

Approved April 8, 1976.

CHAPTER 185—S.F.No.1848

An act relating to insurance; including surety bonds within the scope of the Minnesota insurance guaranty association act; amending Minnesota Statutes 1974, Sections 60C.02, Subdivisions 1 and 2; 60C.03, Subdivision 4; 60C.04; 60C.05, Subdivision 1; 60C.09, Subdivision 1; 60C.14, Subdivision 2; 60C.18.

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

Section 1. Minnesota Statutes 1974, Section 60C.02, Subdivision 1, is amended to read:

60C.02 INSURANCE GUARANTY ASSOCIATION; SURETY BONDS; SCOPE, PURPOSE AND CONSTRUCTION. Subdivision 1. **SCOPE.** Laws 1971, Chapter 145 applies to all kinds of direct insurance, except life, title, ~~surety~~, accident and sickness written by life insurance companies, credit, mortgage guaranty, ocean marine and workmen's compensation insurance subject to the provisions of section 79.28.

Sec. 2. Minnesota Statutes 1974, Section 60C.02, Subdivision 2, is amended to read:

Subd. 2. **PURPOSES.** The purposes of Laws 1971, Chapter 145 are to provide a mechanism for the payment of covered claims under certain insurance policies and surety bonds, to avoid excessive delay in payment and to avoid financial loss to claimants or policyholders because of the liquidation of an insurer, to assist in the detection and prevention of insurer insolvencies, and to provide an association to assess the cost of the protection among insurers.

Sec. 3. Minnesota Statutes 1974, Section 60C.03, Subdivision 4, is amended to read:

Subd. 4. "Net direct written premiums" means direct gross premiums written in this state on surety bonds and insurance policies not excepted from the scope of Laws 1971, Chapter 145 by section 60C.02, less return premiums thereon and dividends paid or credited to policyholders on such direct business.

Sec. 4. Minnesota Statutes 1974, Section 60C.04, is amended to read:

60C.04 CREATION. All insurers subject to the provisions of Laws 1971, Chapter 145 shall form an organization to be known as the Minnesota insurance guaranty association. All insurers defined as member

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insurers in section 60C.03, subdivision 6, are and shall remain members of the association as a condition of their authority to transact insurance business or to execute surety bonds in this state. The association shall perform its functions under a plan of operation established and approved under section 60C.07 and shall exercise its powers through a board of directors established under section 60C.08. For purposes of administration and assessment the association shall be divided into ~~three~~-four separate accounts: (1) the automobile insurance account, (2) the township mutuals account, ~~(3) the fidelity and surety bond account~~ and ~~(3)~~ (4) the account for all other insurance to which Laws 1971, Chapter 145 applies.

Sec. 5. Minnesota Statutes 1974, Section 60C.05, Subdivision 1, is amended to read:

60C.05 POWERS AND DUTIES OF THE ASSOCIATION. Subdivision 1. The association shall:

(a) Be deemed the insurer to the extent of its obligation on the covered claims. The claims found by the board of directors to be covered shall be paid out of available funds after they have been approved or settled under sections 60B.45, subdivision 2, and 60B.58, subdivision 2, or the corresponding laws of another jurisdiction, subject to the board's power to reduce the amount of or reject the award under section 60C.10.

(b) Allocate claims paid and expenses incurred among the ~~three~~-four accounts and assess member insurers separately for each account the amounts necessary to pay the obligations of the association under clause (a), the expenses of handling covered claims, the cost of examinations under section 60C.15 and other expenses authorized by Laws 1971, Chapter 145.

(c) Notify the persons as the commissioner directs under Laws 1971, Chapter 145.

(d) Handle claims through its employees or through one or more insurers or other persons designated as servicing facilities. Designation of a servicing facility is subject to the approval of the commissioner, but the designation may be declined.

(e) Reimburse each servicing facility for obligations of the association paid by the facility and for expenses incurred by the facility while handling claims on behalf of the association and shall pay the other expenses of the association authorized by Laws 1971, Chapter 145.

(f) Notify each member insurer of its assessment not later than 30 days before it is due.

Sec. 6. Minnesota Statutes 1974, Section 60C.09, Subdivision 1, is

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amended to read:

60C.09 COVERED CLAIMS. Subdivision 1. **DEFINITION.** A covered claim is any unpaid claim, including one for unearned premium, which:

(a) Arises out of an insurance policy issued by a member insurer;

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

(c) Has been approved in the liquidation of the insurer issuing the policy, carried out under chapter 60B or under similar laws of another state or country; and

(d) Is made by:

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

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

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

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

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

Sec. 7. Minnesota Statutes 1974, Section 60C.14, Subdivision 2, is amended to read:

Subd. 2. **OPTIONAL POWERS AND DUTIES.** The commissioner may:

(a) Require the association to notify the insureds of any insurer undergoing liquidation and any other interested parties of their possible rights under Laws 1971, Chapter 145. Notification shall be by mail at their last known address, where available, but if sufficient information for notification by mail is not available, notice by publication in a newspaper of general circulation shall be sufficient.

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(b) Suspend or revoke, after notice and hearing, the certificate of authority to transact insurance or to execute surety bonds in this state of any member insurer which fails to pay an assessment when due or fails to comply with the plan of operation. As an alternative, the commissioner may levy a fine on any member insurer which fails to pay an assessment when due. The fine shall not exceed five percent of the unpaid assessment per month, except that no fine shall be less than \$100 per month.

(c) Revoke the designation of any servicing facility if he finds claims are being handled unsatisfactorily.

Sec. 8. Minnesota Statutes 1974, Section 60C.18, is amended to read:

60C.18 RECOGNITION OF ASSESSMENTS IN RATES. The rates and premiums charged for insurance policies and fidelity and surety bonds to which ~~Laws 1974, Chapter 146~~ this chapter applies may include amounts sufficient to recoup a sum equal to the amounts paid to the association by the member insurer less any amounts returned to the member insurer by the association. The rates shall not be deemed excessive because they contain an amount reasonably calculated to recoup assessments paid by the member insurer.

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CHAPTER 186—S.F.No.1872

An act relating to health; providing that persons eligible for medical assistance have free selection of a medical care vendor; amending Minnesota Statutes, 1975 Supplement, Sections 256D.03, Subdivision 3; 261.21, Subdivision 2; and 261.22, Subdivision 2.

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

Section 1. Minnesota Statutes, 1975 Supplement, Section 256D.03, Subdivision 3, is amended to read:

Subd. 3. **PUBLIC HEALTH; MEDICAL ASSISTANCE; SELECTION OF VENDOR.** State aid shall be paid to local agencies or counties for 90 percent of the cost of general relief medical care paid by the local agency or county pursuant to section 256D.02, subdivision 4 on behalf of persons eligible according to standards established by the commissioner of welfare in accordance with the rates established by rule of the commissioner. The local agency or county may select the Persons eligible for benefits under sections 256D.01 to 256D.19 shall have free choice in the selection of a vendor for the delivery of the medical care. Any local agency or county may, from its own resources,

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