months after the loss oc-

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curred," and shall provide the form, manner, and length of notice to be given to the company by the insured of any loss sustained.

Sec. 27. **Repealer.** Minnesota Statutes 1965, Sections 65.01 to 65.20 are hereby repealed.

## ARTICLE VII

### Mutual Companies

Sec. 1. **[66A.01] Scope of chapter.** This chapter shall apply to mutual insurance companies other than; life insurance companies, assessment benefit associations, fraternal benefit associations, township mutual insurance companies and title insurance companies.

#### Organization

Sec. 2. **[66A.02] Applicability of general corporation statutes.** Chapter 300 of the Minnesota Statutes shall apply to domestic mutual insurance companies except where in conflict with the express provisions of this chapter and the reasonable implication of such provisions.

Sec. 3. **[66A.03] Incorporation.** Domestic mutual insurance companies are incorporated under the provisions of Chapter 300 of the Minnesota Statutes. Except as otherwise provided in this chapter, the certificate or articles of incorporation shall comply with section 300.025.

Sec. 4. **[66A.04] Amendment of certificate or articles of incorporation.** The procedure for amendment of certificate or articles of incorporation is governed by article I, section 7, subdivision 8, clause 1.

Sec. 5. **[66A.05] Bylaws; adoption; amendment.** The procedure for adoption and amendment of bylaws is governed by article I, section 7, subdivision 8, clause 3.

Sec. 6. **[66A.06] Renewal of corporate existence.** The procedure for renewal of corporate existence for mutual companies having a limited period of existence is governed by article I, section 7, subdivision 8, clause 2.

Sec. 7. **[66A.07] Membership; meetings; notices; voting.** Every policyholder in a mutual insurance company shall be a member thereof while his policy is in force, entitled to one vote for each policy he holds, and notified of the time and place of holding its meetings either personally or by imprint upon the back of every

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policy, or in the premium notice, receipt or certificate of renewal, substantially as follows:

**“NOTICE OF ANNUAL MEETING**

The policyholder named herein is hereby notified that while this policy is in force he is by virtue thereof a member of the (name of company) and that the annual meeting of said company is held at its home office at (address) on the \_\_\_\_\_ day of \_\_\_\_\_ each year at \_\_\_\_\_ o'clock . . m”

**Regulation**

**Sec. 8. [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 article I, section 6, 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, 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.

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

**Subd. 2. Fire lines.**

(1) **General.** No policy shall be issued by a mutual fire insurance company hereafter organized until not less than \$750,000 of insurance, in not less than 300 separate risks, upon property located in this state, has been subscribed for and entered upon the books and the premiums thereon for one year paid in cash, which premiums shall aggregate not less than \$7,500 in cash.

(2) **Exceptions.** When the mutual insurance company is organized to issue policies exclusively upon one of the specified lines of business listed below, it may issue policies insuring such risks by complying with the following requirements:

(a) Those organized to insure creamery and cheese factory buildings, their contents and equipments, and the dwelling house and contents, and barn, livestock, and vehicles of the owner of the creamery or factory, may issue policies when not less than \$50,000 of insurance, in not less than 25 separate risks, upon these buildings and contents in this state, has been subscribed for and so entered and the premiums thereon for one year paid in cash, which premiums shall aggregate not less than \$1,000 in cash; and the name of every such company shall include the words "Mutual creamery fire insurance company," and it shall issue no policy except upon the class of risks aforesaid.

Any company heretofore organized and doing business under this clause, which for 15 years prior to the passage of Laws 1935, Chapter 97, has insured creamery and cheese factory buildings, their contents and equipments, and the dwelling houses and contents and barn, livestock, and vehicles of the owner of the creamery or factory, and which has assets of \$100,000, may issue policies in addition

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thereto to cover farmers' elevators, cooperatively owned warehouses, cooperative filling stations, cooperative oil companies, and all cooperatively owned or organized enterprises;

(b) Those organized to insure the stock in trade, tools, and fixtures of retail hardware dealers, the buildings containing the same, and the dwelling house and its contents, barns, livestock, and vehicles owned by these dealers, may issue policies when not less than \$500,000 of insurance, in not less than 200 separate risks, upon such property in this state, has been subscribed for and entered upon its books and the premiums thereon for one year paid in cash, which premiums shall aggregate not less than \$5,000 in cash; and the name of every such company shall include the words "Mutual retail hardware fire insurance company," and it shall issue no policy except as above specified;

(c) Those organized to insure dwelling houses, their contents, barns, livestock, and vehicles, exclusively, may issue policies when not less than \$250,000 of insurance, in not less than 200 separate risks, upon such property located within this state, has been subscribed for and entered upon their books and the premiums thereon for one year paid in cash, which premiums shall aggregate not less than \$2,500 in cash; and the name of every such company shall include the words "Mutual dwelling house fire insurance company," and it shall issue no policy except upon the class of risks aforesaid;

(d) Those organized to insure printing material, machinery, and stock in trade of newspaper publishers and printers, the buildings containing the same, and the dwelling house and its contents, barns, livestock, and vehicles, when such buildings and contents are owned and occupied by the owner of the printing material, machinery, and stock in trade may issue policies when not less than \$200,000 of insurance, in not less than 200 separate risks, upon such property located in this state, has been subscribed for and entered upon such companies' books and the premiums thereon for one year paid in cash, which premiums shall aggregate not less than \$2,000 in cash; and the name of every such company shall include the words "Mutual publishers' fire insurance company," and it shall issue no policy except upon the class of risks aforesaid;

(e) Those organized to insure grain elevators, warehouses and cribs, machinery, grain, sacks, and tools appurtenant to or contained in such elevators, warehouses, and cribs, and dwelling house and contents, barns, livestock, and vehicles when such buildings and contents are owned and occupied by the owner of the grain elevator, may issue such policies when not less than \$100,000 of insurance, in not less than 50 separate risks, upon such property in this state, has

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been subscribed for and entered upon the books of such companies and the premiums thereon for one year paid in cash, which premiums shall aggregate not less than \$1,000 in cash; and the name of the company shall include the words "Mutual grain dealers' fire insurance company," and it shall issue no policy except upon the class of risks aforesaid; and

(f) Those organized to insure exclusively the property of any one church or any one religious denomination, and the church property and equipment and furnishings thereof of any one church or any one religious denomination may issue policies when not less than \$100,000, in not less than 50 separate risks, upon these properties, has been subscribed for and so entered, and the premiums thereon for one year paid in cash, which premiums shall aggregate not less than \$1,000 in cash; and the name of every such company shall include the words "Mutual denominational fire insurance company," and it shall issue no policy except upon the class of risks aforesaid. *This section shall not be construed as a repeal of section 20 of this article.*

**Subd. 3. Marine lines. (1) Requirements.** Every mutual marine company, before issuing any policy, shall have an agreement duly executed by solvent subscribers to the amount of at least \$300,000, substantially as follows: "We, the subscribers, severally agree to pay to the (name of company), on demand, the whole or such part of the amounts set opposite our names, respectively, as may be called, from time to time, for its use, to pay losses and expenses not otherwise provided for"; and this agreement, endorsed with the certificate of the president and a majority of the directors that these subscribers are known to them and that they believe each to be solvent, shall be filed with and approved by the commissioner.

When from death or other cause a deficiency exists in the subscription fund, the same shall be made good by new subscriptions certified in the same manner as the original. Subscribers shall be entitled to annual dividends of two percent upon the amount of their subscriptions from the profits of the company and reimbursed from future profits for all money they shall pay to the company for its uses under their agreement, with interest thereon.

(2) **Dividends and retirement of subscriptions.** The net profits or dividend surplus of every such company shall be annually divided among the insured whose policies terminated during the year, in proportion to their contribution thereto. These dividends shall be made only in scrip certificates payable out of the accumulated profits or surplus, and this accumulation shall be kept and invested as a separate fund in trust for the redemption of these certificates and for

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losses and expenses, as herein provided. Until redeemed, these certificates shall be subject to future losses and expenses and reduced in case the redemption fund is drawn upon for payment of these losses and expenses, but no part of this fund shall be used for payment of losses or expenses, except when and to the extent that the cash assets are insufficient therefor; and when any portion thereof is so used the outstanding certificates shall be reduced proportionately so that the fund shall at all times equal the unredeemed certificates. The net income of the redemption fund shall be divided annually among the holders of its certificates, or it may make such certificates with a special rate of interest payable from the income of its invested funds. As these profits accumulate and are invested, subscriptions of an equal amount shall be canceled. The maximum of accumulations and profits shall be \$300,000 and all excess of profits beyond that amount shall be applied annually to the payment of the certificates in the order of their issue. The certificates shall be forthwith payable when the company ceases to issue policies and the fund is no longer liable to be drawn upon for the payment of losses.

(3) **Government; liability of officers and directors.** Every domestic mutual marine company shall be governed by the provisions applicable to mutual fire companies and each subscriber to the subscription fund shall be a member during the term of his subscription and entitled to one vote. If a subscriber fails to pay his subscription or any assessment thereon and it is shown that any director or officer knowingly certified falsely as to him, the person so certifying shall be liable for the amount thereof. If any such company is at any time liable for losses beyond the amount of its net assets, the president and directors shall be personally liable for all losses on insurance effected while the company remains in such condition.

Subd. 4. **Employers' liability and workmen's compensation.**

(1) **Organization.** (a) **Subscribers and articles of incorporation.** Twenty or more persons may form an incorporated mutual employers' liability insurance association for the purpose of insuring themselves and such other persons, firms, or corporations as may become subscribers to the association against liability for compensation payable under the terms of the workmen's compensation law and for the purpose of insuring against loss or damage by the sickness, bodily injury, or death by accident of any person employed by the insured or for whose injury or death the insured is responsible.

They shall subscribe and acknowledge a certificate specifying:

(aa) The name, general nature of its business, and the principal place of transacting the same; (such name shall distinguish it from all other corporations, domestic or foreign, authorized to do

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business in this state and end with "company," "corporation," "association," or the word "incorporated");

- (bb) The period of its duration;
- (cc) The names and places of residence of the incorporators;
- (dd) In what board its management shall be vested and the names and addresses of those composing the board until the first election, a majority of whom shall always be residents of the state;
- (ee) The highest amount of indebtedness or liability to which the corporation shall at any time be subject; and
- (ff) The territory within which the association may do business.

It may contain any other lawful provisions defining and regulating the powers or business of the corporation, its officers, directors, trustees, and members.

The certificate of incorporation of every such corporation shall be submitted to the commissioner for his approval and, if he approves the same, one copy thereof shall be filed with the secretary of state and one copy with the commissioner. After this record the certificate shall be filed for record with the register of deeds of the county of the principal place of business, as specified in the certificate.

Corporations may be formed under subdivision 4 for not to exceed 30 years in the first instance.

(b) **Bylaws and seal.** Such association shall have the power to make bylaws for the government of its officers and the conduct of its affairs, to alter and amend the same, and to adopt a common seal.

(c) **Annual meeting; voting rights.** The annual meeting for the election of directors shall be held at such time in the month of January as the bylaws of the association may direct. Of the time and place of the meeting at least 30 days previous written or printed notice shall be given to the subscribers, or the notice may be given by publication, not less than three times, in at least two daily or weekly newspapers published in the city or county wherein the association has its principal office and in the legal periodical, if any, designated by the rules of court of the proper county for the publication of legal notices. Subscribers who, during the preceding calendar year, have paid into the treasury of the association premiums amounting to more than one-half of the total premiums received by it during that year, shall constitute a quorum. At this annual meeting the subscribers shall elect, by ballot, from their own number,

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not less than five directors, a majority of whom shall be residents of this state, to serve for at least one year and until their successors are duly chosen. The association may provide in its bylaws for the division of its board of directors into two, three, or four classes, and for the election thereof at its annual meetings in such manner that the members of one class only shall retire and their successors be chosen each year. Vacancies may be filled by election by the board until the next annual meeting. In the choice of directors and in all meetings of the association, each subscriber shall be entitled to one vote for every \$100, or any fraction thereof, paid by him in premiums into the treasury of the association during the preceding calendar year. Subscribers may vote by proxy and the record of all votes shall be made by the secretary and show whether the same were cast in person or by proxy and shall be evidence of all these elections. Not less than three directors shall constitute a quorum. The directors shall annually choose by ballot a president, who shall be a member of the board; a secretary; a treasurer, who may be either the president or secretary; and such other officers as the bylaws may provide; and fix the salaries of the president and the secretary, as well as the salaries or compensation of such other officers and agents as the bylaws prescribe. Vacancies in any office may be filled by the directors or by the subscribers, as the bylaws shall prescribe.

(2) **Requirements.** (a) **Number of risks to qualify.** These associations shall not begin to issue policies until a list of subscribers with the number of employees of each which, in the aggregate, must number not less than 5,000, together with such other information as the commissioner may require, shall have been filed at the insurance department, nor until the president and secretary of the association shall have certified under oath that every subscription in the list so filed is genuine and made with an agreement of all the subscribers that they will take the policies subscribed for within 30 days of the granting of a license by the commissioner. In case of associations organized exclusively for the purpose of insuring creameries, cheese factories, and livestock shipping associations, these associations may begin to issue policies when the number of employees insured aggregates 300.

Upon the filing of the certificate provided for in this section, the commissioner shall make such investigations as he may deem proper and, if his findings warrant it, grant a license to the association to issue policies.

(b) **Number of risks required to continue in business.** If at any time the number of subscribers falls below 20, or the number of subscribers' employees within the state falls below 5,000, no

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further policies shall be issued until the total number of subscribers amounts to not less than 20, whose employees within the state are not less than 5,000. In case of associations organized for the purpose of insuring creameries, cheese factories, and livestock shipping associations, the number of subscribers must not fall below 200, nor the number of subscribers' employees within the state below 300.

(3) **Additional powers.** (a) **May write automobile insurance.** Any such company authorized to write workmen's compensation or liability insurance under subdivision 4 hereof, when its articles of incorporation so provide, shall be permitted to insure against loss or damage to automobiles or other vehicles and their contents by collision, fire, burglary, or theft, and other perils of operation, and against liability for damage to persons or property of others by collision with such vehicles, and to insure against any loss or hazard incident to the ownership, operation, or use of motor or other vehicles, as specified in article I, section 6, subdivision 1, clause (12).

(b) **May write glass insurance.** Any company authorized to write workmen's compensation or liability insurance under subdivision 4 hereof when its articles of incorporation so provide shall be permitted to insure against loss or damage by breakage of glass located or in transit.

(c) **Special Powers.** Any company organized under this subdivision 4 which, for 15 years prior to the passage of Laws 1935, Chapter 136, has exclusively insured creameries, cheese factories, and livestock shipping associations, and which has assets of \$100,000 or more, may write public liability and compensation insurance coverage of creameries, cheese factories, shipping associations, farmers' elevators, cooperatively owned warehouses, cooperative filling stations, cooperative oil companies and all cooperatively owned or organized enterprises.

(4) **Internal operation.** (a) **Policies.** Policies of insurance issued by any such association may be made either with or without the seal thereof and they shall be signed by the president, or such other officers as may be designated by the directors for that purpose, and attested by the secretary.

(b) **Classification of risks.** The board of directors may divide the subscribers into groups in accordance with the nature of their business and the probable risk of injury therein. In such case they shall fix all premiums, make all assessments, and determine and pay all dividends by and for each group in accordance with the ex-

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perience thereof, but all funds of the association and the contingent liability of all subscribers shall be available for the payment of any claim against the association; provided, that (as between the association and its subscribers) until the whole of the contingent liability of the members of any group shall be exhausted, the general funds of the association and the contingent liability of the members of other groups shall not be available for the payment of losses and expenses incurred by such group in excess of the earned premiums paid by the members thereof.

(c) **Classification to be filed.** A statement of any proposed distribution of subscribers into groups shall be filed with the insurance department.

(d) **Rates.** The board of directors shall determine the amount of premiums which the subscribers of the association shall pay for their insurance in accordance with the nature of the business in which the subscribers are engaged and the probable risk of injury to their employees under existing conditions, and it shall fix premiums at such amounts as in its judgment shall be sufficient to enable the association to pay to its subscribers all sums which may become due and payable to their employees under provisions of law and the expenses of conducting the business of the association. In fixing the premium payable by any subscriber, the board of directors may take into account the condition of the plant, workroom, shop, farm, or premises of the subscriber in respect to the safety of those employed therein as shown by the report of any inspector appointed by the board and it may from time to time change the amount of premiums payable by any of the subscribers as circumstances may require and the condition of the plant, workroom, shop, farm, or premises of the subscribers in respect to the safety of their employees may justify and may increase the premiums of any subscriber neglecting to provide safety devices required by law, or disobeying the rules or regulations made by the board of directors in accordance with the provisions of clause (4) (g) of this subdivision.

(e) **Premiums; contingent liability.** Every such company shall charge and collect on each policy a premium equal to one year's premium on the policy issued and state in the policy the estimated annual premium and provide in its bylaws for the determination of the actual premium and for the payment of same when determined. The premium thus determined shall be known as the annual premium on the policy. The company shall provide in its bylaws and specify in its policies the maximum contingent mutual liability of its members for the payment of losses and expenses not provided for by its cash fund. The contingent liability of a member shall not be less than a sum equal and in addition to one annual premium, nor

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more than a sum equal to five times the amount of the annual premium or, in case of a policy written for less than one year, the contingent liability shall not be less than the proportionate fractional part of the annual premium, nor more than five times the proportionate fractional part of the annual premium. The contingent liability of the policyholder shall be plainly and legibly stated in each policy as follows: "The maximum contingent liability of the policyholder under this policy shall be a sum equal to \_\_\_\_\_ annual premium (or premiums)."

(f) **Assessments.** When the liabilities, including unearned premiums and such other reserves as are or may be required by law and the commissioner, are in excess of the admitted assets computed on the basis allowed for its annual statement, it shall make an assessment upon its policyholders based upon the amount of one annual premium as written in the policy and not to exceed the amount of five annual premiums.

If it becomes necessary to levy the assessment, as provided by this section, no policies shall be issued until the admitted assets of the association are in excess of its liabilities.

(g) **Power of board of directors.** The board of directors shall be entitled to inspect the plant, workroom, shop, farm, or premises of any subscriber and for this purpose to appoint inspectors, who shall have free access to all such premises during regular working hours, and the board of directors shall likewise from time to time be entitled to examine by their auditor or other agent the books, records, and payrolls of any subscribers for the purpose of determining the amount of premium chargeable to the subscriber.

The board of directors shall make reasonable rules and regulations for the prevention of injuries upon the premises of subscribers; and may refuse to insure, or may terminate the insurance of, any subscriber who refuses to permit these examinations and disregards such rules or regulations, and forfeit all premiums previously paid by him, but the termination of the insurance of any subscriber shall not release him from liability for the payment of assessments then or thereafter made by the board of directors to make up deficiencies existing at the termination of his insurance.

(h) **Investments.** The association shall invest and keep invested all its funds of every description, excepting such cash as may be required in the transaction of its business, in accordance with the laws of this state or relating to the investment of funds of domestic insurance companies.

No such association shall purchase, hold, or convey real estate except as provided by article I, section 11, subdivision 6.

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(i) **Withdrawal of subscriber.** Any subscriber of the association who has complied with all its rules and regulations may withdraw therefrom by written notice to that effect sent by the subscriber by registered mail to the association and this withdrawal shall become effective on the first day of the month immediately following the tenth day after the receipt of the notice, but the withdrawal shall not release the subscriber from liability for the payment of assessments thereafter made by the board of directors to make up deficiencies existing at the date of his withdrawal and the subscriber shall be entitled to his share of any dividends earned at the date of his withdrawal.

(5) **Miscellaneous.** (a) **Perjury by officer.** If any officer of the association shall falsely make oath to any certificate required to be filed with the commissioner, he shall be guilty of perjury.

(b) **Foreign mutual employers' liability association.** Any mutual employers' liability insurance association of another state, upon compliance with all laws governing such corporations in general and the provisions of subdivision 4 hereof may be admitted to transact business in this state. These associations shall pay to the department of insurance the fees prescribed by article I, section 14, subdivision 1.

(c) **Winding up affairs.** When the contracts of insurance issued by these associations shall cover in the aggregate less than 5,000 employees or, in the case of associations organized for the purpose of insuring creameries, cheese factories, and livestock shipping associations, less than 300 employees, the association shall forthwith notify the commissioner of that fact and if, at the expiration of six months from the notice, the aggregate number of employees covered by the contracts of insurance shall be less than 5,000, or, in the case of associations organized for the purpose of insuring creameries, cheese factories, and livestock shipping associations, less than 300 employees, the commissioner shall proceed under the provisions of article I, section 4.

Sec. 9. [66A.09] **Kinds of business authorized.** Nothing herein shall be deemed to authorize or permit mutual insurance companies to engage in any kind of insurance not included in article I, section 6, subdivision 1, clauses (1) to (14) or authorized under article I, section 6, subdivision 2.

Sec. 10. [66A.10] **Additional requirements.** When the articles of incorporation of any mutual insurance company not having a guaranty fund of the amount required by section 16, subdivision 2, so provide it may transact any and all kinds of business as set forth in article I, section 6, subdivision 1, clauses (1) to (14), and

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as authorized under article I, section 6, subdivision 2, subject to the conditions and restrictions as to the kinds of insurance which may be combined by a like stock insurance company and to all restrictions contained in the laws of this state with reference to general writing mutual insurance companies transacting the same kinds of business. Nothing in this section shall be construed as prohibiting a company issuing policies with a contingent liability from creating a guaranty fund as authorized by section 16, subdivision 3. Any mutual company, however organized, may amend its articles so as to provide for the doing of two or more kinds of business specified in article I, section 6, subdivision 1, clauses (1) to (14) or authorized under article I, section 6, subdivision 2.

Sec. 11. **[66A.11] Revocation of license.** In case of the failure of any insurance company to comply with any of the provisions of sections 8, 9, 10, 14, 15, and 16, subdivisions 1 and 2, its right to transact insurance business in this state shall cease and it shall be the duty of the commissioner to immediately proceed under article I, section 4 or declare its license revoked and, in case of such revocation, the company shall not be again licensed to transact business in this state for a period of one year from the date of the revocation.

### Internal Operations

Sec. 12. **[66A.12] Mutual fire companies; premiums; contingent liability.** Every mutual fire company shall charge and collect on each policy a premium, in cash or in notes absolutely payable, or it may accept a deposit of cash equal to one year's premium on the policy issued and while the deposit remains intact collect all future premiums on the policy by assessments thereon, and shall also provide in its bylaws, and specify in its policies, the maximum contingent mutual liability of its members for payment of losses and expenses not provided for by its cash fund. The contingent liability of a member shall not be less than a sum equal to and in addition to one annual premium, nor more than a sum equal to five times the amount of such annual premium or, in case of a policy written for less than one year, the contingent liability shall not exceed the amount of premium written in the policy. The total amount of the liability of the policyholder shall be plainly and legibly stated upon each policy. When any reduction shall be made in the contingent liability of members, such reduction shall apply proportionally to all policies in force. Mutual insurance companies complying with section 16, subdivision 3, may issue policies without a contingent liability; but the fact that there is no contingent liability must be plainly and legibly stated in the policies.

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Sec. 13. **[66A.13] Mutual fire companies; requirements when note given.** Except as provided in section 12, when a note or other written evidence of indebtedness is given for any premium due, or to become due, upon any insurance of property, except marine, the same shall be full payment therefor and operate to continue the same in full force during the term thereof, except that when any such note or other written evidence of indebtedness is not paid at maturity the policy for which the same was premium, in whole or in part, may be canceled upon notice and in the same manner as though the premium was paid in cash and the surrender of the note or other written evidence of indebtedness shall constitute a return or payment of the unearned portion of premium, and in such event the parties liable on the note or evidence of indebtedness shall be liable for and shall pay the premium earned prior to the cancellation and no more. In case of any cancellation of a policy, any note or notes, or written evidence of indebtedness given for whole or part of the premium thereon may be by insurer returned to the insured in lieu of cash to the extent of the unpaid amount thereof, plus accrued interest. No note given for premiums or deposit for assessment, or both, or for any part of either, shall be negotiable and every assignment thereof shall be subject to all existing defenses. Nor shall any such notes be valid for any purpose unless the words "not negotiable" are plainly and legibly written or printed across the face thereof.

Sec. 14. **[66A.14] Dividends.** The board of directors of any mutual insurance company may from time to time fix and determine the amounts to be paid during the year as dividends or a refund of savings and gains to policyholders; provided, that no dividend or refund shall discriminate between members of the same class and no dividend or refund shall be declared or distributed except out of the net divisible surplus of the company, and no company shall pay or credit a policyholder any sum in anticipation of a future dividend or refund.

Sec. 15. **[66A.15] Assessments.** Subdivision 1. **Mutual fire insurance companies.** When the net assets of any mutual insurance company are insufficient for the payment of incurred losses and expenses above its unearned premium reserve, as provided by law, it shall make an assessment for the amount required ratably upon its members liable thereto. The order for assessment shall be duly entered upon its records, with a statement of its condition at the date thereof, including all cash assets, deposit notes, and contingent amount liable to the assessment, the amount of the assessment, and the particular losses or other liabilities for which it is made. This record shall be signed by each director voting for the order before

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any part of the assessment is collected and any person liable thereto may inspect and take a copy thereof.

The commissioner may by written order relieve the company from an assessment or other proceedings to restore the assets during the time fixed in the order, when the deficiency does not exceed ten percent of its admitted assets.

When, by reason of depreciation, loss, or otherwise, the net assets, after providing for other debts, are less than the required premium reserve upon policies the deficiency shall be restored by assessment, as provided in this subdivision, notice of which shall be filed with the commissioner. When the board of directors or the commissioner shall be of the opinion that the insolvency of any company is probable, the board or, upon its failure so to do, the commissioner may order two assessments made, the first to determine what each policyholder should equitably pay or receive in case of withdrawal from the company and cancellation of his policy; the second, such further sum as each should pay to reinsure the unexpired term at the same rate as the first insurance. The directors shall forthwith cause written notice and demand of payment to be served personally or by mail upon each policyholder subject thereto.

After adjustment of the first assessment, every policy upon which the second assessment shall not be paid shall be canceled; but in no case shall there be credited upon a policy more than if canceled by the board of directors under the bylaws. If, within two months after the last assessment is payable, the amount of the policies whose holders have paid the same is less than \$500,000, all other policies shall be void and the company shall continue only for the purpose of adjusting the deficiency or excess of premiums and settling outstanding claims. No assessment shall be valid against a policyholder who has not been duly notified thereof in writing within one year after the expiration or cancellation of his policy.

Subd. 2. **Casualty companies.** All policies issued by such companies shall provide for a premium or premium deposit payable in cash and, except as herein provided, for a contingent liability of the members at least equal to the premium or premium deposit as adjusted by audit, if any. If at any time the admitted assets are less than the reserves and other liabilities, the company shall immediately collect upon policies with a contingent liability a sufficient proportionate part thereof to restore such assets and the commissioner may, when such deficiency does not exceed ten percent of its admitted assets, by written order direct that proceedings to restore such assets be deferred during the period of time fixed in such order. The contingent liabilities, if any, of the policyholders shall be plainly

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and legibly stated in every policy in terms of either dollars or premiums.

**Sec. 16. [66A.16] Guaranty funds. Subdivision 1. Mutual fire insurance companies.** A mutual fire insurance company may be formed with, or an existing fire insurance company may establish, a guaranty fund divided into certificates of \$10 each, or multiples thereof, and this guaranty fund shall be invested in the same manner as is provided for the investment of capital stock of insurance companies. The certificate holders of the guaranty fund shall be entitled to an annual dividend of not more than ten percent on their respective certificates, if the net profits or unused premiums left after all losses, expenses, or liabilities then incurred, with reserves for reinsurance, are provided for shall be sufficient to pay the same; and, if the dividends in any one year are less than ten percent, the difference may be made up in any subsequent year or years from the net profits.

The guaranty fund shall be applied to the payment of losses and expenses when necessary and, if the guaranty fund be impaired, the directors may make good the whole or any part of the impairment from future profits of the company, but no dividend shall be paid on guaranty fund certificates while the guaranty fund is impaired.

The holder of the guaranty fund certificate shall not be liable for any more than the amount of his certificate which has not been paid in and this amount shall be plainly and legibly stated on the face of the certificate.

Each certificate holder of record shall be entitled to one vote in person or by proxy in any meeting of the members of the company for each \$10 investment by him in guaranty fund certificates. The guaranty fund may be reduced or retired by vote of the policyholders of the company and the assent of the commissioner, if the net assets of the company above its reinsurance reserve and all other claims and obligations and the amount of its guaranty fund certificates and interest thereon for two years last preceding and including the date of its last annual statement shall not be less than 50 percent of the premiums in force.

Due notice of this proposed action on the part of the company shall be mailed to each policyholder of the company not less than 30 days before the meeting when the action may be taken.

In mutual fire insurance companies with a guaranty fund, the certificate holders shall be entitled to choose and elect from among their own number or from among the policyholders at least one-half of the total number of directors.

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If any mutual fire insurance company with a guaranty fund ceases to do business, it shall not divide among its certificate holders any part of its assets or guaranty fund until all its debts and obligations have been paid or canceled.

Foreign mutual fire insurance companies having a guaranty fund shall not be required to make their certificate of guaranty fund conform to the provisions of this section, but when the certificates do not conform therewith the amount thereof shall be charged as a liability.

**Subd. 2. Mutual casualty companies.** Any mutual insurance company which establishes and maintains, over and above its liabilities and the reserves required by law of a like stock insurance company, a guaranty fund available for the payment of losses and expenses at least equal to the capital stock and surplus, if any, required of a like stock insurance company may issue policies of insurance without contingent liability, and when the articles of incorporation of any mutual insurance company having this guaranty fund so provide the company may transact any and all of the kinds of business as set forth in article I, section 6, subdivision 1, clauses (1) to (14) subject to the restrictions and limitations imposed by law on a like stock insurance company, and any domestic mutual company having a guaranty fund equal to the amount of capital stock and surplus required of a like stock insurance company may insure the same kinds of property and conduct and carry on its business, subject only to the restrictions and limitations applicable to like domestic stock insurance companies.

Section 16, subdivision 1, shall not apply to this guaranty fund save and except that the guaranty fund of the company shall be invested in the same manner as is provided by law for the investment of its other funds. Every such company shall in its annual statement show as separate items the amount of the guaranty fund and the remaining divisible surplus, and the aggregate of such items shall be shown as surplus to policyholders.

A guaranty fund may be created, in whole or in part, in either or both of the following ways:

(1) Where an existing mutual company has a surplus, the members of the company may at any regular or special meeting set aside from and out of its surplus such sum as shall be fixed by resolution to be transferred to and thereafter constitute, in whole or in part, the guaranty fund of the company; or

(2) By the issuance of guaranty fund certificates, as specified in this subdivision, the same to be issued upon the conditions and subject to the rights and obligations specified in this subdivision.

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Any such company establishing a guaranty fund, as hereinbefore provided, may, subject to the restrictions and limitations imposed by law as to a like stock insurance company, amend its articles so as to provide for the doing by it of one or more of the kinds of insurance business specified in article I, section 6, subdivision 1, clauses (1) to (14).

The policy liability of any such mutual company issuing policies without a contingent liability shall, as to these policies, be computed upon the same basis as is applicable to like policies issued by stock insurance companies. Where any such company shall issue five-year term policies, wherein the premiums shall be payable in annual or biennial installments and no premium note is taken by the company as payment of the full term premium, the company then shall be required to maintain a reserve fund on only the portion of premiums actually collected from time to time under these term policies and no company so creating a guaranty fund shall issue policies without a contingent liability after the guaranty fund shall be impaired or reduced below the capital and surplus required of a like stock insurance company doing the same kind or kinds of insurance. Any company having a guaranty fund may insure, without a contingent liability, any kind or class of property which a like stock company may insure.

Any director, officer, or member of any mutual insurance company, or any other person, may advance to the company any sum of money necessary for the purposes of its business or to enable it to comply with any of the requirements of the law, including the creation, in whole or in part, of a guaranty fund to enable it to do one or more of the kinds of business specified in this subdivision, and for the creation by a company issuing policies with a contingent liability of a guaranty fund, in such amount as the board of directors shall determine, for the protection of policyholders of the company, and such moneys, together with such interest thereon as may have been agreed upon, not exceeding ten percent per annum, shall be repaid only out of the surplus remaining after providing for all reserves, if any, and other liability, and which shall not otherwise be a liability or claim against the company or any of its assets. No commission or promotion expenses shall be paid in connection with the advance of any such money to the company, and the amount of the advance remaining unpaid shall be reported in each annual statement.

The company shall issue to each person so advancing money for the creation of a guaranty fund a certificate or certificates specifying the amount so advanced. These certificates may be assigned by

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the holder thereof and a transfer thereof recorded upon the books of the company. The holders of the guaranty fund certificates shall be entitled to annual interest thereon at the rate agreed upon, if the net profits of the company, after all losses, expenses, liabilities, and legal reserves, if any, have been paid or provided for, are sufficient to pay the same. If the net profits of the company in any year are insufficient to pay the full amount of interest agreed upon, the difference may be paid in any subsequent year from the net profits of the subsequent years.

The guaranty fund shall be applied to the payment of losses and expenses when necessary and, if the guaranty fund be impaired, the directors may make good the whole or any part of the impairment from future net profits of the company or by the issue and sale of additional guaranty fund certificates, but no interest shall be paid on the guaranty fund certificates while the guaranty fund is impaired. No certificate shall be issued except for money actually paid to the company, which amount shall be plainly and legibly stated therein. The company shall issue certificates only in sums of \$10, or multiples thereof; it shall keep a record of the name and address of the person to whom issued and of all assignments thereof. Upon surrender of a certificate duly assigned in writing, the company shall cancel the same and issue a new certificate to the assignee.

Each certificate holder of record shall be entitled to one vote in person or by proxy at any meeting of the members of the company, for each \$10 investment by him in the guaranty fund certificates.

The guaranty fund may be reduced or retired by vote of the board of directors of the company, if the net assets of the company, above its legal reserves, if any, and all other claims and obligations are sufficient therefor. The certificate holders shall be entitled to choose and elect from among their own members or from among the policyholders at least one-half of the total number of directors.

In case the members of any company by resolution adopted at any regular meeting or special meeting called for that purpose shall determine to wind up and liquidate the business of any such company, the assets thereof shall be applied (1) to the payment of the expense of the liquidation; (2) to the payment of any accrued liability, including losses, if any; (3) to the payment of any unearned premiums on policies in force at the time of the liquidation; (4) to the payment of guaranty fund certificates, if any, together with accrued interest thereon, if any; and (5) the residue shall be distributed according to the provisions of article I, section 4.

Subd. 3. **All mutual companies except those excluded under section 1.** Any mutual company authorized to transact business in

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this state which establishes and maintains, over and above its liabilities and the reserves required by law of like stock insurance companies, a guaranty fund available for the payment of losses and expenses at least equal to the capital stock required of a like stock insurance company may issue policies of insurance without contingent liability.

### Contract Provisions

Sec. 17. **[66A.17] Mutual fire insurance companies; provisions as to policies lapsing.** Any mutual company insuring property may provide by its certificate or bylaws that upon failure by any member for 60 days after notification thereof to pay any premium or assessment made upon his policy such policy shall lapse and become void without notice or further act by or on behalf of the company. The condition shall be plainly and legibly specified in each policy. Whereupon the company may recover the amount of earned premium or assessment, or both, but no more. Nothing herein contained shall prevent the reinstatement of the lapsed policy by voluntary acceptance of any delinquent assessment before suit.

Sec. 18. **[66A.18] Voting and notice.** Required contract provisions concerning voting and notice are contained in section 7.

Sec. 19. **[66A.19] Contingent liability.** Required contract provisions concerning contingent liability of the policyholder are contained in section 12 and section 15, subdivision 2.

### Miscellaneous

Sec. 20. **[66A.20] Exemption; fire, hail, and tornado associations maintained by members of one religious denomination.** The members of any one church, or of any one religious denomination, may maintain for the exclusive benefit of the members thereof an unincorporated association for the mutual insurance of the property of the members against loss or damage by fire, lightning, hail, or tornado, or all of them. The association shall furnish no insurance except upon the property of an actual member of the church or denomination. It may conduct its business upon the plan and method adopted by it and shall not be required to be licensed by or report to the commissioner.

Sec. 21. **[66A.21] Domestic mutual insurance companies, separation of assessable and non-assessable businesses.** Subdivision 1. **Choice of methods.** Any domestic mutual insurance corporation which transacts its business partly on an assessable basis and

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partly on a non-assessable basis, may separate one plan from the other by either of the following methods:

(1) By transferring its non-assessable policies, and all assets and liabilities attributable thereto to another existing domestic mutual insurance corporation or to a new domestic mutual insurance corporation formed for that specific purpose, provided that in either case, the corporation assuming the risks shall have all its policies on a non-assessable basis; or

(2) By transferring its assessable policies, and all assets and liabilities attributable thereto, to another existing domestic mutual insurance corporation or to a new domestic mutual insurance corporation formed for that specific purpose, provided that in either case, the corporation assuming the risks shall have all its policies on the assessable basis.

**Subd. 2. Existing domestic mutual insurance companies, joint agreement; approval.** The separation can be effected only as a result of a joint agreement entered into, approved and filed as follows:

(1) The board of directors of the ceding and assuming corporations shall, by majority vote, enter into a joint agreement, prescribing the terms and conditions of the separation and the mode of carrying the same into effect, with such other details and provisions as they deem necessary. The agreement shall provide for an adjustment of final figures as may be necessary after a verifying examination of the corporation by the commissioner of insurance as herein-after provided.

(2) The agreement shall be submitted to the members of the ceding corporation, at a special meeting duly called for the purpose of considering and acting upon the agreement. Notice for such special meeting shall be deemed sufficient if mailed to the policyholders' last known address as shown on the policy records of the corporation. If the holders of two-thirds of the voting power of the members present or represented at the meeting shall vote for the adoption of the agreement, then that fact shall be certified on the agreement by the secretary of the corporation and the agreement so adopted and certified shall be signed and acknowledged by the president and secretary of both the ceding and assuming corporations.

(3) The agreement so adopted, certified and acknowledged shall be delivered to the commissioner of insurance. It shall be the duty of the commissioner to determine, after a verifying examination, if the provisions thereof are fair and equitable to all concerned and to verify the reasonableness and accuracy of the apportionment of assets, liabilities, and surplus provided for in the agreement.

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If the commissioner is satisfied that the agreement is fair and reasonable and that its provisions relating to transfers of assets and assumption of liabilities are equitable to claimants and policyholders, he shall place his certificate of approval on the agreement and shall file it in his office. A copy of the agreement, certified by the commissioner of insurance shall be filed for record in the office of the secretary of state and in the office of the register of deeds of the counties in this state in which any of the corporate parties to the agreement have their home offices and of any counties in which any of the corporate parties have land, title to which will be transferred under the terms of the agreement.

**Subd. 3. New domestic mutual companies; joint agreement; approval.** (1) If the joint agreement provides for a new domestic mutual insurance corporation to be formed to assume the business ceded, the articles of incorporation for such new corporation shall be prepared and delivered to the commissioner of insurance for his approval, together with the agreement as provided in subdivision 2.

(2) Such articles shall be prepared, executed, approved, filed and recorded in the form and manner prescribed in, or applicable to, the particular law or laws under which the new insurance corporation is to be formed.

(3) The department of commerce shall grant and the commissioner of insurance shall issue to such new corporation a certificate of authority immediately upon its assumption of the business ceded and upon its making the deposit of securities with the commissioner of insurance, as required by law.

**Subd. 4. Effective date.** The separation shall be effective on the agreed date stated in the joint agreement, upon filing of the same as herein provided.

#### **Special Provisions Relating to Hail, Tornado and Cyclone Companies**

**Sec. 22. [66A.22] Organization.** Subdivision 1. **Initial requirements.** No company for insurance against loss or damage by hail, tornadoes, cyclones, and hurricanes, or any of these causes, shall issue any policy until at least \$200,000 of insurance, in not less than 400 separate risks, upon property located in not less than ten counties, and upon not more than 15 risks of 160 acres each in any one township, have been actually subscribed for and entered on its books and each subscriber has paid a membership fee of \$3 for which duplicate receipts have been executed, conditioned

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for the return thereof at the end of one year if the company has not then completed its organization. Immediately thereafter one of these duplicates shall be delivered to the member and the other, together with the fee, deposited in a solvent bank approved by the commissioner, where the fee shall remain until the company has been licensed to do business, not exceeding such year, when it shall be delivered to it; otherwise to the member. The duplicate and a certificate of the deposit shall be filed with the commissioner within 90 days after deposit.

Subd. 2. **Liability for ratable assessments.** In addition to the premium, every policyholder, in its hail department, shall be liable to a ratable assessment for all losses and expenses incurred while a member in a sum equal to such premium but not exceeding in any one year five percent of his insurance, if notified thereof within 90 days after the expiration or cancellation of his policy; or if such policy be for more than one year, within 90 days after the expiration of the year in which assessment is made thereunder.

Sec. 23. **[66A.23] Assessments; notice; payments; collection.** When any assessment has been completed the secretary shall immediately notify each member by mail directed to his last known address of the purpose and amount of such assessment and of his share thereof, and the person to whom and the time when such payment must be made, which shall not be less than 30, nor more than 90, days thereafter; and such person, if the bylaws so provide, may collect a commission of not more than two percent of each amount in addition thereto.

Sec. 24. **[66A.24] Officers; duties; compensation; bonds.** The officers shall perform such duties, receive such compensation, and give such bonds as shall be provided in the bylaws or fixed by the directors; but no salary, past or future, shall be increased except by majority vote of all members present and represented at an annual meeting and no officer or director shall receive any commission, except upon business personally solicited and written by the officer.

Sec. 25. **[66A.25] Proxies; restrictions.** No proxy shall be received unless dated and actually executed within the preceding 30 days and filed with the secretary at least 10 days before the meeting, nor if made to any director or officer.

Sec. 26. **[66A.26] Property insurable.** No such company shall insure any other property than country churches and school houses, farm dwellings, mutual or cooperative creameries, cheese factories, barns, and other buildings, and hay, grain, and other farm products therein, or stored or growing on the premises, bedding, wearing apparel, printed books, pictures and frames, house-

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hold furniture, family stores and provisions while therein or in the cellar beneath, farm implements, vehicles, and machinery on or off the premises, threshing machines, or livestock thereon or running at large, and any and all property of any kind which may be insured by a township mutual fire insurance company, organized under the provisions of article VIII, sections 1 and 2. No company, in its hail department, shall insure more than 3,200 acres in any one township; there shall be at least one-half mile between each risk assumed by the company, except that risks may be assumed which cover the growing crops upon not more than 320 acres of contiguous or immediately adjacent lands.

Sec. 27. **[66A.27] Limitation on expenses.** No such company shall incur, lay out, or expend, in any one calendar year, as and for the expenses of conducting this business, more than its application or survey fees and 40 percent of its total premiums or assessments actually collected. No company shall be required to limit its annual expenses to less than \$1,000.

Sec. 28. **[66A.28] Reports; delinquency; powers of commissioner.** The commissioner shall demand a report of any such company when in his judgment the interest of the public or policyholders so require; and the proper officers of the company shall make prompt reply to the demand and answer fully all interrogations regarding its business methods, financial condition, and other matters pertaining to its business. The provisions of article I, section 4 shall apply to such companies.

Sec. 29. **[66A.29] Arbitration required.** Every policy shall provide as follows: "In case of loss under this policy and failure of the parties to agree as to the amount of such loss, it is mutually agreed that such amount shall be referred to three disinterested men, the company and the insured each choosing one out of three persons named by the other, the third being selected by such two. The written award of a majority of such referees shall be final and conclusive upon the parties as to the amount of loss and such reference, unless waived by the parties, shall be a condition precedent to any right of action to recover for such loss, and no suit for the recovery of any claim by virtue of this policy shall be sustained unless commenced within six months after the loss occurred"; and shall provide the form, manner, and length of notice to be given to the company by the insured of any loss sustained.

Sec. 30. **[66A.30] Transfer of risks and reinsurance.** Every company may transfer its risks to, or reinsure them in, any other domestic or foreign company at the time authorized to do such business in this state, on the mutual or stock plan, by a contract of

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transfer or reinsurance approved by the commissioner, and by a two-thirds vote of the members present or duly represented and voting at a meeting of the company.

Sec. 31. **[66A.31] Merger and consolidation.** Any such mutual company may at any time merge or consolidate with other companies as provided under article I, section 16.

Sec. 32. Minnesota Statutes 1965, Chapter 66, is repealed.

## ARTICLE VIII

### Township Mutual Fire Insurance Companies

Section 1. **[67A.01] Number of members required, property and territory.** It shall be lawful for any number of persons, not less than 25, residing in adjoining townships in this state, who shall collectively own property worth at least \$50,000, to form themselves into a corporation for mutual insurance against loss or damage by the perils listed in section 13. No such company shall operate in more than 150 townships in the aggregate at the same time; provided, that when any such company confines its operations to one county it may transact business in the whole thereof by so providing in its certificate of incorporation.

Sec. 2. **[67A.02] Certificate of incorporation.** Subdivision 1. The persons who desire to form a township mutual fire insurance company, as defined in section 1, shall make, sign, and acknowledge before some officer competent to take acknowledgments of deeds a certificate of incorporation which shall specify:

- (1) The name;
- (2) The location of the principal office;
- (3) The general nature of the business;
- (4) The territory in which it desires to transact business;
- (5) Who may become members;
- (6) Source from which the corporate funds shall be derived;
- (7) The class of property it desires to insure;
- (8) In what board its management shall be vested;
- (9) The date of its annual meeting; and

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(10) The corporate existence.

It may contain any other lawful provision defining and regulating the powers or business of the corporation, its officers, directors, and members.

Subd. 2. **Approval of commissioner required; filing.** The certificate of every such corporation shall be presented to the commissioner for his approval and, if he approves the same, he shall endorse thereon his approval and the certificate shall then be filed in his office and recorded in a book kept therein for that purpose. Upon the approval of the certificate and the filing of the same with the commissioner, the corporate organization of the incorporation shall be complete.

Sec. 3. [67A.03] **Corporate existence.** Subdivision 1. **Limited.** Except as provided in subdivision 2, every corporation organized pursuant to article 8, sections 1 to 26, shall be for a period not exceeding 30 years in the first instance and the corporate existence of any township mutual fire insurance company organized under the provisions of those sections, or any prior law, may be renewed from time to time for a further term, not exceeding 30 years, by adopting a resolution expressing the proposed renewal by a two-thirds vote of all its members present and voting at any regular meeting of the corporation or at any special meeting called for that purpose, the notice for which shall clearly specify the object of the meeting.

When any such resolution for renewal thereof shall be adopted the same shall not take effect until a copy, duly certified to by the president and the secretary of the corporation, under its corporate seal, if it have one, shall have been approved, filed, and recorded in the same manner as is provided herein in case of the original certificate of incorporation.

Subd. 2. **Perpetual.** The corporate existence of any township mutual fire insurance company heretofore or hereafter organized may be made perpetual by so providing in its articles of incorporation.

Sec. 4. [67A.04] **Amendments to certificate of incorporation.** The certificate of incorporation of any township mutual fire insurance company may be amended in respect to any matter which the original certificate of incorporation might lawfully have contained, or which is authorized by the provisions of article 8, sections 1 to 26, by the adoption of a resolution, specifying the proposed amendment, at the regular meeting, or a special meeting called for that expressly stated purpose, by a majority vote of its members present

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and voting; or by a majority vote of its entire board of directors, within one year after having been thereby duly authorized by a specific resolution duly adopted at such meeting of the members, and by causing the resolution to be embraced in a certificate duly executed by its president and secretary under the corporate seal of the company, if it have one, and approved, filed, and recorded in the manner prescribed by such sections for the approval, filing, and recording of the original certificate.

**Sec. 5. [67A.05] Bylaws.** Subdivision 1. **Bylaws required.** The first board of directors shall adopt bylaws, which shall remain effective until and except as amended by the members at any regular or special meeting called therefor.

Subd. 2. **Filing of bylaws and amendments thereto.** Every township mutual fire insurance company doing business within this state shall cause a copy of its bylaws to be certified to by its president and its secretary and file the same with the commissioner and thereafter every amendment to the bylaws of any township mutual fire insurance company, duly certified to by its president and its secretary, shall within a reasonable time after its adoption be filed in the office of the commissioner.

**Sec. 6. [67A.06] Powers of corporation.** Subdivision 1. **General.** Every corporation formed under the provisions of article 8, sections 1 to 26, shall have power:

(1) To have succession by its corporate name for the time stated in its certificate of incorporation;

(2) To sue and be sued in any court;

(3) To have and use a common seal and alter the same at pleasure;

(4) To acquire, by purchase or otherwise, and to hold, enjoy, improve, lease, encumber, and convey all real and personal property necessary for the purpose of its organization, subject to such limitations as may be imposed by law or by its articles of incorporation;

(5) To elect or appoint in such manner as it may determine all necessary or proper officers, agents, boards, and committees, fix their compensation, and define their powers and duties;

(6) To make and amend consistently with law bylaws providing for the management of its property and the regulation and government of its affairs; and

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(7) To wind up and liquidate its business in the manner provided by section 4 of article I.

Subd. 2. **Agreements for fire protection.** The members of a township mutual fire insurance company may at any regular meeting or at any special meeting called for that purpose authorize its officials or directors to enter into an agreement with any municipal subdivision of the state, or with any fire department, whereby the fire department of the municipality shall respond to calls in case of fire in territory where the company does business, or respond to calls in case of fire on the premises of a member of the mutual company, on such terms and conditions as may be mutually agreed upon.

Subd. 3. **Grain in sealed containers.** In addition to the powers and privileges now conferred upon them by law, township mutual fire insurance companies organized under the provisions of article 8, sections 1 to 26, are hereby authorized to insure against loss or damage by hail, windstorm, tornado, cyclone, and inherent explosion, for their members corn and other grain while stored in sealed containers in accordance with the regulations of the federal government.

Sec. 7. **[67A.07] Principal place of business; change.** Any township mutual fire insurance company heretofore or hereafter organized under the laws of this state may, at any regular annual meeting of its members, or any special meeting called for that purpose, by a majority vote of those present, amend its certificate or articles of incorporation so that the business office of the company may be located in any township, or any city or village in any township in which the company is authorized to do business.

Sec. 8. **[67A.08] Board of directors.** Each company shall choose of its members no less than five, and not more than nine, directors to manage the affairs of the company, who shall hold their office for such period as may be fixed by the bylaws of the company, not exceeding three years, and until their successors are elected and qualified.

Sec. 9. **[67A.09] Officers.** Subdivision 1. **How elected or chosen.** The directors shall choose one of their number as president, one as vice-president, and one as secretary; they shall also choose a treasurer, who may or may not be a member of the board, but must be a member of the company. The offices of secretary and treasurer may be held by the same person. The certificate or articles of incorporation of the company may provide that the president, vice-president, secretary, and treasurer may be chosen by the direct vote of the members of the company at the annual meeting.

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In this case, the election of these persons as president, vice-president, and secretary shall constitute them members of the board of directors and the remaining members of the board shall be elected as provided in section 8.

Subd. 2. **Treasurer, bond.** The treasurer of the company shall give such bond to the company in such sum as the directors shall determine, to be approved by the president and secretary.

Sec. 10. [67A.10] **Rights of certain members.** Subdivision 1. **Women.** Every woman being a member of any such insurance company may be represented at any regular meeting or special meeting of the members thereof by any person duly appointed, in writing, as her proxy, and the proxy so appointed shall have full power to represent the member as fully as if she were personally present at the meeting.

Subd. 2. **Nonresidents.** Nonresidents owning property in the territory where any such company is authorized to do business may become a member with all the rights thereof except eligibility to office.

Sec. 11. [67A.11] **Annual meeting.** Subdivision 1. **Date and fiscal year.** The annual meeting of every such company shall be held before July first in each year, and the fiscal year of the company shall be from the first day of January to the thirty-first day of the following December.

Subd. 2. **Secretary's report to members.** The secretary shall prepare and read at the annual meeting a full report of the business of the company transacted during the previous fiscal year.

Subd. 3. **Annual statement.** On or before February first, following the end of each fiscal year, the president and the secretary shall file with the commissioner a verified statement of the entire business and condition of the company, which statement shall contain such data and information in reference to the business of the preceding fiscal year as shall be required by the commissioner.

Subd. 4. **Other statements may be required by commissioner.** The commissioner may at other times require any further statement that he may deem necessary to be made relating to the business of the company.

Subd. 5. **Fees.** Fees to be paid as listed in section 14 of article I.

Sec. 12. [67A.12] **Applications.** Subdivision 1. **Who may accept.** The president and secretary of a company may ac-

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cept all applications and sign and issue policies, agreeing in the name of the company to pay all losses and damages, not exceeding the sums named in the policies, sustained by reason of the perils named, for the term therein specified.

**Subd. 2. Binders.** Every application for insurance made to any authorized officer or agent, until refused by the proper officer, shall be of the same force and effect as a regularly issued policy and contract of insurance, and from the time of its receipt by an officer or agent, the property specified in the application shall be deemed insured in the same manner and to the same extent as if covered by a regular policy issued according to law and the regulations of the company.

**Subd. 3. No binding authority unless members approve.** There shall be no liability on the application against any company that has not, at any annual or special meeting, by proper resolution, adopted the plan of making these applications of equal force and effect with regularly issued policies.

**Subd. 4. Policy fee, premium and assessment.** Before the delivery of any policy, the company shall collect regular cash premium and policy fee and take the written agreement of the insured of even date therewith, which shall be embodied in his application, to pay a pro rata share of losses or damages sustained by any member.

**Subd. 5. Term of policy.** The term of policies issued by township mutual fire insurance companies shall not exceed five years.

**Sec. 13. [67A.13] Types of insurance authorized.** A township mutual fire insurance company shall insure only against loss or damage by fire, lightning, explosion, flood, earthquake, theft, vandalism, collapse of bridges, upset, overturn, collision, riot, riot attending a strike, civil commotion, aircraft, vehicles, smoke, breakage of glass, weight of ice, snow or sleet, freezing, leakage of water or other substance, electrical power interruption or electrical breakdown from any cause, and as to livestock against loss or damage by electrocution by electrical currents artificially generated, attack by dogs or wild animals, drowning, accidental shooting, loading or unloading, collapse of buildings or straw or hay stacks, or collision or overturn of conveyances, and consequential losses as a result of damage from any of the perils listed except public liability.

**Sec. 14. [67A.14] Insurable property.** Subdivision 1. Township mutual fire insurance companies may insure dwellings and their contents, farm buildings and their contents, livestock, farm machinery, automobiles, country store buildings and the household goods therein, threshing machines, farm produce anywhere on the

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premises, churches and their contents, school houses and their contents, society and town halls and their contents, country blacksmith shops and country garages and their contents, country locker plants and their contents, parsonages and their contents and the barns and contents used in connection therewith, creameries, cheese factories and their equipment and contents and respective operators' dwelling houses and contents and barns and contents used in connection therewith.

**Subd. 2. Insurable property in cities or villages.** They may also insure churches and dwellings, together with the usual outbuildings and the usual contents of both those dwellings and churches and outbuildings, in any city, village, and borough of 2,700 or less inhabitants.

**Subd. 3. County poor farm.** They may also insure any county poor farm together with contents and such personal property as is used in connection therewith, and which real property, contents and personal property are situated in the county wherein these township mutual fire insurance companies are operating; provided, when at a duly called special or annual meeting of the policyholders it shall be duly decided by them by a majority vote to do so.

**Subd. 4. County fair buildings.** Any such company is hereby authorized to insure county fair buildings whether the same are situated either within or without the limits of a duly incorporated village or city.

**Subd. 5. What may not be insured; property outside designated territory.** No township mutual fire insurance company shall insure any property outside of the limits of the territory in which the company is authorized by its certificate or articles of incorporation to transact business, except personal property temporarily outside of the authorized territory and except as herein provided.

**Subd. 6. What may not be insured; exceptions.** Other-wise than as herein provided, no such company shall insure any property within the limits of any city or village except that located upon lands actually used for farming or gardening purposes, but when the dwelling of any person insured is within the limits of a township where the company is authorized to do business and the farm on which the dwellings are situated is partly within and partly without the township it may include in this insurance any outbuildings, farm produce, or other farm property on the farm outside of such limits.

**Sec. 15. [67A.15] Classification of property.** Every such company may classify property insured under different rates, corresponding as nearly as possible to the greater or less risk from

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fire by reason of location or construction, and issue its policies in accordance with these differences.

**Sec. 16. [67A.16] Losses.** Subdivision 1. **Loss adjustment.** Every member sustaining loss or damage by the perils named shall immediately notify the secretary, who, if the claim exceeds \$300, may forthwith convene the directors.

The directors shall appoint a committee of three members, of whom the secretary shall be one, to ascertain the amount of the loss, with authority to examine witnesses, to whom the secretary is hereby authorized to administer oaths.

When the bylaws so provide, he may act in place of, and with all the authority of, the committee; and when the claim does not exceed \$300, the loss may be ascertained by the president and secretary, or either, with like authority.

**Subd. 2. Arbitration.** In case of failure of the parties to agree as to the amount of loss, it is mutually agreed that the amount of the loss shall be referred to three disinterested men, the company and the insured each choosing one, the third to be selected by the two so chosen.

The award, in writing, by a majority of the referees, shall be conclusive and final upon the parties as to the amount of loss or damage, and this reference, unless waived by the parties, shall be a condition precedent to any right of action in law or equity, to recover for the loss; but no person shall be chosen to act as referee against the objection of either party who has acted in like capacity within four months.

The referees shall have full authority to examine witnesses and determine all matters of dispute, and shall make their award, in writing, to the president or secretary of the company. The referees shall each be allowed the sum of \$5 per day for each day's service so rendered and the sum of ten cents per mile for every mile necessarily traveled in discharge of their duties, which shall be paid by the claimant, together with the fees of any witnesses who may have been called by the company, unless the award of the referees shall exceed the sum offered in liquidation of the loss or damage, in which case these expenses shall be paid by the company.

**Sec. 17. [67A.17] Assessments.** Subdivision 1. **Determination.** When any loss shall be ascertained which exceeds in amount the cash funds of the company, the secretary, or, in his absence, the president, shall convene the directors, who shall levy an assessment upon each policyholder for the proportionate amount which he should pay to cover this excess; or the company may bor-

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row not to exceed two mills on each dollar of insurance written by it and then in force, and from this fund pay these losses, and afterwards levy assessments to pay the loans.

If the fund for the payment of expenses is insufficient, the amount of the deficiency may be added to any assessment.

**Subd. 2. Secretary's duties.** It shall be the duty of the secretary, when the assessment shall have been completed, to immediately notify every person composing the company, by letter sent to his usual post-office address, of the amount of the loss, and the *sum due from him as his share thereof, and of the time when and to whom the payment is to be made*, but this time shall not be less than 60, nor more than 90, days from the date of the notice, and every person designated to receive this money may demand and receive two percent in addition to the amount due on the assessment, as aforesaid, for his fees in receiving and paying over the same.

**Subd. 3. Member subject to suit and directors' liability.** Suits at law may be brought against any member of the company who shall refuse or neglect to pay any assessment made upon him. The directors of any company so formed who shall wilfully neglect or refuse to perform the duties imposed upon them by law shall be liable in their individual capacities to the person sustaining the loss.

**Sec. 18. [67A.18] Termination.** Subdivision 1. **By member.** Any member may terminate his membership in the company by giving written notice to the secretary and paying the withdrawing member's share of all existing claims.

**Subd. 2. By company.** The board of directors may by a majority vote thereof annul and cancel any policy after giving not less than ten days' written notice to the insured by registered or certified mail to the last known address of the insured and to any mortgagee to whom the policy is made payable. In case of annulment of any policy, the action of the board of directors shall be recorded in the minutes of the meeting of the directors.

**Subd. 3. For nonpayment of premium or assessment.** The secretary may, if the bylaws of the company so provide, suspend or cancel any policy for the nonpayment of premium or assessment after giving not less than ten days' written notice to the insured, by registered or certified mail, to the last known address of the insured, and to any mortgagee to whom the policy is made payable.

**Sec. 19. [67A.19] Joint or partial risks.** Township mutual fire insurance companies may issue joint or partial risks in conjunction with adjoining companies of the same class and, in this

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case, they are not confined to the townships in which they are otherwise authorized to do business; but no such insurance of a joint or partial risk shall be valid or binding upon the company insuring the same until approved by all the companies holding prior risks on the property so insured, and the total amount of the joint insurance on any one piece of property shall in no case exceed the total percentage of its value for which the property is insurable by the company.

**Sec. 20. [67A.20] Reinsurance.** Subdivision 1. **Among themselves.** Township mutual fire insurance companies may enter into reinsurance agreements with other township mutual fire insurance companies and reinsure a portion of any risk with these companies. In these cases they shall not be confined to the territory in which they are writing direct business.

**Subd. 2. With reinsurance association.** Any township mutual fire insurance company may become a member of a reinsurance association, such as provided for under sections 40 to 44 of this article, for the purpose of reinsuring any part or all of any risk or risks written by it.

**Sec. 21. [67A.21] Consolidation, merger.** Two or more township mutual fire insurance companies which have been or may hereafter be authorized to transact the business of insurance upon insurable property as herein authorized may consolidate or merge as provided herein.

To effect this consolidation or merger, it shall be necessary:

(1) That the board of directors or managing body of each of the corporations pass a resolution to the effect that the consolidation or merger is advisable and containing the proposed name of the corporation, as consolidated or merged, its principal office, and the names of its first board of directors and officers;

(2) That a special meeting of the policyholders of each of the corporations shall be held, a notice of which meeting shall be mailed to each of the policyholders thereof at least 30 days prior to the holding thereof, and which notice shall embody the resolution adopted by the board of directors, as provided in clause (1);

(3) That a majority of the policyholders of each of the corporations present or represented at these special meetings shall, by resolution, approve and ratify the action of the directors, as provided for in clause (1);

(4) That the proceedings and resolutions be filed with the commissioner and approved of by him; and

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(5) Complete copies of the proceedings, certified to by the president and secretary of the respective corporations, shall be filed with the register of deeds of the counties in which the company proposes to transact business.

When full copies of these proceedings have been filed with the commissioner, which copies shall be certified by the president and secretary of the respective corporations and duly verified by these officers, and approved of by him, the consolidation or merger of these corporations shall be deemed to be complete, and the company so continuing the business shall be deemed to have fully assumed all of the obligations, liabilities, and risks and to be the owner of all the assets of the companies so consolidating or merging.

If this consolidation or merger is made under any new name, the filing of these proceedings and the approval of same by the commissioner shall be sufficient to constitute the consolidated or merged company a corporation, with all the powers and privileges, and subject to all the limitations, of a township mutual fire insurance company under the laws of this state.

Sec. 22. [67A.22] **Advance assessments.** The directors of any such company may collect by advance assessments, and maintain in its treasury, an emergency fund, not exceeding five mills on a dollar, to the total amount of insurance in force, to be used in payment of losses and for other purposes for which assessments may be used.

Sec. 23. [67A.23] **Investments, limitations.** The directors may authorize the treasurer to invest any of its funds and accumulations in the bonds of the United States or of this state, or any county, city, town, or village, or duly authorized school district therein, or in any municipal or civil division of any state, and may loan upon improved unencumbered real property in this state worth at least twice the amount loaned thereon, *not including buildings*, unless insured by policies payable to and held by the security holder, or authorize him to deposit any and all sums of money in his hands in such banks as they may designate.

Sec. 24. [67A.24] **Examination.** Subdivision 1. **Examination by commissioner.** The commissioner, when requested by five or more members, shall make an examination of the affairs of any township mutual fire insurance company doing business within this state, and any such company so examined shall pay the actual expenses of the person making the examination and the fees prescribed in article I, section 3, subdivision 5.

Subd. 2. **Procedure in the event of delinquency.** When,

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after examination, the commissioner is satisfied that any such company has failed to comply with the provisions of sections 1 to 26 of this article or is exceeding its powers, or is not carrying out its contracts in good faith; or is transacting business fraudulently, or is in such condition as to render further proceedings hazardous to the public or its policyholders, he may proceed under the provisions of section 4 of article I.

Sec. 25. [67A.25] **Reference to Laws 1909, Chapter 411.** Subdivision 1. **What companies may come under Laws 1909, Chapter 411.** Any township mutual fire insurance company heretofore organized may exercise, after the passage of Laws 1909, Chapter 411, all of the rights conferred thereby that are within the powers and privileges of its certificate or articles of incorporation, or it may be reincorporated thereunder. No such company already organized shall be required to reincorporate thereunder in order to avail itself of the privileges thereof.

Every township mutual fire insurance company now doing business in this state shall have the right to continue transacting such business until the first day of March succeeding the passage thereof; and, if the commissioner is satisfied that the company is transacting its business in accordance therewith, he shall on the first day of each succeeding March issue a license to the company authorizing it to transact business until the first day of March following the date of the license.

Subd. 2. **Application of Laws 1909, Chapter 411.** Except as therein provided, all township mutual fire insurance companies heretofore or hereafter organized in this state shall be governed by Laws 1909, Chapter 411, as amended, and excluded from all provisions of the insurance laws of this state, not only in governmental relations with the state, but for every other purpose, and no law heretofore or hereafter passed shall apply to the company unless it shall be expressly designated in the law that it is applicable to township mutual fire insurance companies.

Sec. 26. [67A.26] **Penalties.** Subdivision 1. **Fraudulent statements.** Any person, officer, or member who shall knowingly or wilfully make any false or fraudulent statement or representation in reference to any application for membership under article 8, sections 1 to 26, or any false or fraudulent statement as to the transactions or condition of the company of which he is a member or officer, shall be guilty of a misdemeanor; and upon conviction thereof, punished by a fine of not more than \$100 or by imprisonment in the county jail for not more than 90 days, in the discretion of the court.

Subd. 2. **Noncompliance by officers or employees.** Any of-

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ficer of any such company, or employee thereof, who shall neglect or refuse to comply with, or violates any of the provisions of sections 1 to 26 of this article, shall be guilty of a misdemeanor; and, upon conviction thereof, punished by a fine of not more than \$100, or by imprisonment in the county jail for not more than 90 days in the discretion of the court.

### Farmers Mutual Fire Insurance Companies

Sec. 27. **[67A.27] Scope.** Sections 27 to 39 of this article are limited to such companies as are now in existence. No such companies shall hereafter be formed.

Sec. 28. **[67A.28] Number of members and property required, territory and types of insurance.** *The incorporators of a farmers mutual fire insurance company shall not be less than 25 in number and owning in the aggregate movable farm property worth at least \$50,000, located anywhere in this state. Such company may insure like property anywhere in this state against the perils of fire, lightning, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, and smoke.*

Sec. 29. **[67A.29] Government.** Subdivision 1. **Board of directors and officers.** Every company so formed shall choose of their number not less than five, nor more than nine, directors to manage the affairs of the company, who shall hold their office for such period as may be fixed by the bylaws of the company not exceeding three years and until their successors are elected and have qualified; and these directors shall choose one of their number president, one vice-president, and one secretary; they shall choose a treasurer, who may or may not be a member of the board, but shall be a member of the company. The articles of incorporation of the company may provide that the president, the vice-president, the secretary, and the treasurer may be chosen by the direct vote of the members at the annual meeting. In this case, the election of these persons as president, vice-president, and secretary shall constitute them members of the board of directors and the remaining members of the board shall be elected as provided in subdivision 1.

Subd. 2. **Treasurer, bonded.** The treasurer shall give bond to the company in such sum as the directors shall determine, to be approved by the president and the secretary.

Subd. 3. **Investments.** The directors may authorize the treasurer to loan on first real estate securities such sums of money in his hands as they may determine, or authorize him to deposit any or

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all sums of money in his hands as such treasurer in such banks as they may designate.

Sec. 30. [67A.30] **Applications and binders.** Subdivision 1. **Acceptance.** The president and the secretary of the company may accept all applications and sign and issue policies agreeing, in the name of the company, to pay all losses and damages, not exceeding the sums named in the policies, sustained to property authorized to be insured in section 31 for the term therein specified, and every application for insurance made to any authorized officer or agent, until refused by the proper officer, shall be of the same force and effect as a regularly issued policy and contract of insurance and, from the time of its receipt by an officer or agent, the property specified in the application shall be deemed insured in the same manner and to the same extent as if covered by a regular policy issued according to law and the regulations of the company.

Subd. 2. **Members must adopt binder plan.** There shall be no liability on the application against any company that has not at any annual or special meeting by proper resolution adopted the plan of making these applications of equal force and effect with regularly issued policies.

Subd. 3. **Cash premium and agreement to assessment.** Before the delivery of any policy the company shall collect the regular cash premium and policy fee and take the written agreement of the insured, of even date therewith, which shall be embodied in his application, to pay a pro rata share of losses or damages sustained by any member. The same shall be kept on file with the secretary.

Sec. 31. [67A.31] **Insurable property.** Subdivision 1. **Insurable property in rural areas.** Farmers mutual fire insurance companies may insure dwellings and their contents, farm buildings and their contents, livestock, farm machinery, automobiles, country store buildings and the household goods therein, threshing machines, farm produce anywhere on the premises, churches and their contents, school houses and their contents, society and town halls and their contents, country blacksmith shops and country garages and their contents, country locker plants and their contents, parsonages and their contents and the barns and contents used in connection therewith, creameries, cheese factories and their equipment and contents and respective operators' dwelling houses and contents and barns and contents used in connection therewith.

Subd. 2. **Insurable property in cities or villages.** They may also insure churches and dwellings, together with the usual outbuildings and the usual contents of both those dwellings and churches and

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outbuildings, in any city, village, and borough of 2,750 or less inhabitants.

**Subd. 3. County poor farm.** They may also insure any county poor farm together with contents and such personal property as is used in connection therewith, and which real property, contents and personal property are situated in the county wherein these farmers mutual fire insurance companies are operating; provided, when at a duly called special or annual meeting of the policyholders it shall be duly decided by them by a majority vote to do so.

**Subd. 4. County fair buildings.** Any such company is hereby authorized to insure county fair buildings whether the same are situated either within or without the limits of a duly incorporated village or city.

**Subd. 5. What may not be insured; property outside designated territory.** No farmers mutual fire insurance company shall insure any property except that specifically authorized under section 31 nor any such property outside of the state of Minnesota, except personal property temporarily outside of the authorized territory.

**Subd. 6. What may not be insured; exceptions.** Otherwise than as herein provided, no such company shall insure any property within the limits of any city or village except that located upon lands actually used for farming or gardening purposes.

**Sec. 32. [67A.32] Policy term.** The term of policies issued by farmers mutual fire insurance companies shall not exceed five years.

**Sec. 33. [67A.33] Joint or partial risks.** A farmers mutual fire insurance company may issue joint or partial risks in conjunction with companies of the same class; but no such insurance of a joint or partial risk shall be valid or binding upon the company insuring the same until approved by all the companies holding prior risks on the property so insured, and the total amount of joint insurance on any one piece of property shall in no case exceed the total percentage of its value for which the property is insurable by the company.

**Sec. 34. [67A.34] Classification of property.** Every such company may classify property insured under different rates, corresponding as nearly as possible to the greater or less risk from fire by reason of location or construction, and issue its policies in accordance with such differences.

**Sec. 35. [67A.35] Nonresident members.** Nonresidents

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owning property in the state of Minnesota may become members, with all rights except eligibility to office.

**Sec. 36. [67A.36] Losses.** Subdivision 1. **Procedure in case of loss.** Every member sustaining loss or damage by named perils shall immediately notify the secretary, who, if the claim exceeds \$300, may forthwith convene the directors. The directors shall appoint a committee of three members, of which the secretary shall be one, to ascertain the amount of the loss, with authority to examine witnesses, to whom the secretary is hereby authorized to administer oaths. When the bylaws so provide, he may act in place of, and with all the authority of, the committee; and when the claim does not exceed \$300, the loss may be ascertained by the president and secretary, or either, with like authority.

Subd. 2. **Arbitration.** If the parties cannot agree upon the damages, the insured may apply to a judge of the district court of the county, who may appoint three disinterested persons, who shall make an award which shall be final, and deliver the same to the company.

Subd. 3. **Assessments.** When any loss shall be ascertained which exceeds in amount the cash funds of the company, the secretary, or, in his absence, the president, shall convene the directors, who shall levy an assessment upon each policyholder for the proportionate amount which he should pay to cover this excess; or the company may borrow not to exceed two mills on each dollar of insurance written by it and then in force, and from that fund pay these losses, and afterwards levy assessments to pay the loans. If the fund for the payment of expenses is insufficient, the amount of the deficiency may be added to any assessment.

**Sec. 37. [67A.37] Termination of membership.** Subdivision 1. **By member.** Membership may be terminated at any time by giving written notice to the secretary and paying the withdrawing members' share of all existing claims.

Subd. 2. **By company.** Membership may also be terminated by the annulment of any policy by a majority of the directors and written notice thereof to the holder.

Subd. 3. **Record.** In either case the secretary shall record the same in a separate book.

**Sec. 38. [67A.38] Annual meeting.** The annual meeting shall be held before July first each year and the annual report shall then be read in full and within 30 days thereafter filed with the commissioner.

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Sec. 39. **[67A.39] Emergency fund.** The directors of any such company may collect, by advance assessment and maintain in its treasury an emergency fund, not exceeding two mills on a dollar of the total amount of insurance in force, to be used in payment of losses and for other purposes for which assessments may be used.

### **Mutual Reinsurance or Guarantee Associations**

Sec. 40. **[67A.40] Subdivision 1. Organization and purpose.** Not less than six duly licensed township mutual fire insurance companies or farmers mutual fire insurance companies may organize a mutual association for the purpose of reinsuring any part or all of any risk or risks, written by any of the member companies.

Subd. 2. **Articles of incorporation, contents and filing.** The incorporation of this association shall be effected by filing with the commissioner and with the secretary of state a certificate of incorporation duly executed and acknowledged by the companies forming the association, these companies having been first duly authorized, by resolution duly adopted at a regular annual meeting, or at a special meeting called for that purpose, which certificate shall state, in substance, such facts as are required to be stated in certificates of incorporation by the general corporation laws of this state and shall have first been approved by the commissioner.

Subd. 3. **Corporate powers.** In addition to the powers conferred by sections 40 to 44 of this article, every such association shall have the power to reinsure any part or all of any risk or risks assumed by it, and every such association shall have the corporate powers which are granted to corporations under the general corporation laws of this state.

Subd. 4. **Perpetual existence.** The corporate existence of any such association may be made perpetual by so providing in its articles of incorporation.

Subd. 5. **Directors.** The directors of the association shall be chosen from the officers of its members.

Subd. 6. **Bylaws.** The board of directors at its first meeting shall adopt bylaws, which shall be filed with the commissioner and shall not be effective until approved by him.

Sec. 41. **[67A.41] Premiums and assessments.** Member companies of any such association shall each year pay to the treasurer thereof such assessments as shall be fixed or authorized by the board of directors of the association, which assessments shall be

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based upon the amount of insurance of each of its member companies during the calendar year ending December 31st next preceding. The individual members of the member companies shall be subject to assessment in case the funds of the member companies are insufficient to pay any assessment made by the association to the same extent and in the same manner as though the assessment by the association were to cover a loss for which the member company was liable.

Sec. 42. [67A.42] **Withdrawal by members.** Any member of the association may withdraw from membership upon giving 90 days' notice of its intention so to do when the withdrawal has been authorized by a majority vote of its members present and voting at a regular meeting or a special meeting called for that purpose. This withdrawal shall not in any way affect its liability to contribute to any losses or expenses which may have been incurred prior to the time of withdrawal.

Sec. 43. [67A.43] **Commissioner of insurance.** Subdivision 1. **To have supervision.** The certificate of incorporation and bylaws, forms of contracts and policies adopted or issued by every such association, and the general conduct of its affairs shall be subject to the general supervision and jurisdiction of the commissioner, and the commissioner, when requested by five or more members of the association, shall make an examination of the affairs thereof at the expense of the association. Farmers and township reinsurance or guaranty associations shall be subject to the provisions of section 4 of article I.

Subd. 2. **Filing of annual statement and license required.** Every such association shall file with the commissioner the annual statement and procure the certificate of authority as required by law pertaining to insurance companies.

Subd. 3. **Fees to be paid.** There shall be paid by the association to the commissioner and by him accounted for and paid into the state treasury the following fees:

- (1) For filing certificate of incorporation or amendments thereto, \$5;
- (2) For filing annual statements, \$7.50;
- (3) For each annual certificate of authority, \$7.50;
- (4) For filing bylaws and amendments thereto, \$5.

Sec. 44. [67A.44] **Commissioner defined.** As used in all parts of this article the word "commissioner" shall mean the

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commissioner of insurance of the state of Minnesota and, in his absence or disability, his deputy or other person duly designated to act in his place.

Sec. 45. Minnesota Statutes, 1965, Sections 67.01 to 67.54 are repealed.

## ARTICLE IX

### Title Insurance Companies

Section 1. **[68A.01] Real estate title insurance companies.** Subdivision 1. **Minimum capital.** The capital stock of every real estate title insurance company shall not be less than \$200,000.

Subd. 2. **Guaranty fund and investment thereof.** Before issuing any policy or other contract of guaranty or insurance, it shall set apart and keep separate not less than two-fifths of its capital stock and not less than \$100,000 in any case, as a guaranty fund, and invest the same according to law. Two-fifths of every increase of its capital stock shall be likewise added to this fund so that the same shall always be at least two-fifths of its entire capital stock and it shall make no contract of guaranty or insurance when it is less.

Subd. 3. **Deposit of guaranty fund.** The securities in which the guaranty fund is invested shall be duly deposited with the commissioner 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.

Subd. 4. **Investment of other funds.** After the investment of such portion of its capital stock as hereinbefore provided and the deposit of the securities in its guaranty fund as aforesaid the remainder of its capital stock and funds may be invested in such securities, records, abstract plants, and equipment as the board of directors or the board of trustees of the company shall determine to be suitable for the transaction of its business.

Subd. 5. **Other powers.** In addition to the powers now possessed, these companies are authorized to make abstracts of title to real property for compensation.

Sec. 2. **[68A.02] Unearned premium reserve.** Upon

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issuance of each contract of title insurance issued on or after January 1, 1964, by a domestic real estate title insurance company, there shall be reserved initially a sum equal to ten percent of the original premium charged therefor. At the end of each calendar year following the year in which the contract of title insurance is issued, there shall be a reduction in the sum so reserved in the amount of one-twentieth of such sum. On any contract of title insurance issued prior to January 1, 1964, by a domestic real estate title insurance company, a reserve shall be set up on January 1, 1964, and thereafter maintained in such sum as would have been required if the foregoing requirements with respect to title insurance reserves had existed at and after the date of the contract of title insurance. Such sums herein required to be reserved shall at all times and for all purposes be considered and constitute unearned portions of the original premiums on such contracts of title insurance, shall be charged as a reserve liability of the real estate title insurance company in determining its financial condition, and, for the purpose of applying the provisions of article I, section 23, subdivision 4, shall be deemed to constitute the whole amount of the premiums on the unexpired risks of such real estate title insurance company.

Sec. 3. **Repealer.** Minnesota Statutes 1965, Sections 68.01 to 68.10 are repealed.

## ARTICLE X

### Rate Regulations, Penalties

Section 1. [70.741] **Penalties.** Subdivision 1. **Violation; wilful violation.** The commissioner may, if he finds that any person or organization has violated any provision of Minnesota Statutes 1965, Sections 70.35 to 70.73, 70.75, or this section, impose a penalty of not more than \$50 for each such violation, and if he finds such violation to be wilful he may impose a penalty of not more than \$500 therefor. Such penalties may be in addition to any other penalty provided by law.

Subd. 2. **Suspension of license.** The commissioner may suspend the license of any rating organization or insurer which fails to comply with any order made by him within the time limited by such order, or any extension thereof which he may grant. He shall not suspend the license of any rating organization or insurer for failure to comply with an order until the time prescribed for an appeal therefrom has expired or, if an appeal has been taken, until the order has been affirmed. He may determine when a suspension of license shall become effective and that suspension shall remain in effect for the period fixed by him, unless he modifies or rescinds it,

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or until the order upon which it is based is modified, rescinded or reversed.

Subd. 3. **Penalty imposed by written order.** No penalty shall be imposed, and no license shall be suspended or revoked, except upon a written order of the commissioner, stating his findings, made after a hearing held upon not less than ten days written notice to the person or organization to be affected thereby, specifying the alleged violation or ground of suspension or revocation.

Subd. 4. Section 1 of this article shall be deemed a part of Minnesota Statutes, Chapter 70.

Sec. 2. Minnesota Statutes 1965, Sections 70.50 and 70.74 are repealed.

## ARTICLE XI

### Reciprocals or Interinsurance Exchange

Section 1. [71A.01] **Powers.** Subdivision 1. **Contracts—excepted risks.** Individuals, partnerships, and corporations, public or private, of this state, hereby designated subscribers, are hereby authorized to exchange reciprocal or interinsurance contracts with each other, or with individuals, partnerships, and corporations, public or private, of other states and countries, providing indemnity among themselves for any loss which may be insured against under other provisions of the laws, excepting life and ocean marine insurance.

Subd. 2. **Attorney-in-fact.** These contracts may be executed by an attorney, agent, or other representative, herein designated attorney, duly authorized and acting for such subscribers.

Sec. 2. [71A.02] **Requirements—limitations.** Subdivision 1. **Certificate of authority.** Each attorney by or through whom are issued any policies of or contracts for indemnity of the character referred to in this article shall procure from the commissioner annually a certificate of authority stating that all the requirements of this article have been complied with and, upon such compliance and the payment of the fees required, the commissioner shall issue this certificate.

Subd. 2. **Filing with commissioner.** The subscribers so contracting among themselves shall, through their attorney, file with the commissioner a declaration, verified by the oath of the attorney, setting forth:

- (1) The name or title of the office at which the subscribers

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propose to exchange these indemnity contracts, which shall not be so similar to any other name or title previously adopted by a similar organization or by any insurance corporation or association as in the opinion of the commissioner is calculated to result in confusion or deception;

(2) The kind or kinds of insurance to be effected or exchanged;

(3) A copy of the form of policy contract or agreement under or by which the insurance is to be effected or exchanged;

(4) A copy of the form of power of attorney or other authority of the attorney under which the insurance is to be effected or exchanged;

(5) The location of the office or offices from which these contracts or agreements are to be issued;

(6) That applications have been made for indemnity upon at least 100 separate risks aggregating not less than \$1,500,000, as represented by executed contracts or bona fide applications, to become concurrently effective, or, in case of liability or compensation insurance covering a total payroll of not less than \$1,500,000;

(7) That there is on deposit with this attorney and available for the payment of losses a sum of not less than \$25,000. In case of employers' liability or workmen's compensation insurance or liability insurance covering damage to persons or property of others by automobiles not used as carriers of passengers for hire, that there is on deposit with the attorney and available for the payment of losses a sum of not less than \$75,000.

In the case of liability insurance covering damage to persons or property of others by automobiles engaged as carriers of passengers for hire, the subscribers to these contracts shall have on deposit with this attorney and available for the payment of losses not less than \$100,000.

Subd. 3. **Commissioner as agent for service.** Concurrently with the filing of the declaration provided for by the terms of subdivision 2, the attorney shall file with the commissioner an instrument in writing executed by him for the subscribers, conditioned that upon the issuance of the certificate of authority provided for in subdivision 1, service of process may be had upon the commissioner in all suits in this state arising out of these policies, contracts, or agreements, which service shall be valid and binding upon all subscribers exchanging at any time reciprocal or interinsurance contracts through such attorney. Three copies of the process shall be served and the

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commissioner shall file one copy, forward one copy to the attorney, and return one copy with his admission of service.

Subd. 4. **Maximum indemnity.** There shall be filed with the commissioner by such attorney a statement under his oath showing the maximum amount of indemnity upon any single risk, and such attorney shall, when and as often as the same shall be required, file with the commissioner a statement verified by his oath to the effect that he has examined the commercial rating of these subscribers, as shown by the reference book of a commercial agency having at least 100,000 subscribers, and that from this examination or from other information in his possession it appears that no subscriber has assumed on any single risk an amount greater than ten percent of the net worth of the subscriber.

Sec. 3. [71A.03] **Unearned premium reserve.** Subdivision 1. **How calculated.** There shall at all times be maintained as a reserve a sum, in cash or convertible securities, equal to 50 percent of the net annual deposits collected and credited to the accounts of the subscriber on policies in force having one year or less to run and pro rata on those for longer periods. Net annual deposits shall be construed to mean the advance payments of subscribers after deducting therefrom the amounts specifically provided in the subscribers' agreements for expenses.

Subd. 2. **Minimum reserve.** These sums shall at no time be less than \$25,000 and, if at any time, 50 percent of the deposits, so collected and credited, shall not equal that amount, the subscribers shall make up any deficiency.

Sec. 4. [71A.04] **Taxes.** Subdivision 1. **Premium tax.** The attorney-in-fact, in lieu of all taxes, state, county, and municipal, shall pay to the state with the filing of each annual report on or before March 1 as an annual license fee two percent of the gross premiums or deposits for the preceding calendar year, deducting all amounts returned to subscribers or credited to their accounts.

Subd. 2. **Penalties.** If unpaid March 1, annually, a penalty of ten percent shall accrue thereon and thereafter such sum and penalty shall draw interest at the rate of one percent per month until paid.

Sec. 5. [71A.05] **Reports—examination.** Subdivision 1. **Annual report.** The attorney-in-fact shall make a report to the commissioner for each calendar year on the first day of March showing the financial condition of affairs at the office where the contracts are issued and furnish such additional information and reports as may be required.

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The attorney-in-fact shall not be required to furnish the names and addresses of any subscribers nor the loss ratio.

Subd. 2. **Examination.** The business affairs and assets of these organizations shall be subject to examination by the commissioner.

Sec. 6. [71A.06] **Exchange of contracts.** Subdivision 1. **Extension of corporate powers.** Any corporation now or hereafter organized under the laws of this state shall, in addition to the rights, powers, and franchises specified in its articles of incorporation, have full power and authority to exchange insurance contracts of the kind and character herein mentioned. The right to exchange these contracts is hereby declared to be incidental to the purposes for which the corporations are organized and is as much granted as the rights and powers expressly conferred.

Subd. 2. **Public corporations.** Public corporations may exchange reciprocal or interinsurance contracts only when the issuing exchange has a surplus of \$300,000 or more and said contracts are issued without contingent liability.

Sec. 7. [71A.07] **Effect of chapter; exclusiveness.** Except as herein provided, no law of this state shall apply to the exchange of these indemnity contracts unless such law specifically refers to reciprocals or interinsurance exchanges.

Sec. 8. [71A.08] **Violations and penalties.** Subdivision 1. **Attorney-in-fact.** Any attorney who shall, except for the purpose of applying for a certificate of authority as provided in this article, exchange any contracts of indemnity of the kind and character specified in this article, or directly or indirectly solicit or negotiate any applications for same without first complying with the provisions of this article, is guilty of a misdemeanor; and upon conviction thereof shall be subjected to a fine of not less than \$100 nor more than \$1,000.

Subd. 2. **Exchange.** In case of the failure of any such reciprocal or interinsurance exchange to comply with any of the provisions of this article, it shall be the duty of the commissioner to immediately declare its license revoked, or proceed under sections 4 or 5 of article I, and, in case of such revocation, the reciprocal or interinsurance exchange shall not be again licensed to transact business in this state for the period of one year from the date of the revocation.

Sec. 9. **Repealer.** Minnesota Statutes 1965, Sections 71.16 to 71.31 are repealed.

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## ARTICLE XII

**Prohibitions; Penalties; Regulation of Trade Practices;  
Unauthorized Insurers False Advertising Process Act.****Scope**

Section 1. [72A.01] **Scope.** This article includes certain prohibitions and penalties. Other prohibitions and penalties may be found in other articles of this act and other state laws.

**Prohibitions and Penalties in General**

Sec. 2. [72A.02] **Violations as to policies of insurance.** Every company, and every officer and agent of any company, making, issuing, delivering, or tendering any policy of insurance of any kind, or directing any of the same to be done, in wilful violation of any of the provisions of law, for a first offense, shall be guilty of a misdemeanor, and for each subsequent offense, of a gross misdemeanor; and, in addition to all other penalties prescribed by law, every company issuing any such policy shall be disqualified from doing any insurance business in this state until the payment of all fines imposed and for one year thereafter.

Sec. 3. [72A.03] **Agent of insurer; procuring premiums by fraud.** Every insurance agent who acts for another in negotiating a contract of insurance by an insurance company shall be held to be the company's agent for the purpose of collecting or securing the premiums therefor, whatever conditions or stipulations may be contained in the contract or policy. When any such agent by fraudulent representations procures payment, or an obligation for the payment, of an insurance premium he shall be guilty, for the first offense, of a misdemeanor, and for each subsequent offense, of a gross misdemeanor.

Sec. 4. [72A.04] **False statements in application.** Every solicitor, agent, examining physician, or other person who knowingly or wilfully makes a false or fraudulent statement in, or relative to, any application for insurance or membership for any purpose shall be guilty of a gross misdemeanor.

Sec. 5. [72A.05] **Failure to make report or comply with law.** Every officer and agent of any insurance company required to make any report or perform any act who shall neglect or refuse to comply with such requirement, and every agent, solicitor, or collector of the corporation in this state who fails or neglects to procure from the commissioner a certificate of authority to do such busi-

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ness, or who fails or refuses to comply with, or violates, any provision of the insurance law, shall be guilty, for the first offense, of a misdemeanor, and for each subsequent offense, of a gross misdemeanor.

**Sec. 6. [72A.06] Failure to file annual statement; suspension of license; false statement; penalties.** The license and authority of any insurance company licensed and authorized to do business in this state which neglects to file its annual statement in the form prescribed and within the time specified by law may in the discretion of the commissioner be suspended during the time the company may be so in default. Any company which shall write any new business in this state while its license is so suspended and after it shall have been notified by the commissioner by a notice mailed to the home office of the company that its license has been suspended shall forfeit to the state the sum of \$25 for each contract of insurance entered into by it after being so notified that its license and authority have been so suspended. The notification shall be mailed by registered letter and deemed to have been received by the company at its home office in the usual course of the mails. Any insurance company wilfully making a false annual or other required statement shall forfeit \$500 to the state. Either or both of these forfeitures may be recovered in a civil action brought by and in the name of the state and the money recovered shall be paid into the state treasury.

**Sec. 7. [72A.07] Violations of laws relating to agents, penalties.** Any person, firm, or corporation violating, or failing to comply with, any of the provisions of Article I, section 17 and any person who acts in any manner in the negotiation or transaction of unlawful insurance with an insurance company not licensed to do business in the state, or who, as principal or agent, violates any provision of law relating to the negotiation or effecting of contracts of insurance, shall be guilty of a misdemeanor. The duty of a strict observance and enforcement of this law and prosecution for any violation thereof is hereby expressly imposed upon the commissioner of insurance, and upon the filing of a complaint in a court of competent jurisdiction against any person violating any provisions of this section, it shall be the duty of the county attorney of the county in which the violation occurred to prosecute such person. Upon the conviction of any agent or solicitor of any violation of the provisions of Article I, section 17, the commissioner shall suspend the authority of such agent or solicitor to transact any insurance business within the state for a period of not less than three months. Any insurer employing an agent and failing to procure a license, as required by Article I, section 17, or permitting such agent to transact business

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for it within the state before such license has been procured, shall pay the commissioner, for the use of the state, a penalty of \$25 for each offense; and, in the event of failure to pay the penalty within ten days after notice from the commissioner, the authority of the insurer to do business in this state shall be revoked by the commissioner until the penalty is paid, and no insurer shall be readmitted until it shall have complied with all the terms and conditions imposed for admission in the first instance; provided, that any action taken by the commissioner under the provisions of this section shall be subject to review by the district court of the county in which the office of the commissioner is located.

Sec. 8. [72A.08] **Laws against rebate.** Subdivison 1. **Rebate defined and prohibited.** No insurance company or association, however constituted or entitled, doing business in this state, nor any officer, agent, subagent, solicitor, employee, intermediary, or representative thereof, shall make or permit any advantage or distinction in favor of any insured individual, firm, corporation, or association with respect to the amount of premium named in, or to be paid on, any policy of insurance, or shall offer to pay or allow directly or indirectly or by means of any device or artifice, as inducements to insurance, any rebate or premium payable on the policy, or any special favor or advantage in the dividends or other profit to accrue thereon, or any valuable consideration or inducement not specified in the policy contract of insurance, or give, sell, or purchase, offer to give, sell or purchase, as inducement to insure or in connection therewith, any stocks, bonds, or other securities of any insurance company or other corporation, association, partnership, or individual, or any dividends or profits accrued or to accrue thereon, or anything of value, not specified in the policy.

Subd. 2. **Insured prohibited from receiving rebates.** No person shall receive or accept from any such company or association, or from any of its officers, agents, subagents, solicitors, employees, intermediaries, or representatives, or any other person any such rebate of premium payable on the policy, or any special favor or advantage in the dividends or other financial profits accrued or to accrue, thereon, or any valuable consideration or inducement not specified in the policy of insurance. No person shall be excused from testifying, or from producing any books, papers, contracts, agreements, or documents, at the trial of any other person, copartnership, association, or company charged with violation of any provision of this section on the ground that the testimony or evidence may tend to incriminate; but no person shall be prosecuted for any act concerning which he shall be compelled to so testify or produce evidence, documentary or otherwise, except for perjury committed in so testifying.

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Subd. 3. **Penalty for rebate.** Any company, association, or individual violating any provisions of this section, whether the violation be in the giving or accepting of anything herein prohibited, shall be punished by a fine of not less than \$60 nor more than \$200.

Subd. 4. **Exceptions.** The provisions of this section shall not apply to any policy procured by officers, agents, subagents, employees, intermediaries, or representatives wholly and solely upon property of which they are, respectively, the owner at the time of procuring the policy, where the officers, agents, subagents, employees, intermediaries, or representatives are, and have been for more than six months prior to the issuing of the policy, regularly employed by, or connected with, the company or association issuing the policy; and any life insurance company doing business in this state may issue industrial policies of life or endowment insurance, with or without annuities, with special rates of premiums less than the usual rates of premiums for these policies, to members of labor organizations, credit unions, lodges, beneficial societies, or similar organizations, or employees of one employer, who, through their secretary or employer, may take out insurance in an aggregate of not less than 50 members and pay their premiums through the secretary or employer.

Sec. 9. [72A.09] **Violations where offense is not specifically designated.** Whoever violates any provision of the insurance law where the nature of the offense is not specifically designated herein shall be guilty, for the first offense, of a misdemeanor, and for each subsequent offense, of a gross misdemeanor.

Sec. 10. [72A.10] **Failure to appear or obstructing commissioner.** Whoever without justifiable cause neglects, upon due summons, to appear and testify before the commissioner, or obstructs the commissioner, or deputy or assistant commissioner, in his examination of an insurance company, shall be guilty, for the first offense, of a misdemeanor, and for each subsequent offense, of a gross misdemeanor.

Sec. 11. [72A.11] **Complainant entitled to one-half of fine in certain cases.** The person, other than the commissioner, or deputy or assistant commissioner, upon whose complaint a conviction is had for violation of the law prohibiting insurance in or by foreign companies not authorized to do business in this state, shall be entitled to one-half the fine recovered upon sentence therefor.

Sec. 12. [72A.12] **Life insurance.** Subdivision 1. **Issue of prohibited life policies.** Every officer or agent of a life insurance company who shall issue any policy in violation of any order

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or other prohibition by the commissioner made pursuant to law, shall be guilty, for the first offense, of a misdemeanor, and for each subsequent offense, of a gross misdemeanor.

**Subd. 2. Misrepresentation by insurer or agent.** No life insurance company doing business in this state, and no officer, director or agent thereof, shall issue or circulate, or cause or permit to be issued or circulated, any estimate, illustration, circular or statement of any sort misrepresenting the terms of any policy issued by it or the benefits or advantages promised thereby, or the dividends or shares of surplus to be received thereon, or shall use any name or title of any policy or class of policies misrepresenting the true nature thereof.

Any person violating the provisions of this subdivision shall be guilty of a misdemeanor, and the license of any company which shall authorize or permit a violation of this subdivision shall be revoked.

**Subd. 3. Discrimination in accepting risks.** No life insurance company or agent, all other conditions being equal, shall make any discrimination in the acceptance of risks, in rates, premiums, dividends, or benefits of any kind, or by way of rebates, between persons of the same class, or on account of race; and upon request of any person whose application has been rejected, the company shall furnish him, in writing, the reasons therefor, including a certificate of the examining physician that such rejection was not for any racial cause: Every company violating either of the foregoing provisions shall forfeit not less than \$500, nor more than \$1,000, and every officer, agent, or solicitor violating the same shall be guilty of a gross misdemeanor; and the commissioner shall revoke the license of such company and its agents, and grant no new license within one year thereafter.

**Subd. 4. Discrimination; rebates.** No life insurance company doing business in this state shall make or permit any distinction or discrimination in favor of individuals between insureds of the same class and equal expectation of life in the amount or payment of premiums or rates charged for policies of life or endowment insurance, or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of the contracts it makes; nor shall any such company or agent thereof make any contract of insurance or agreement as to such contract other than as plainly expressed in the policy issued thereon; nor shall any such company or any officer, agent, solicitor, or representative thereof pay, allow or give, or offer to pay, allow or give, directly or indirectly, as inducement to insurance, any rebate of premium payable on the policy, or any special favor or advantage in the dividends or other benefits

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to accrue thereon or any paid employment or contract for services of any kind, or any valuable consideration or inducement whatever not specified in the policy contract of insurance.

Any violation of the provisions of this subdivision shall be a misdemeanor and punishable as such.

**Subd. 5. Political contributions prohibited.** No insurance company or association, including fraternal beneficiary associations, doing business in this state, shall, directly or indirectly, pay or use, or offer, consent or agree to pay or use, any money or property for or in aid of any political party, committee or organization, or for or in aid of any corporation, joint stock or other association organized or maintained for political purposes, or for or in aid of any candidate for political office, or for nomination for such office, or for any political purpose whatsoever, or for reimbursement or indemnification of any person for money or property so used. Any officer, director, stockholder, attorney or agent of any corporation or association which violates any of the provisions of this section, who participates in, aids, abets, or advises or consents to any such violation, and any person who solicits or knowingly receives any money or property in violation of this section, shall be guilty of a gross misdemeanor, and any officer aiding or abetting in any contribution made in violation of this section shall be liable to the company or association for the amount so contributed. No person shall be excused from attending and testifying, or producing any books, papers or other documents before any court or magistrate, upon any investigation, proceeding or trial, for a violation of any of the provisions of this section, upon the ground, or for the reason, that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate or degrade him; but no person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may so testify or produce evidence, documentary or otherwise, and no testimony so given or produced shall be used against him upon any criminal investigation or proceeding.

**Sec. 13. [72A.13] Accident and health insurance. Violations of certain sections; penalties.** Any company, corporation, association, society, or other insurer, or any officer or agent thereof, which or who issues or delivers to any person in this state any policy in wilful violation of the provisions of Article III, sections 1 to 10, shall be punished by a fine of not more than \$100 for each offense, and the commissioner may revoke the license of any company, corporation, association, society, or other insurer of another state or country, or of the agent thereof, which or who wilfully violates any provision of Article III, sections 1 to 10.

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Sec. 14. **[72A.14] Automobile insurance. Discrimination in automobile policies forbidden.** No insurance company, or its agent, shall refuse to issue any standard policy of automobile liability insurance or make any discrimination in the acceptance of risks, in rates, premiums, dividends, or benefits of any kind, or by way of rebate between persons of the same class, nor on account of race. Every company or agent violating any of the foregoing provisions shall be fined not less than \$50, nor more than \$100, and every officer, agent, or solicitor violating the same shall be guilty of a misdemeanor.

Sec. 15. **[72A.15] Penalty for violation of law providing for insurance in unlicensed companies.** Every person licensed to procure insurance in an unlicensed foreign company who fails to file the affidavit and statement required in such case or who wilfully makes a false affidavit or statement shall forfeit his license and be guilty, for the first offense, of a misdemeanor, and for each subsequent offense, of a gross misdemeanor.

Sec. 16. **[72A.16] Mutual companies.** Subdivision 1. **Unlawful procurement or use of proxy.** Every officer or agent of a domestic mutual insurance company who shall solicit, receive, procure to be obtained, or use, a proxy vote in violation of any provision of law shall be guilty of a gross misdemeanor.

Subd. 2. **Guaranty against assessment.** Every director, officer, or agent of an insurance company who officially or privately gives a guaranty to a policyholder thereof against an assessment for which he would otherwise be liable shall be guilty of a misdemeanor.

### Regulation of Trade Practices

Sec. 17. **[72A.17] Purpose of sections 17 to 32.** The purpose of sections 17 to 32 is to regulate trade practices in the business of insurance in accordance with the intent of congress as expressed in the Act of Congress of March 9, 1945 (Public Law 15, 79th Congress), by defining, or providing for the determination of, all such practices in this state which constitute unfair methods of competition or unfair or deceptive acts or practices and by prohibiting the trade practices so defined or determined.

Sec. 18. **[72A.18] Definitions.** Subdivision 1. Unless the context clearly indicates otherwise, the following terms, when used in sections 17 to 32, shall have the meanings, respectively ascribed to them in this section.

Subd. 2. "Person" means any individual, corporation, asso-

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ciation, partnership, reciprocal exchange, interinsurer, Lloyds insurer, fraternal benefit society, or any other legal entity, engaged in the business of insurance, including an agent, a solicitor, or an adjuster and for the purposes of sections 31 and 32 "person" shall in addition mean any person, firm or corporation even though not engaged in the business of insurance.

**Sec. 19. [72A.19] Unfair methods and unfair or deceptive acts and practices prohibited.** No person shall engage in this state in any trade practice which is defined in sections 17 to 32 as or determined pursuant to sections 17 to 32 to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance.

**Sec. 20. [72A.20] Methods, acts and practices which are defined as unfair or deceptive. Subdivision 1. Schedule of unfair methods.** The following are hereby defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:

(1) **Misrepresentations and false advertising of policy contracts.** Making, issuing, circulating, or causing to be made, issued, or circulated, any estimate, illustration, circular, or statement misrepresenting the terms of any policy issued or to be issued or the benefits or advantages promised thereby or the dividends or share of the surplus to be received thereon, or making any false or misleading statement as to the dividends or share of surplus previously paid on similar policies, or making any misleading representation or any misrepresentation as to the financial condition of any insurer, or as to the legal reserve system upon which any life insurer operates, or using any name or title of any policy or class of policies misrepresenting the true nature thereof, or making any misrepresentation to any policyholder insured in any company for the purpose of inducing or tending to induce such policyholder to lapse, forfeit, or surrender his insurance.

(2) **False information and advertising generally.** Making, publishing, disseminating, circulating, or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine, or other publication, or in the form of a notice, circular, pamphlet, letter, or poster, or over any radio station, or in any other way, an advertisement, announcement, or statement, containing any assertion, representation, or statement with respect to the business of insurance, or with respect to any person in the conduct of his insurance business, which is untrue, deceptive, or misleading;

(3) **Defamation.** Making, publishing, disseminating, or

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circulating, directly or indirectly, or aiding, abetting, or encouraging the making, publishing, disseminating, or circulating of any oral or written statement or any pamphlet, circular, article, or literature which is false, or maliciously critical of or derogatory to the financial condition of an insurer, and which is calculated to injure any person engaged in the business of insurance;

(4) **Boycott, coercion and intimidation.** *Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion, or intimidation, resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance.*

(5) **False financial statements.** *Filing with any supervisory or other public official, or making, publishing, disseminating, circulating, or delivering to any person, or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, delivered to any person, or placed before the public, any false statement of financial condition of an insurer with intent to deceive;*

(6) **False entries.** *Making any false entry in any book, report, or statement of any insurer with intent to deceive any agent or examiner lawfully appointed to examine into its condition or into any of its affairs, or any public official to whom such insurer is required by law to report, or who has authority by law to examine into its condition or into any of its affairs, or, with like intent, wilfully omitting to make a true entry of any material fact pertaining to the business of such insurer in any book, report, or statement of such insurer;*

(7) **Stock operations and advisory board contracts.** *Issuing or delivering, or permitting agents, officers, or employees to issue or deliver, agency company stock or other capital stock, or benefit certificates or shares in any common-law corporation, or securities or any special or advisory board contracts or other contracts of any kind promising returns and profits as an inducement to insurance;*

(8) **Discrimination.** *Making or permitting any unfair discrimination between individuals of the same class and equal expectation of life in the rates charged for any contract of life insurance or of annuity or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of such contract;*

(9) **Discrimination between individuals of the same class.** *Making or permitting any unfair discrimination between individuals of the same class and of essentially the same hazard in the amount*

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of premium, policy fees, or rates charged for any policy or contract of accident or health insurance or in the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever;

(10) **Rebates.** Except as otherwise expressly provided by law, knowingly permitting or offering to make or making any contract of life insurance, annuity, or accident and health insurance, or agreement as to such contract, other than as plainly expressed in the contract issued thereon, or paying or allowing or giving, or offering to pay, allow, or give, directly or indirectly, as inducement to such insurance or annuity, any rebate of premiums payable on the contract, or any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration or inducement whatever not specified in the contract; or giving or selling or purchasing, or offering to give, sell, or purchase, as inducement to such insurance or annuity, or in connection therewith, any stocks, bonds, or other securities of any insurance company or other corporation, association, or partnership, or any dividends or profits accrued thereon, or anything of value whatsoever not specified in the contract;

(11) **Application to certain sections.** Any violation of any provision of the following sections of this chapter not set forth in clauses (1) to (10) of this subdivision: section 12, subdivisions 2, 3, and 4, section 16, subdivision 2, sections 3 and 4, section 8, subdivision 1 as modified by section 8, subdivision 4, and section 14.

Subd. 2. **Practices not held to be discrimination or rebates.** Nothing in Subdivision 1, clauses (8) and (10), or in section 12, subdivisions 3 and 4 of this article, shall be construed as including within the definition of discrimination or rebates any of the following practices:

(1) In the case of any contract of life insurance or annuity, paying bonuses to policyholders or otherwise abating their premiums in whole or in part out of surplus accumulated from non-participating insurance, provided that any such bonuses or abatement of premiums shall be fair and equitable to policyholders and for the best interests of the company and its policyholders;

(2) In the case of life insurance policies issued on the industrial debit plan, making allowance, to policyholders who have continuously for a specified period made premium payments directly to an office of the insurer, in an amount which fairly represents the saving in collection expense;

(3) Readjustment of the rate of premium for a group insurance policy based on the loss or expense experience thereunder,

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at the end of the first or any subsequent policy year of insurance thereunder, which may be made retroactive only for such policy year.

Sec. 21. [72A.21] **Power of commissioner.** The commissioner shall have power to examine and investigate into the affairs of every person engaged in the business of insurance in this state in order to determine whether that person has been or is engaged in any unfair method of competition or in any unfair or deceptive act or practice prohibited by section 19.

Sec. 22. [72A.22] **Hearing; witnesses; production of books.** Subdivision 1. **Statement of charges and notice of hearing.** Whenever the commissioner has reason to believe that any person has been engaged or is engaging in this state in any unfair method of competition or any unfair or deceptive act or practice, defined in section 20, and that a proceeding by him in respect thereto would be to the interest of the public, he shall issue and serve upon that person a statement of the charges in that respect and a notice of a hearing thereon to be held at a time and place fixed in the notice, which shall not be less than 20 days after the date of the service thereof.

Subd. 2. **Appearance; intervention.** At the time and place fixed for such hearing said person shall have an opportunity to be heard and to show cause why an order should not be made by the commissioner requiring him to cease and desist from the acts, methods, or practices so complained of. Upon good cause shown, the commissioner shall permit any person to intervene, appear and be heard at such hearing by counsel or in person.

Subd. 3. **Formal rules of pleading or evidence not required.** Nothing contained in sections 17 to 32 shall require the observance at any such hearing of formal rules of pleading or evidence.

Subd. 4. **Hearing.** The commissioner, upon such a hearing, may administer oaths, examine and cross-examine witnesses, receive oral and documentary evidence, and shall have the power to subpoena witnesses, compel their attendance, and require the production of books, papers, records, correspondence, or other documents which he deems relevant to the inquiry. The commissioner, upon such a hearing, may, and upon the request of any party shall, cause to be made a stenographic record of all the evidence and all the proceedings had at the hearing. If no stenographic record is made and if a judicial review is sought, the commissioner shall prepare a statement of the evidence and proceeding for use on review. In case of a refusal of any person to comply with any subpoena is-

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sued hereunder or to testify with respect to any matter concerning which he may be lawfully interrogated, the district court of Ramsey county or of the county where the hearing is being held, on application of the commissioner, may issue an order requiring that person to comply with the subpoena and to testify; and any failure to obey any such order of the court may be punished by the court as a contempt thereof.

**Subd. 5: Service.** Statements of charges, notices, orders, and other processes of the commissioner under sections 17 to 32 may be served by anyone duly authorized by the commissioner, either in the manner provided by law for service of process in civil actions or by registering and mailing a copy thereof to the person affected by the statement, notice, order, or other process at his residence or principal office or place of business. A verified return by the person serving the statement, notice, order, or other process, setting forth the manner of such service, or the return postcard receipt for a copy of the statement, notice, order, or other process, registered and mailed as aforesaid, shall be proof of the service of the same.

**Sec. 23. [72A.23] Decision and order thereon.** Subdivision 1. **Determination by commissioner; findings.** If, after a hearing, as provided in section 22, the commissioner shall determine that the method of competition or the act or practice in question is defined in section 20, and that the person complained of has engaged in that method of competition, act, or practice, in violation of sections 17 to 32 he shall reduce his findings to writing and shall issue and cause to be served upon the person charged with the violation an order requiring him to cease and desist from engaging in that method of competition, act or practice.

**Subd. 2. Modification of order.** Until the expiration of the time allowed under section 24, subdivision 1, for filing a petition for review, if no such petition has been duly filed within that time, or, if a petition for review has been filed within that time, then until the transcript of the record in the proceeding has been filed in the district court, as hereinafter provided, the commissioner may at any time, upon such notice and in such manner as he shall deem proper, modify or set aside in whole or in part any order issued by him under this section.

**Subd. 3. Commissioner may reopen, modify, or set aside.** After the expiration of the time allowed for filing such a petition for review, if no such petition has been duly filed within that time, the commissioner may at any time, after notice and opportunity for hearing, reopen and alter, modify, or set aside, in whole or in part,

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any order issued by him under this section, whenever in his opinion conditions of fact or of law have so changed as to require such action, or if the public interest shall so require.

Sec. 24. [72A.24] **Enforcement of sections 17 to 32.** Subdivision 1. **Court proceedings; review.** Any person required by an order of the commissioner under section 23 to cease and desist from engaging in any unfair method of competition or any unfair or deceptive act or practice defined in section 20 may obtain a review of that order by filing in the district court of Ramsey county, within 20 days from the date of the service of such order, a written *petition praying that the order of the commissioner be set aside.* A copy of the petition shall be forthwith served upon the commissioner, and thereupon the commissioner forthwith shall certify and file in that court a transcript of the entire record in the proceeding, including all the evidence taken and the findings and order of the commissioner. Upon the filing of the petition and transcript, said court shall have jurisdiction of the proceeding and of the questions determined therein, shall determine whether the filing of such petition shall operate as a stay of the order of the commissioner, and shall have power to make and enter upon the pleadings, evidence, and proceedings set forth in the transcript a decree modifying, affirming, or reversing the order of the commissioner, in whole or in part. The findings and order of the commissioner shall be given the same effect as is given to determinations of administrative bodies on review by *certiorari.*

Subd. 2. **Court order.** To the extent that the order of the commissioner is affirmed, the court shall thereupon issue its own order commanding obedience to the terms of the order of the commissioner.

Subd. 3. **Rehearing.** If, before the entry of the decree of the court, either party shall apply to the court for leave to adduce additional evidence and shall show to the satisfaction of the court that said additional evidence is material and that there were reasonable grounds for the failure to adduce it in the proceeding before the commissioner, the court may order said additional evidence to be taken before the commissioner and to be adduced upon the hearing *in such manner and upon such terms and conditions as to the court may seem proper.* The commissioner may modify his findings of fact, or make new findings, by reason of the additional evidence so taken and shall file those modified or new findings and his recommendation, if any, for the modification or setting aside of his original order, with the return of the additional evidence. Any such additional evidence, modified or new findings, and recommendation shall

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be considered by the court in making and entering its final decree, together with the matters submitted in the original transcript.

**Subd. 4. Final cease and desist order.** A cease and desist order issued by the commissioner under section 23 shall become final:

(1) Upon the expiration of the time allowed for filing a petition for review if no such petition has been duly filed within such time; except that the commissioner may thereafter modify or set aside his order to the extent provided in section 23, subdivision 3; or

(2) Upon the final decision of the court if the court directs that the order of the commissioner be affirmed or the petition for review dismissed.

**Sec. 25. [72A.25] Unfair competition.** Subdivision 1. **Statement of charges; service; hearing.** Whenever the commissioner has reason to believe that any person engaged in the business of insurance is engaged in this state in any method of competition or in any act or practice in the conduct of that business which is not defined in section 20, that said method of competition is unfair or that said act or practice is unfair or deceptive and that a proceeding by him in respect thereto would be to the interest of the public, he may issue and serve upon that person a statement of the charges in that respect and a notice of a hearing thereon to be held at a time and place fixed in the notice, which shall not be less than 20 days after the date of the service thereof. Each such hearing shall be conducted in the same manner as the hearings provided for in section 22, and the provisions of that section as to service are made applicable to proceedings under this section. Upon good cause shown, the commissioner shall permit any person to intervene, appear and be heard at such hearing by counsel or in person. The commissioner shall, after the hearing, make a report in writing in which he shall state his findings as to the facts and shall serve a copy thereof upon the person upon whom he served his statement of charges.

**Subd. 2. Application for injunction.** If the report charges a violation of sections 17 to 32 and if the method of competition, act, or practice charged by him has not been discontinued, the commissioner may, through the attorney general, at any time after 20 days after the service of the report, cause a petition to be filed in the district court within the district wherein the person against whom the charges were made resides, or that wherein he has his principal place of business, to enjoin and restrain that person from engaging in the method, act, or practice charged. A transcript of the proceedings before the commissioner, including all evidence taken and the report

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and findings, shall be filed with the petition. Upon the filing of the petition and transcript the court shall have jurisdiction of the proceedings and shall have power to make and enter appropriate orders in connection therewith and to issue such writs as are ancillary to its jurisdiction or necessary in its judgment to prevent injury to the public pendente lite.

Subd. 3. **Order enjoining and restraining.** If the court finds that the method of competition complained of is unfair or that the act or practice complained of is unfair and deceptive, and that the proceeding by the commissioner with respect thereto is to the interests of the public, it shall issue its order enjoining and restraining the continuance of that method of competition, act, or practice. *The findings of the commissioner shall be given the same effect as those of a referee appointed pursuant to Minnesota Statutes, Section 546.36.*

Subd. 4. **Rehearing.** If either party shall apply to the court before the entry of its order for leave to adduce additional evidence, and shall show to the satisfaction of the court that said additional evidence is material and that there were reasonable grounds for the failure to adduce it in the proceeding before the commissioner, the court may order said additional evidence to be taken before the commissioner and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The commissioner may modify his findings of fact, or make new findings, by reason of the additional evidence so taken, and shall file those modified or new findings with the return of the additional evidence. Any such additional evidence and modified or new findings shall be considered by the court in making and entering its final order, together with the matters submitted in the original transcript.

Sec. 26. **[72A.26] Intervention.** If the report of the commissioner does not charge a violation of sections 17 to 32, any intervenor in the proceedings may, within 20 days after the service of the report upon him, cause a petition to be filed in the district court of Ramsey county for a review of that report. Notice of the filing of the intervenor's petition shall be given to the commissioner and to the person upon whom the statement of charges was originally served. The commissioner shall, within 20 days after the service upon him of the notice of filing the petition, file a transcript of the proceedings before him, including all evidence taken and his report and findings, and the person upon whom the statement of charges was originally served shall have 20 days after the service upon him of notice of filing the petition in which to file an answer. The proceedings before the court shall conform to those provided for by

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section 25. Upon such a review the court shall have authority to issue appropriate orders and writs in connection therewith, including, if the court finds it is to the interest of the public, orders enjoining and restraining the continuance of any method of competition, act, or practice which it finds, notwithstanding the report of the commissioner, constitutes a violation of sections 17 to 32.

Sec. 27. [72A.27] **Appeal to supreme court.** Any decree or order of a district court made and entered under section 24 or order of such a court made under section 25 shall be subject to review by appeal to the supreme court, but any such appeal must be taken within the time prescribed by law for taking appeals from orders of the district courts.

Sec. 28. [72A.28] **Violations and penalties.** Any person who violates a cease and desist order of the commissioner under section 23, after it has become final and while such order is in effect, shall forfeit and pay to the state of Minnesota a sum not to exceed \$2,500 for each violation, which may be recovered in a civil action. In determining the amount of the penalty the question of whether the violation was wilful shall be taken into consideration. Nothing herein shall be construed as limiting a court in enforcing its own orders.

Sec. 29. [72A.29] **Concurrent remedies.** Subdivision 1. No order of the commissioner, or order or decree of any district court, under sections 17 to 32 shall in any way relieve or absolve any person affected by such order or decree from any liability under any other laws of this state.

Subd. 2. The powers vested in the commissioner by sections 17 to 32 shall be additional to any other powers to enforce any penalties, fines, or forfeitures authorized by law with respect to the methods, acts, and practices hereby declared to be unfair or deceptive.

Sec. 30. [72A.30] **Evidential privilege denied; immunity; waiver.** If any person shall ask to be excused from attending and testifying or from producing any books, papers, records, correspondence, or other documents at any hearing on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture, and shall notwithstanding be directed to give such testimony or produce such evidence, he must nonetheless comply with such direction, but he shall not thereafter be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he may testify or produce evidence pursuant thereto, and no testimony so given or evidence produced shall be received against

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him upon any criminal action, investigation, or proceeding; provided, however, that no such individual so testifying shall be exempt from prosecution or punishment for any perjury committed by him while so testifying, and the testimony or evidence so given or produced shall be admissible against him upon any criminal action, investigation, or proceeding concerning such perjury, nor shall he be exempt from the refusal, revocation, or suspension of any license, permission, or authority conferred, or to be conferred, pursuant to the insurance law of this state. Any such individual may execute, acknowledge, and file in the office of the commissioner a statement expressly waiving such immunity or privilege in respect to any transaction, matter, or thing specified in the statement, and thereupon the testimony of that person or any evidence in relation to that transaction, matter, or thing may be received or produced before any judge or justice, court, tribunal, grand jury, or otherwise, and, if so received or produced, that individual shall not be entitled to any immunity or privilege on account of any testimony he may so give or evidence so produced.

**Sec. 31. [72A.31] Certain acts deemed unfair method of competition.** No person, firm or corporation engaged in the business of financing the purchase of real or personal property or of lending money on the security of real or personal property or who acts as agent or broker for one who purchases real property and borrows money on the security thereof, and no trustee, director, officer, agent or other employee of any such person, firm, or corporation shall directly or indirectly require, as a condition precedent to such purchase or financing the purchase of such property or to loaning money upon the security of a mortgage thereon, or as a condition prerequisite for the renewal or extension of any such loan or mortgage or for the performance of any other act in connection therewith, that the person, firm or corporation making such purchase or for whom such purchase is to be financed or to whom the money is to be loaned or for whom such extension, renewal or other act is to be granted or performed negotiate any policy of insurance or renewal thereof covering such property through a particular agent, or insurer, or refuse to accept any policy of insurance covering such property because it was not negotiated through or with any particular agent, or insurer. This section shall not prevent the exercise by any such person, firm, corporation, trustee, director, officer, agent or employee of its right to disapprove the insurer or a policy of insurance where there are reasonable grounds for believing that such insurance is unsatisfactory as to the financial standing of the insurer, the inadequacy of the coverage, the assessment features to which the policy is subject, or other grounds which are not arbitrary, unreasonable or discriminatory, nor shall this act forbid the securing

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of insurance or a renewal thereof at the request of the borrower or because of the borrower's failure to furnish the necessary insurance or renewal thereof.

Sec. 32. [72A.32] **Violations, procedure.** Any violation of section 31 shall constitute an unfair method of competition and the person, firm or corporation practicing the same shall be proceeded against under the provisions of sections 21 to 25, inclusive.

### **Unauthorized Insurers False Advertising Process Act**

Sec. 33. [72A.33] **Purpose of act, construction.** The purpose of sections 33 to 39 is to subject to the jurisdiction of the insurance commissioner of this state and to the jurisdiction of the courts of this state insurers not authorized to transact business in this state which place in or send into this state any false advertising designed to induce residents of this state to purchase insurance from insurers not authorized to transact business in this state. The legislature declares it is in the interest of the citizens of this state who purchase insurance from insurers which solicit insurance business in this state in the manner set forth in the preceding sentence that such insurers be subject to the provisions of sections 33 to 39. In furtherance of such state interest, the legislature herein provides a method of substituted service of process upon such insurers and declares that in so doing, it exercises its power to protect its residents and also exercises powers and privileges available to the state by virtue of Public Law 15, 79th Congress of the United States, Chapter 20, 1st Session, S. 340, which declares that the business of insurance and every person engaged therein shall be subject to the laws of the several states; the authority provided herein to be in addition to any existing powers of this state. The provisions of sections 33 to 39 shall be liberally construed.

Sec. 34. [72A.34] **Definitions.** Subdivision 1. When used in sections 33 to 39 the terms defined in this section shall have the meanings given them in this section.

Subd. 2. Unfair trade practice act shall mean the act relating to regulation of trade practices as defined in sections 17 to 32.

Subd. 3. Residents shall mean and include persons, partnerships or corporations, domestic, alien, or foreign.

Sec. 35. [72A.35] **Notice to domiciliary supervisory official.** No unauthorized foreign or alien insurer of the kind de-

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scribed in section 33 shall make, issue, circulate or cause to be made, issued or circulated, to residents of this state any estimate, illustration, circular, pamphlet, or letter, or cause to be made in any newspaper, magazine or other publication or over any radio or television station, any announcement or statement to such residents misrepresenting its financial condition or the terms of any contracts issued or to be issued or the benefits or advantages promised thereby, or the dividends or share of the surplus to be received thereon in violation of the unfair trade practice act, and whenever the commissioner shall have reason to believe that any such insurer is engaging in such unlawful advertising, it shall be his duty to give notice of such fact by registered mail to such insurer and to the insurance supervisory official of the domiciliary state of such insurer. For the purpose of this section, the domiciliary state of an alien insurer shall be deemed to be the state of entry or the state of the principal office in the United States.

**Sec. 36. [72A.36] Action by commissioner.** If after 30 days following the giving of the notice mentioned in section 35 such insurer has failed to cease making, issuing, or circulating such false representations or causing the same to be made, issued or circulated in this state, and if the commissioner has reason to believe that a proceeding by him in respect to such matters would be to the interest of the public, and that such insurer is issuing or delivering contracts of insurance to residents of this state or collecting premiums on such contracts or doing any of the acts enumerated in section 37, he shall take action against such insurer under the unfair trade practice act.

**Sec. 37. [72A.37] Service upon unauthorized insurer.** Subdivision 1. Any of the following acts in this state, effected by mail or otherwise, by any such unauthorized foreign or alien insurer: (1) The issuance or delivery of contracts of insurance to residents of this state; (2) the solicitation of applications for such contracts; (3) the collection of premiums, membership fees, assessments or other considerations for such contracts; or (4) any other transaction of insurance business; is equivalent to and shall constitute an appointment by such insurer of the commissioner of insurance and his successor or successors in office, to be its true and lawful attorney, upon whom may be served all statements of charges, notices and lawful process in any proceeding instituted in respect to the misrepresentations set forth in section 35 under the provisions of the unfair trade practice act, or in any action, suit or proceeding for the recovery of any penalty therein provided, and any such act shall be signification of its agreement that such service of statement of charges, notices or process is of the same legal force and validity as

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personal service of such statement of charges, notices or process in this state, upon such insurer.

Subd. 2. Service of a statement of charges and notices under said unfair trade practice act shall be made by any deputy or employee of the department of insurance delivering to and leaving with the commissioner or some person in apparent charge of his office, two copies thereof. Service of process issued by any court in any action, suit or proceeding to collect any penalty under said act provided, shall be made by delivering and leaving with the commissioner, or some person in apparent charge of his office, two copies thereof. The commissioner shall forthwith cause to be mailed by registered mail one of the copies of such statement of charges, notices or process to the defendant at its last known principal place of business, and shall keep a record of all statements of charges, notices and process so served. Such service of statement of charges, notices or process shall be sufficient provided they shall have been so mailed and the defendant's receipt or receipt issued by the post office with which the letter is registered, showing the name of the sender of the letter and the name and address of the person to whom the letter is addressed, and the affidavit of the person mailing such letter showing a compliance herewith are filed with the commissioner in the case of any statement of charges or notices, or with the clerk of the court in which such action is pending in the case of any process. on or before the date the defendant is required to appear or within such further time as may be allowed.

Subd. 3. Service of statement of charges, notices and process in any such proceeding, action or suit shall in addition to the manner provided in subdivision 2 of this section be valid if served upon any person within this state who on behalf of such insurer is

- (1) soliciting insurance, or
- (2) making, issuing or delivering any contract of insurance, or
- (3) collecting or receiving in this state any premium for insurance;

and a copy of such statement of charges, notices or process is sent within ten days thereafter by registered mail by or on behalf of the commissioner to the defendant at the last known principal place of business of the defendant, and the defendant's receipt, or the receipt issued by the post office with which the letter is registered, showing the name of the sender of the letter, the name and address of the person to whom the letter is addressed, and the affidavit of the person mailing the same showing a compliance herewith, are filed

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with the commissioner in the case of any statement of charges or notices, or with the clerk of the court in which such action is pending in the case of any process, on or before the date the defendant is required to appear or within such further time as the court may allow.

Subd. 4. No cease or desist order under this section shall be entered until the expiration of thirty days from the date of the filing of the affidavit of compliance.

Subd. 5. Service of process and notice under the provisions of sections 33 to 39 shall be in addition to all other methods of service provided by law, and nothing in sections 33 to 39 shall limit or prohibit the right to serve any statement of charges, notices or process upon any insurer in any other manner now or hereafter permitted by law.

Sec. 38. **[72A.38] Constitutionality.** If any provision of sections 33 to 39 or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or application of sections 33 to 39 which can be given effect without the invalid provision or application, and to this end the provisions of sections 33 to 39 are declared to be severable.

Sec. 39. **[72A.39] Citation.** Sections 33 to 39 may be cited as the unauthorized insurers false advertising process act.

Sec. 40. Minnesota Statutes 1965, Chapter 72, is repealed.

Approved May 11, 1967.

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## CHAPTER 396—S. F. No. 262

[Coded in Part]

*An act relating to the state police officers retirement fund; amending Minnesota Statutes 1965, Sections 352A.01; 352A.03; 352A.05; 352A.06; 352A.08; Minnesota Statutes 1965, Chapter 352A, by adding new sections; and repealing Minnesota Statutes 1965, Section 352A.10.*

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1965, Section 352A.01, is amended to read:

**Changes or additions indicated by italics, deletions by strikeout.**