as hereinbefore set forth shall not apply to the second nor the fourth judicial districts.

Approved May 27, 1971.

CHAPTER 568—H.F.No.977

[Coded in Part]

An act relating to nonprofit hospital, medical-surgical, dental, and other health service plan corporations; authorizing and regulating the formation, operation, and termination thereof; providing penalties; amending Minnesota Statutes 1969, Sections 60B.02; 60B.15; and 317.06; repealing Minnesota Statutes 1969, Sections 159.01 to 159.19; 159.21 to 159.40; 159.50; 309.10 to 309.17; 309.171; and 309.175.

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

Section 1. **[62C.01] NONPROFIT HEALTH SERVICE PLAN CORPORATIONS ACT, TITLE, PURPOSE, AND SCOPE.** Subdivision 1. **CITATION.** Sections 1 through 23 of this act may be cited as the "nonprofit health service plan corporations act."

Subd. 2. **PURPOSE.** It is the purpose and intent of this act to promote a wider, more economical and timely availability of hospital, medical-surgical, dental, and other health services for the people of Minnesota, through nonprofit, prepaid health service plans, and thereby advance public health and the art and science of medical and health care within the state, while reasonably regulating the formation, continuation, operation, and termination of such service plans by establishment and enforcement of reasonable and practical standards of administration, investments, surplus and reserves.

Subd. 3. **SCOPE.** Every foreign or domestic nonprofit corporation organized for the purpose of establishing or operating a health service plan in Minnesota whereby health services are provided to subscribers to the plan under a contract with the corporation shall be subject to and governed by this act, and shall not be subject to the laws of this state relating to insurance, except as otherwise specifically provided. This act shall apply to all health service plan corporations incorporated after the effective date of this act, and to all

existing health service plan corporations, except as otherwise provided. Nothing in sections 1 through 23 of this act shall apply to prepaid group practice plans. A prepaid group practice plan is any plan or arrangement other than a service plan, whereby health services are rendered to certain patients by providers who devote their professional effort primarily to members or patients of the plan, and whereby the recipients of health services pay for the services on a regular, periodic basis, not on a fee for service basis.

Sec. 2. **[62C.02] DEFINITIONS.** Subdivision 1. For the purposes of sections 1 through 23 of this act the terms defined in this section have the meanings given them.

Subd. 2. "Commissioner" means the commissioner of insurance or a person duly designated to act in his place.

Subd. 3. "Health service" means any service or class of services, supply, drug, or equipment provided to an individual for diagnosis, relief, or treatment of an injury, ailment, or bodily condition.

Subd. 4. "Subscriber" means a person covered under a subscriber contract for health services to the extent therein described.

Subd. 5. "Provider" means an institution, organization, or person that furnishes health services either directly or pursuant to a prescription or directive from a person licensed by the state to make such a prescription or directive.

Subd. 6. "Service plan corporation" means a foreign or domestic nonprofit corporation which contracts for health service or payment therefor for subscribers pursuant to a service plan, in exchange for periodic prepayments by or on behalf of subscribers. An "existing corporation" means a service plan association or corporation legally in existence on the effective date of this act and authorized to do business in this state on that date.

Subd. 7. "Service plan" means any program or other method whereby a service plan corporation, for a consideration, contracts for provision of health service to subscribers by providers who have entered service agreements with the service plan corporation or which provides for reimbursement to the subscriber for health service provided by providers who have not entered service agreements with the service plan corporation.

Subd. 8. "Service agreement" means an agreement, contract or other arrangement between a service plan corporation and a provider under which the provider agrees that when he provides health services for a subscriber he shall not make a direct charge against the subscriber for those services or parts of services which are covered by the subscriber's contract, but shall look to the service plan corporation for the payment for covered services, to the extent they are covered.

Subd. 9. "Subscriber contract" means a contract, agreement, or other arrangement between a service plan corporation and its subscriber under the terms and conditions of which health service or reimbursement therefor is provided to the subscriber.

Subd. 10. "Participating provider" means a provider who is party to a service agreement with a service plan corporation.

Sec. 3. **[62C.03] SERVICE PLAN CORPORATIONS AUTHORIZED.** Subdivision 1. A service plan corporation may be organized to establish, maintain and operate a service plan providing health services in their entirety or in part, according to the subscriber contract. No subscriber's contract shall provide for payment of cash indemnification by the corporation to the subscriber or his estate for death, illness, or other injury, except as provided by this act as it relates to nonparticipating providers. In the event that the subscriber compensates the provider for services received he is subrogated to the provider's right against the service plan.

Subd. 2. A service plan corporation may enter other contracts, arrangements, or agreements as provided in this act, to carry out the intent and purpose of this act.

Subd. 3. A service plan corporation may provide for health services by nonparticipating providers in cases of emergency or expediency, or when selected in accordance with the subscriber's contract. When health service is provided out of state, the provider must be duly licensed, registered, and authorized to provide the service where provided.

Sec. 4. **[62C.04] ORGANIZATION.** Subdivision 1. Except as otherwise expressly provided, a service plan corporation organized after the effective date of this act shall be incorporated under and subject to Minnesota Statutes, Chapter 317, as it may be amended, and in addition shall have, to the extent provided in its articles of incorporation, all powers and duties provided by this act for service plan corporations. A service plan corporation may be incorporated by not less than 3 legal residents of this state.

Subd. 2. An existing corporation shall be deemed a service plan corporation under this act, subject to all of its terms and conditions, shall receive a certificate of authority from the commissioner, and shall not be required to obtain new licenses for its agents and representatives. However, any existing service plan corporation shall, within 30 days after the first annual meeting of the corporation following the effective date of this act, amend its articles and bylaws to the extent necessary to conform to and be governed by this act and chapter 317 and file said articles and bylaws for approval and filing in accordance with this act. If any service plan corporation fails to meet these requirements the commissioner may suspend without a

hearing its certificate of authority until the requirements of this act *have been fully met.*

Subd. 3. No service plan corporation shall include within its name the words "insurance", "casualty", "surety", "mutual", "indemnity", or any other words descriptive of the insurance, casualty, or surety business. No service plan corporation shall have a name, mark or symbol which is the same as, or deceptively similar to, the name of any other domestic corporation.

Subd. 4. A service plan corporation may be organized to provide for a combination of health services and an existing corporation may so provide by amendment of its articles of incorporation, or by merger, consolidation, or joint operating arrangements with another service plan corporation. All such actions taken shall be subject to the provisions of Minnesota Statutes, Chapter 317, and to the approval of the commissioner for protection of the public and subscribers. If the commissioner denies approval an appeal may be made to the Ramsey county district court for review de novo of all matters relevant to the proposed combination.

Sec. 5. **[62C.05] ARTICLES OF INCORPORATION; BYLAWS.** Subdivision 1. The articles of incorporation and bylaws of any service plan corporation and any amendments thereto shall conform to the requirements of this act and chapter 317.

Subd. 2. In addition to meeting the requirements of Minnesota Statutes, Chapter 317, the articles of incorporation of a service plan corporation shall clearly state its purposes in strict conformity with this act and that subscribers' contracts shall not restrict the subscribers' freedom in selecting a provider in a particular class of providers.

Sec. 6. **[62C.06] APPROVAL OF ARTICLES AND BYLAWS.** Subdivision 1. Proposed articles, bylaws or amendments thereto must be approved by the commissioner. The proposed articles, bylaws or amendments shall be submitted to the commissioner in triplicate. One copy shall be promptly returned endorsed by the commissioner to show the date of receipt. Failure of the commissioner to approve or disapprove by an order transmitted to the corporation *within 30 days of receipt and stating the reasons for any* disapproval, shall be deemed approval.

Subd. 2. Upon approval, the corporation shall file the articles or amendment with the secretary of state, together with a copy of the order or an affidavit of an officer of the corporation that no order has been issued and that more than 30 days have expired since submission of the proposed articles or amendment. When the filing fees and charges have been paid as required by law, and the secretary of state determines that the articles or amendments are in acceptable form, he shall record them and take any other action provided for by chapter 317.

Subd. 3. The existence of a service plan corporation hereafter organized shall begin upon issuance of a certificate of incorporation by the secretary of state. Within 14 days after issuance of the certificate, the corporation shall cause to be published once in a qualified newspaper in the county in which it has its registered office, a notice stating the name of the corporation, the date of incorporation, the general nature of its business, the address of its registered office, and the names and addresses of the incorporators and directors. Proof of publication shall be filed with the secretary of state within ten days after publication. If a corporation fails to comply with this subdivision, it shall forfeit $50 to the state.

Subd. 4. The secretary of state shall file a certified copy of the articles of incorporation with the register of deeds of the county in which the registered office of the corporation is situated and with the commissioner, and shall collect from the corporation the necessary fees therefor.

Sec. 7. **[62C.07] DIRECTORS; MANAGEMENT.** Subdivision 1. The articles of incorporation or the bylaws of a service plan corporation shall provide that the authority and responsibility for election of officers and proper and lawful operation of the corporation shall be in a board of not less than 12 directors with powers and authority as necessary for or instrumental to complete execution of the purposes of the corporation as provided by law, its articles and bylaws. The number of directors shall be fixed by the articles or bylaws.

Subd. 2. The directors shall be selected in accordance with the bylaws and at least one third shall be individuals who are not practicing or engaged in providing health services, and who before their retirement did not practice or engage in providing health services, are not spouses of such persons, and are not employed by or directors of a provider.

Sec. 8. **[62C.08] CERTIFICATE OF AUTHORITY.** Subdivision 1. No service plan corporation shall enter into subscriber contracts or solicit applications therefor, until it has secured a certificate of authority from the commissioner. Application for a certificate of authority shall be made upon forms prescribed by the commissioner.

Subd. 2. The commissioner may grant a certificate of authority after he has determined that the applicant is in compliance with this act with regard to the applicant's stated purpose, its articles and bylaws and its financial condition, that it has met the filing requirements of this act relating to subscribers' contracts and service agreements and that the service plan corporation has knowledgeable, responsible management.

Subd. 3. A foreign service plan corporation applying for a certificate of authority in this state shall be deemed to be a corporation which is organized under this act, and such foreign corporation shall be required to meet the same requirements as an existing domestic corporation provided that no foreign corporation shall be denied a certificate of authority because its corporate powers exceed those which are permitted by the laws of this state, although its activities in this state may not exceed the powers of a domestic service plan corporation.

Subd. 4. No certificate of authority shall be required for a foreign service plan corporation whose activities in this state are limited to servicing members of covered groups whose contracts have been issued in another state, or for a foreign service plan corporation whose activities in this state are conducted pursuant to a contract or agreement with a licensed domestic service plan corporation if such contract or agreement is authorized by section 13 of this act.

Sec. 9. **[62C.09] FINANCIAL REQUIREMENTS.** Subdivision 1. The commissioner shall not issue a certificate of authority to any service plan corporation hereafter organized unless the corporation has met all legal requirements and, if organized on a capital stock basis unless the corporation has paid up capital stock of not less than $200,000 and an initial surplus of not less than $200,000, or, if organized on a membership basis, unless the corporation has an initial surplus of not less than $400,000.

Subd. 2. A service plan corporation in existence on the effective date of this act or hereafter formed shall establish and maintain reserves for claims in process, incomplete and unreported claims, retroactive cost adjustments to providers, allowances for subscription charges received from subscribers but not yet earned and all other accrued liabilities in accordance with Minnesota Statutes, Section 60A.12 as it relates to accident and health insurance companies.

Subd. 3. If organized on a capital stock basis, a service plan corporation shall never reduce its capital, and both capital stock and membership corporations shall maintain a surplus, in addition to all reserves established, of not less than the greater of the initial surplus reduced by $100,000 or 25 percent of the sum of all health service claims incurred, and administrative expenses in connection therewith, during the previous calendar year. The surplus shall not exceed 50 percent of the sum of all health service claims incurred, and administrative expenses in connection therewith, during the previous calendar year unless such amount is less than the initial surplus reduced by $100,000. The percentage amounts shall be determined from a financial statement and certified audit filed annually and subject to verification of an examination by the commissioner.

Subd. 4. If the surplus is less than the required minimum or more than the required maximum, or if a service plan corporation does not have the required reserves or its reserves are not properly computed, operations shall be adjusted to correct the condition, according to a written plan proposed by the corporation and approved by the commissioner. If a service plan corporation does not propose measures to correct its reserve or surplus within a reasonable time, if a corporation violates the plan which has been approved, or if there is evidence that an improper reserve or surplus status cannot be corrected within a reasonable time, the commissioner may take action against such corporation under chapter 60B, or under the suspension and penalty provisions of this act.

Sec. 10. **[62C.10] INVESTMENT.** Funds of a corporation subject to this act shall be invested only in securities and property designated by law for investment by domestic life insurance companies.

Sec. 11. **[62C.11] FINANCIAL STATEMENTS AND EXAMINATIONS.** Subdivision 1. A service plan corporation shall annually on or before the last day of March, file with the commissioner a financial statement, in such form as the commissioner shall prescribe, verified by not less than two of its principal officers, showing the financial condition of the corporation as of December 31 of the preceding year. The statement shall include an audit report certified by an independent certified public accountant and reconciled and adjusted to conform to the financial statement.

Subd. 2. The commissioner shall examine a service plan corporation to ascertain its financial condition, its ability to fulfill its obligations, and its compliance with this act, as often as he deems expedient for protection of the public, but not less than once each three years. He shall have access at all reasonable times to all books and records of the corporation, and may summon the officers and employees and examine them under oath as to any matter pertinent to this act.

Subd. 3. The commissioner shall visit and examine any service plan corporation formed after the effective date of this act within the first six months after it begins doing business, and thereafter once during each of the next three years. Thereafter he shall visit and examine the corporation at least once every three years.

Subd. 4. Any examination or audit conducted by or at the request of the commissioner shall be at the expense of the service plan corporation.

Subd. 5. The commissioner shall notify the governor whenever examinations required by this section have not been made and inform the governor of the reasons therefor.

Sec. 12. **[62C.12] SUSPENSION.** A service plan corporation shall be subject to Minnesota Statutes, Section 60A.051, relating to the denial, suspension or revocation of a certificate of authority, and to chapter 60B. The commissioner also may suspend or revoke a certificate for any violation or noncompliance with this act following a hearing under procedures established by rules and regulations of the commissioner. The commissioner may suspend or revoke the certificate of authority of a foreign service plan corporation for the same reasons for which a domestic corporation's certificate may be suspended or revoked, and further, he may revoke or suspend the certificate of a foreign service plan corporation if its activities outside the state of Minnesota impair its solvency or its ability to meet its obligations in this state.

Sec. 13. **[62C.13] AUTHORIZED CONTRACTS AND AGREEMENTS.** Subdivision 1. A service plan corporation may act for, or as agent of, a provider and may contract with subscribers and others to render or provide health services for the benefit of subscribers. It may enter into service agreements. A subscriber contract may provide for payment to, or reimbursement of, a subscriber for expenses incurred for health services when rendered or furnished by nonparticipating providers.

Subd. 2. A service plan corporation may contract or make other arrangements with any agency, instrumentality or political subdivision of the United States, or this state, and may accept and administer funds, directly or indirectly, made available thereby provided such agency, instrumentality or political subdivision is authorized by law to make such contracts or arrangements. It may subcontract with any organization which has contracted with any such agency, instrumentality or political subdivision for the administration or furnishing of health services or any publicly supported health service plan.

Subd. 3. A service plan corporation may enter into contracts or other arrangements with similar organizations or corporations domiciled in this or any other state or country, for transfer of subscribers, reciprocal or joint benefits, or for other joint undertakings approved by its board and not inconsistent with the purposes of this act, provided, however, that in no event shall a service plan corporation enter into any such contract, arrangement or undertaking which would have the effect of relieving such corporation of its duties and obligations to any subscribers unless the corporation has received the prior written consent of the affected subscribers, or a qualified agent or representative of such subscribers.

Subd. 4. A service plan corporation may enter into contracts or other arrangements with providers or with any agency, instrumentality or political subdivision of the United States or any state or country or any other organization for administrative, accounting,

record keeping, data processing, or planning, facility or service related to rendering or furnishing health services.

Subd. 5. This act shall not be construed to require a service plan corporation to contract or arrange to remain under contract or arrangement with any provider, subscriber or group of subscribers.

Sec. 14. **[62C.14] SUBSCRIBER CONTRACTS.** Subdivision 1. A service plan corporation shall deliver to every subscriber, except those covered as a spouse or dependent of another subscriber, a copy of the subscriber's contract or a certificate evidencing that the subscriber is covered by a group subscriber's contract.

Subd. 2. The subscriber's contract shall state in a clear and understandable manner all health services to be provided, in whole or in part, to the subscriber and all terms, conditions, limitations and exceptions under which the services shall be provided or paid for, including any provisions for coordination of benefits or subrogation, and including any provisions or conditions under which services from participating providers are not covered.

Subd. 3. Nothing in a subscriber's contract shall deny him free choice of the provider within a particular class of providers who is to treat the subscriber, and there shall be no interference with a provider-subscriber relationship.

Subd. 4. Except for group contracts or certificates, a subscriber's contract or other writing furnished to him with the contract, shall state the periodic subscription charge, the effective date, the expiration date or period of renewal, and the terms upon which the contract may be terminated, cancelled, continued, or renewed.

Subd. 5. A subscriber's individual contract or any group contract delivered or issued for delivery in this state and providing that coverage of a dependent child of the subscriber or a dependent child of a covered group member shall terminate upon attainment of a specified age shall also provide in substance that attainment of that age shall not terminate coverage while the child is (a) incapable of self-sustaining employment by reason of mental retardation or physical handicap, and (b) chiefly dependent upon the subscriber or employee for support and maintenance, provided proof of incapacity and dependency is furnished by the subscriber within 31 days of attainment of the age, and subsequently as required by the corporation, but not more frequently than annually after a two year period following attainment of the age.

Subd. 6. A subscriber's contract or certificate shall state that it and all riders and endorsements, together with any application if signed by the subscriber, identification issued to him, and the applicable benefit schedules on file at the home office of the

corporation and with the commissioner, shall constitute the entire contract between the corporation and the subscriber.

Subd. 7. No subscriber's contract shall provide for the payment of any cash or other material benefit to the subscriber or his estate on account of death, illness or injury, provided that a subscriber's contract may provide for the payment for services rendered by a nonparticipating provider to the extent such sevices are covered by the contract. In the event that the subscriber compensates the provider for services received he is subrogated to the provider's right against the service plan.

Subd. 8. Every subscriber's contract or certificate shall provide in substance that the subscriber has no personal liability to the participating provider rendering health services, except for those services or parts of service not covered by the subscriber's contract.

Subd. 9. No service plan corporation shall deliver or issue for delivery in this state any subscriber contract, endorsement, rider, amendment or application until a copy of the form thereof has been filed with the commissioner, subject to disapproval by the commissioner. Any such form issued or in use on the effective date of this act, if filed with the commissioner within 60 days after the effective date, shall be deemed filed upon receipt by the commissioner. The commissioner also may by regulation exempt from filing those subscriber contracts issued to a group of not less than 300 subscribers, or to other groups upon such reasonable conditions and restrictions as he may require.

Subd. 10. Except as otherwise provided in subdivision 9, all forms received by the commissioner shall be deemed filed 30 days after received unless disapproved by order transmitted to the corporation stating that the form used in a specified respect is contrary to law, contains a provision or provisions which are unfair, inequitable, misleading, inconsistent or ambiguous, or is in part illegible. It shall be unlawful to issue or use a document disapproved by the commissioner.

Subd. 11. An order of disapproval shall state that a hearing will be granted within 20 days upon written request. The commissioner shall conduct the hearing within 20 days after receipt of the request and shall give not less than ten days' written notice of the time and place and matters to be considered. Within 15 days after the hearing, the commissioner shall affirm, reverse, or modify his previous action in writing, specifying his reasons therefor. Pending the hearing and decision thereon, the commissioner may postpone the effective date of his previous action.

Subd. 12. An 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 of a form previously in use, the court shall determine whether the petition for the writ shall stay the order or decision. The court may modify, affirm, or reverse the order or decision of the commissioner in whole or in part.

Subd. 13. All subscriber's contracts covering subscribers in this state shall be deemed to have been made in this state and shall be construed pursuant to Minnesota law when the position or rights of a Minnesota subscriber or covered group member are at issue. It shall be unlawful for any service plan corporation to solicit or make any subscriber contract in violation of the provisions of this act.

Sec. 15. **[62C.15] SUBSCRIPTION CHARGES.** Subdivision 1. A service plan corporation shall establish and adjust from time to time subscription charges to be paid by or on behalf of its subscribers. The charges shall be reasonable, and not unfairly discriminatory, in relation to the benefits, considering actuarial projection of the cost of providing or paying for the health services, considering costs of administration, and in relation to reserves and surplus required by law.

Subd. 2. No service plan corporation shall deliver, issue for delivery, extend, continue, or renew any form of nongroup subscriber's contract until schedules of charges applicable thereto, including any endorsement, rider, amendment or application which is a part thereof, have been filed with the commissioner; nor shall such corporation deliver, issue for delivery, extend, continue or renew any form of group subscribers contract until a schedule of the rating structures and formulae applicable thereto, including any endorsement, rider, amendment or application which is a part thereof, has been filed with the commissioner. If after December 31, 1970, the unencumbered reserve or surplus is less than the required minimum or more than the required maximum, the rating structures and formulae filed as above provided, and all charges for nongroup subscribers' contracts shall, upon review, be subject to the commissioner's disapproval, until such reserves or surplus are in amounts prescribed by this act. In addition, the commissioner may, in his discretion, require the charges developed for group subscriber contracts to be filed, and, if such charges are required to be so filed, they shall, upon review, also be subject to the commissioner's disapproval.

Subd. 3. If subscription charges become subject to disapproval, the commissioner shall within 30 days of filing render an order either disapproving the charges or extending time for review to a specified date, or the charges shall be deemed approved. An order disapproving a charge shall state the reasons therefor and shall be subject to the notice, hearing, and appeal provisions of section 14 of this act. The burden of proving and actuarily demonstrating that the charges are not inadequate or excessive shall be on the corporation.

Subd. 4. It shall be unlawful for a service plan corporation to deliver or issue a subscriber's contract with charges which have been disapproved by the commissioner.

Sec. 16. **[62C.16] SERVICE AGREEMENTS.** Subdivision 1. Service plan corporations, as agents for providers, may enter into service agreements only with providers authorized to practice their profession or conduct their business in this state or the state or foreign country in which the provider is located.

Subd. 2. A service plan corporation shall enforce its service agreements, including agreements of providers to accept payment from the corporation as compensation for health service rendered or provided to subscribers who have prepaid for the health service. Provisions for review, by participating providers, of claims shall be a part of each service agreement.

Subd. 3. Each type of service agreement shall be filed with the commissioner, prior to its use and those in effect on the effective date of this act shall be filed within 60 days thereof.

Sec. 17. **[62C.17] LICENSE FOR SOLICITOR OR AGENT.** Subdivision 1. No person shall act as a solicitor or agent for solicitation of subscribers on behalf of a service plan corporation, except an officer of the corporation, until he obtains a license from the commissioner. The license shall be granted to qualified persons only upon request of the service plan corporation. The commissioner may establish by rule reasonable standards of qualification.

Subd. 2. Applications for license shall be submitted to the commissioner on forms provided by him. Except as provided in subdivision 3, the applicant shall pass a written examination reasonably designed to determine whether he is qualified to be licensed as an agent or solicitor. The examination shall be pertinent to the contracts and coverage furnished by the corporation and shall be comparable to the examination required for a health and accident insurance agent's license. Prior to examination or re-examination, and prior to issuance or renewal of a license, the applicant shall pay to the commissioner the fees required for examination or re-examination for, and issuance or renewal of, an insurance agent's license for one line of insurance. The license shall expire May 31 of each year unless renewed by written request with payment of the renewal fee. The license shall not authorize a person to act as an insurance agent or solicitor.

Subd. 3. The commissioner shall issue and renew licenses without examination for a person who holds a valid health and accident insurance agent's license of this state or who as of October 1, 1971 has been employed as a solictor or agent for solicitation of subscribers for not less than two years for the corporation to which

the license would apply, is a full time employee of the corporation, and has never had an insurance agent's license of this state denied, revoked, or suspended.

Subd.4. The commissioner may at any time after a hearing pursuant to the contested case provisions of Minnesota Statutes, Chapter 15, revoke or suspend a license if satisfied that the licensee is not qualified. An application for a new license or for reinstatement may be entertained one year after revocation or suspension, upon filing of a bond in the amount of $5,000 apppoved by the commissioner for protection of the public for a period of five years, or a lesser amount and period as the commissioner may prescribe. The commissioner shall revoke or suspend a license upon written request by the corporation or agent for which the licensee is licensed to act. Such a request shall include a statement of the specific facts constituting cause for termination. Any such information shall be deemed a confidential and privileged communication, and shall not be admissible, in whole or in part, in any action or proceeding without the corporation's or agent's written consent.

Subd. 5. A person shall not be qualified for a license if upon examination or re-examination it is determined that he is incompetent to act as an agent or solicitor, if he has acted in any manner which would disqualify a person to hold a license as an insurance agent or solicitor under section 60A.17, subdivision 6, or if he fails to produce documents subpoenaed by the commissioner, or fails to appear at a hearing to which he is a party or has been subpoenaed, if the production of documents or appearance is lawfully required.

Sec. 18. **[62C.18] NO PERSONAL LIABILITY.** Subdivision 1. No participating provider shall have any right of action against a subscriber for compensation for health services which such provider has rendered, except to the extent that the subscriber's contract does not provide coverage for the services or part of the services rendered.

Subd. 2. Nothing herein shall affect the rights of a nonparticipating provider who gives the subscriber written notice prior to rendering service that he will bill the subscriber directly for his service, provided that such notice shall not be required if (1) the nonparticipating provider is not informed by the subscriber and does not otherwise have knowledge that such subscriber has a subscriber contract covering such services, or (2) under the existing circumstances it is impossible or impractical for the nonparticipating provider to give such notice, or (3) the services are not provided in this state.

Subd. 3. A nonparticipating provider who fails to give the notice required in subdivision 2 shall not be entitled to recover compensation from a subscriber for health services rendered to such subscriber in an amount in excess of the aggregate of (1) the amount actually received by the subscriber from the service plan corporation

as reimbursement for the costs of such service, and (2) the amount by which such nonparticipating provider's fee or charges for such service exceeds the coverage provided for such service in the subscriber's contract.

Sec. 19. **[62C.19] UNFAIR TRADE PRACTICES.** Service plan corporations are subject to Minnesota Statutes, Section 72A.17 to 72A.30, regarding regulation of trade practices, and to all regulations promulgated by the commissioner regarding advertisements for and marketing of accident and health insurance.

Sec. 20. **[62C.20] PRACTICE NOT AUTHORIZED.** Nothing in this act shall authorize any person, association or corporation to engage, in any manner, in the practice of a profession required by this state to be licensed.

Sec. 21. **[62C.21] PENALTIES.** If a service plan corporation violates this act or other applicable law, the commissioner may suspend or revoke its certificate of authority, and impose a penalty not to exceed $5,000 for each offense. Such action shall be by order and subject to the notice, hearing and appeal provided as to an order disapproving a subscriber's contract.

Sec. 22. **[62C.22] VIOLATIONS.** Any person who violates this act, or who makes a material false statement with respect to a written report or statement required by this act, shall be punishable, for the first offense, by payment of a fine of not more than $300 or imprisonment for not more than 90 days or both and for the second and each subsequent offense by payment of a fine of not more than $1000 or imprisonment for not more than one year or both.

Sec. 23. **[62C.23] RULES AND REGULATIONS.** For the purpose of implementing and enforcing this act, the commissioner may adopt rules and regulations pursuant to Minnesota Statutes 1969, Chapter 15.

Sec. 24. Minnesota Statutes 1969, Section 60B.02, is amended to read:

60B.02 **PERSONS COVERED.** The proceedings authorized by sections 60B.01 to 60B.61 may be applied to:

(1) All insurers who are doing, or have done, an insurance business in this state, and against whom claims arising from that business may exist now or in the future;

(2) All insurers who purport to do an insurance business in this state;

(3) All insurers who have insureds resident in this state;

(4) All other persons organized or in the process of organizing with the intent to do an insurance business in this state; and

(5) All nonprofit service ~~plans~~ plan corporations incorporated or operating under ~~sections 159.02, 159.22, and 309.10~~ the nonprofit health service plan corporation act , any health plan incorporated under chapter 317, all fraternal beneficiary associations operating under chapter 64A, except those associations enumerated in section 64A.45, all assessment benefit associations operating under chapter 63, all township mutual or other companies operating under chapter 67A, and all reciprocals or interinsurance exchanges operating under chapter 71A.

Sec. 25. Minnesota Statutes 1969, Section 60B.15, is amended to read:

60B.15 **GROUNDS FOR REHABILITATION.** The commissioner may apply by verified petition to the district court for Ramsey county or for the county in which the principal office of the insurer is located for an order directing him to rehabilitate a domestic insurer or an alien insurer domiciled in this state on any one or more of the following grounds:

(1) Any ground on which he may apply for an order of liquidation under section 60B.20, whenever he believes that the insurer may be successfully rehabilitated without substantial increase in the risk of loss to creditors of the insurer, its policyholders or to the public;

(2) That the commissioner has reasonable cause to believe that there has been theft from the insurer, wrongful sequestration or diversion of the insurer's assets, forgery or fraud affecting the insurer or other illegal conduct in, by or with respect to the insurer, which endanger assets in an amount threatening insolvency of the insurer;

(3) That substantial and unexplained discrepancies exist between the insurer's records and the most recent annual report or other official company reports;

(4) That the insurer, after written demand by the commissioner, has failed to remove any person who in fact has executive authority in the insurer, whether an officer, manager, general agent, employee, or other person, if the person has been found by the commissioner after notice and hearing to be dishonest or untrustworthy in a way affecting the insurer's business such as is the basis for action under section 60A.051;

(5) That control of the insurer, whether by stock ownership or otherwise, and whether direct or indirect, is in one or more persons found by the commissioner after notice and hearing to be dishonest or untrustworthy such as is the basis for action under section 60A.051;

(6) That the insurer, after written demand by the commissioner, has failed within a reasonable period of time to terminate the employment and status and all influences on management of any person who in fact has executive authority in the insurer, whether an officer, manager, general agent, employee or other person if the person has refused to submit to lawful examination under oath by the commissioner concerning the affairs of the insurer, whether in this state or elsewhere;

(7) That after lawful written demand by the commissioner the insurer has failed to submit promptly any of its own property, books, accounts, documents, or other records, or those of any subsidiary or related company within the control of the insurer, or those of any person having executive authority in the insurer so far as they pertain to the insurer, to reasonable inspection or examination by the commissioner or his authorized representative. If the insurer is unable to submit the property, books, accounts, documents, or other records of a person having executive authority in the insurer, it shall be excused from doing so if it promptly and effectively terminates the relationship of the person to the insurer;

(8) That without first obtaining the written consent of the commissioner, or ~~in the case of an insurer incorporated or operating under sections 159.02, 159.22 or 309.10 or chapter 317~~ if required by law , the written consent of the attorney general, the insurer has transferred, or attempted to transfer, substantially its entire property or business, or has entered into any transaction the effect of which is to merge, consolidate, or reinsure substantially its entire property or business of any other person;

(9) That the insurer or its property has been or is the subject of an application for the appointment of a receiver, trustee, custodian, conservator or sequestrator or similar fiduciary of the insurer or its property otherwise than as authorized under sections 60B.01 to 60B.61, and that such appointment has been made or is imminent, and that such appointment might divest the courts of this state of jurisdiction or prejudice orderly delinquency proceedings under sections 60B.01 to 60B.61;

(10) That within the previous year the insurer has wilfully violated its charter or articles of incorporation or its bylaws or any applicable insurance law or regulation of any state, or of the federal government, or any valid order of the commissioner under section 60B.11 in any manner or as to any matter which threatens substantial injury to the insurer, its creditors, its policyholders or the public, or having become aware within the previous year of an unintentional or willful violation has failed to take all reasonable steps to remedy the situation resulting from the violation and to prevent the same violations in the future;

(11) That the directors of the insurer are deadlocked in the management of the insurer's affairs and that the members or shareholders are unable to break the deadlock and that irreparable injury to the insurer, its creditors, its policyholders, or the public is threatened by reason thereof;

(12) That the insurer has failed to pay for 60 days after due date any obligation to this state or any political subdivision thereof or any judgment entered in this state, except that such nonpayment shall not be a ground until 60 days after any good faith effort by the insurer to contest the obligation or judgment has been terminated, whether it is before the commissioner or in the courts;

(13) That the insurer has failed to file its annual report or other report within the time allowed by law, and after written demand by the commissioner has failed to give an adequate explanation immediately;

(14) That two thirds of the board of directors, or the holders of a majority of the shares entitled to vote, or a majority of members or policyholders of an insurer subject to control by its members or policyholders, consent to rehabilitation under sections 60B.01 to 60B.61;

(15) That the insurer is engaging in a systematic practice of reaching settlements with and obtaining releases from policyholders or third party claimants and then unreasonably delaying payment of or failing to pay the agreed upon settlements;

(16) That the insurer is in such condition that the further transaction of business would be hazardous, financially or otherwise, to its policyholders, its creditors, or the public;

(17) That within the previous 12 months the insurer has systematically attempted to compromise with its creditors on the ground that it is financially unable to pay its claims in full.

Sec. 26. Minnesota Statutes 1969, Section 317.06, is amended to read:

317.06 **SCOPE OF CHAPTER.** (1) This chapter does not apply to

(a) cooperative associations,

(b) public cemetery corporations and associations,

(c) private cemeteries~~,~~.

~~(d) nonprofit medical service plan corporations,~~

~~(e) nonprofit hospital service plan corporations.~~

(2) Religious corporations authorized by Minnesota Statutes, Chapter 315, may be formed under that chapter or under this chapter.

(3) This chapter does not apply to a religious corporation unless it is formed under this chapter or has elected to come under this chapter in the manner prescribed by section 317.04, subdivision 3, but a religious corporation, whether or not formed or electing to come under this chapter, may avail itself, where applicable, of sections 317.26 to 317.69 of this chapter in lieu of chapters 315 and 300.

Sec. 27. **REPEAL.** Minnesota Statutes 1969, Sections 159.01, 159.02, 159.03, 159.04, 159.05, 159.06, 159.07, 159.08, 159.09, 159.10, 159.11, 159.12, 159.13, 159.14, 159.15, 159.16, 159.17, 159.18, 159.19, 159.21, 159.22, 159.23, 159.24, 159.25, 159.26, 159.27, 159.28, 159.29, 159.30, 159.31, 159.32, 159.33, 159.34, 159.35, 159.36, 159.37, 159.38, 159.39, 159.40, 159.50, 309.10, 309.11, 309.12, 309.13, 309.14, 309.15, 309.16, 309.17, 309.171, and 309.175 are repealed.

Sec. 28. **EFFECTIVE DATE.** This act shall take effect on August 1, 1971.

Approved May 27, 1971.

CHAPTER 569—H.F.No.985

[Coded in Part]

An act relating to taxation; providing for rural service districts containing platted land; amending Minnesota Statutes 1969, Section 272.67, by adding a subdivision.

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

Section 1. Minnesota Statutes 1969, Section 272.67, is amended by adding a subdivision to read:

Subd. 8. **TAXATION; RURAL SERVICE DISTRICTS; PLATTED LAND.** Notwithstanding the provisions of subdivisions 2 and 5, of this section, a rural service district established by any city, village or borough may include platted parcels of land which the governing body determines to be rural in character and not developed for urban residential, commercial, or industrial purposes. Whenever any lot or portion of a platted parcel which is included in the rural service district is developed for commercial, industrial or urban residential purposes, or basic urban services such as sewer, water, or street improvements are extended to any such lot or portion, the governing body shall transfer the entire platted parcel to the urban service district. The governing body of such city, village or borough shall