The revisor of statutes shall substitute the term "attorney general" for the term "commissioner" or "commissioner of commerce" or "department" in Minnesota Statutes, sections 309.52, subdivisions 1 and 7; 309.53, subdivisions 1 and 2; 309.533, subdivision 1; 309.591; and 309.60.

The revisor of statutes shall delete all references to the "department" in Minnesota Statutes, section 309.581.

Sec. 47. **REPEALER.**

Minnesota Statutes 1986, sections 72A.23; 72A.24; 72A.28; 80A.20; 80A.21; 80C.15; 80C.16, subdivision 1; 82.25; 82.26; 83.34; 83.35, subdivision 3; 238.085; 309.515, subdivision 3; 309.532; 309.533, subdivisions 2, 3, and 4; 309.534; 309.555; and 309.58, are repealed.

Sec. 48. **EFFECTIVE DATE.**

Section 5 is effective June 1, 1987. Section 26 is effective June 30, 1987. Section 44 is effective the day following final enactment.

Approved June 1, 1987

CHAPTER 337—S.F.No. 478

An act relating to insurance; requiring notification of group life or health coverage changes; allowing mandatory temporary insurance agent licenses; requiring those who solicit insurance to act as agent for the insurer; regulating insurance continuing education; providing for the definition of an ineligible surplus lines insurer; regulating rates and forms; regulating insurance plan administrators; regulating trust funds; regulating the renewal, nonrenewal, and cancellation of commercial liability and property insurance policies; authorizing employers to jointly self-insure for property or casualty liability and regulating these plans; providing continued group life coverage upon termination or layoff; providing for the establishment and operation of the insurance guaranty association and the life and health guaranty association; regulating accident and health insurance; regulating joint self-insurance employee health plans; requiring the treatment of pregnancy-related conditions in the same manner as other illnesses; mandating certain coverages; clarifying coverage for handicapped dependents; providing continued group accident and health coverage upon termination or layoff; requiring coverage of current spouse and children; imposing surety bond or security requirements on certain health benefit plans; regulating Medicare supplement plan premium refunds; regulating long-term care policies; providing for the establishment and operation of the comprehensive health association, the medical joint underwriting association, and the joint underwriting association; providing comprehensive health insurance coverage for certain employees not eligible for Medicare; regulating fraternal benefit associations; regulating automobile insurance; providing for exemption from certain legal process of cash value, proceeds, or benefits under certain life insurance or annuity contracts; limiting the cancellation of fire insurance binders and policies; providing for administration of the FAIR

plan; requiring accident prevention course premium reductions; limiting the grounds for cancellation or reduction in limits during the policy period; requiring the commissioner to set rates for cooperative housing and neighborhood real estate trust insurance; regulating no-fault automobile insurance; providing for the priority of security for payment of basic economic loss benefits; extending basic economic loss benefit protection; requiring coverages for former spouses; specifying membership on the assigned claims bureau; extending no-fault benefits to pedestrians who are struck by motorcycles; regulating township mutual insurance companies; providing for mandatory arbitration of certain claims; authorizing investments in certain insurers; regulating rental vehicle personal accident insurance; regulating trade practices; requiring life and health insurers to substantiate the underwriting standards they use; providing assigned risk plan coverage for certain vehicles used by the handicapped; establishing a demonstration project to provide medical insurance to certain low income persons; regulating certain self-insurance by political subdivisions; clarifying the statute of limitations applicable to actions regarding manufacturers or suppliers of material containing asbestos; granting immunity from liability for volunteer coaches, managers, and officials; requiring a home health care study; prescribing penalties; amending Minnesota Statutes 1986, sections 16A.133, subdivision 1; 45.024, subdivision 2; 60A.17, subdivisions 1a, 2c, 11, and 13; 60A.1701, subdivisions 5, 7, and 8; 60A.196; 60A.198, subdivision 3; 60A.23, subdivision 8; 60A.29, subdivisions 2, 5, and 16, and by adding subdivisions; 60A.30; 60A.31; 60B.44, subdivisions 1, 4, 5, and 9; 60C.08, subdivision 1; 60C.09; 60C.12; 61A.28, subdivision 12; 61B.09; 62A.041; 62A.043, by adding a subdivision; 62A.141; 62A.146; 62A.152, subdivision 2; 62A.17; 62A.21; 62A.27; 62A.31, subdivision 1a; 62A.43, subdivision 2, and by adding a subdivision; 62A.46, by adding a subdivision; 62A.48, subdivisions 1, 2, 6, and by adding a subdivision; 62A.50, subdivision 3; 62D.05, by adding a subdivision; 62D.102; 62E.06, subdivision 1; 62E.10, subdivision 2, and by adding subdivisions; 62E.14, by adding a subdivision; 62F.041, subdivision 2; 62F.06, subdivision 1; 62H.01; 62H.02; 62H.04; 62I.02, subdivisions 1 and 3; 62I.03, subdivision 5; 62I.04; 62I.12, subdivision 1; 62I.13, by adding a subdivision; 62I.16, subdivision 3; 62I.22, subdivision 2, and by adding a subdivision; 64B.11, subdivision 4; 64B.18; 64B.27; 65A.01, subdivision 3a; 65A.03, subdivision 1; 65A.10; 65A.29, by adding a subdivision; 65A.35, subdivision 5; 65A.39; 65B.03, subdivision 1; 65B.12; 65B.1311; 65B.15, subdivision 1; 65B.16; 65B.21, subdivision 2; 65B.28; 65B.46; 65B.48, subdivision 1; 65B.49, by adding a subdivision; 65B.525, subdivision 1; 65B.63, subdivision 1; 67A.05, subdivision 2; 67A.06; 67A.231; 70A.06, by adding a subdivision; 70A.08, subdivision 3; 72A.20, subdivisions 11, 17, and by adding subdivisions; 72A.31, subdivision 1; 169.045, subdivision 1, and by adding a subdivision; 471.98, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 60A; 61A; 62A; 62E; 65A; 65B; 72A; 256B; 541; and 604; proposing coding for new law as Minnesota Statutes, chapter 60F; repealing Minnesota Statutes 1986, sections 62A.12; and 67A.43, subdivision 3; and Minnesota Rules, parts 2700.2400 to 2700.2440.

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

Section 1. Minnesota Statutes 1986, section 16A.133, subdivision 1, is amended to read:

Subdivision 1. **CREDIT UNION; ORGANIZATION; COMPANY.** An agency head may, with the written request of an employee, deduct from the pay of the employee a requested amount to be paid to any state employees' credit union, or the Minnesota benefit association, or to any organization contemplated by section 179A.06, of which the employee is a member, or to a company that has

contracted to insure the employee for the medical costs of cancer or intensive care. If an employee is a member of more than one such credit union or more than one such organization, or is insured by more than one company, only one credit union and one organization and one company may be paid money by payroll deduction from the employee's pay. No deduction may be made from the salary of an employee for payment to a credit union or organization or company unless 100 employees request deductions for payment to the credit union or organization or company. The 100 employee minimum does not apply to credit unions and organizations which received authorized payroll deduction payments on June 5, 1971.

Sec. 2. Minnesota Statutes 1986, section 45.024, subdivision 2, is amended to read:

Subd. 2. **DELEGATION.** The commissioner of commerce may delegate to ~~one or more of the~~ a deputy ~~commissioners~~ commissioner, assistant commissioner, or director the exercise of the commissioner's statutory powers and duties, including the authority to decide and issue final orders in contested cases, rulemaking proceedings, and other hearings held under chapter 14.

Sec. 3. **[60A.084] NOTIFICATION ON GROUP POLICIES.**

An employer providing life or health benefits may not change benefits, limit coverage, or otherwise restrict participation until the certificate holder or enrollee has been notified of any changes, limitations, or restrictions. Notice in a format which meets the requirements of the Employee Retirement Income Security Act, 29 U.S.C.A., sections 1001 to 1461, is satisfactory for compliance with this section.

Sec. 4. Minnesota Statutes 1986, section 60A.17, subdivision 1a, is amended to read:

Subd. 1a. **LICENSE APPLICATION.** (a) **PROCEDURE.** An application for a license to act as an insurance agent shall be made to the commissioner by the person who seeks to be licensed. The application for license shall be accompanied by a written appointment from an admitted insurer authorizing the applicant to act as its agent under one or both classes of license. The insurer must also submit its check payable to the state treasurer for the amount of the appointment fee prescribed by section 60A.14, subdivision 1, paragraph (c), clause (9) at the time the agent becomes licensed. The application and appointment shall be on forms prescribed by the commissioner.

If the applicant is a natural person, no license shall be issued until that natural person has become qualified.

If the applicant is a partnership or corporation, no license shall be issued until at least one natural person who is a partner, director, officer, stockholder, or employee shall be licensed as an insurance agent.

(b) **RESIDENT AGENT.** The commissioner shall issue a resident insurance agent's license to a qualified resident of this state as follows:

(1) a person may qualify as a resident of this state if that person resides in this state or the principal place of business of that person is maintained in this state. Application for a license claiming residency in this state for licensing purposes, shall constitute an election of residency in this state. Any license issued upon an application claiming residency in this state shall be void if the licensee, while holding a resident license in this state, also holds, or makes application for, a resident license in, or thereafter claims to be a resident of, any other state or jurisdiction or if the licensee ceases to be a resident of this state; provided, however, if the applicant is a resident of a community or trade area, the border of which is contiguous with the state line of this state, the applicant may qualify for a resident license in this state and at the same time hold a resident license from the contiguous state;

(2) the commissioner shall subject each applicant who is a natural person to a written examination as to the applicant's competence to act as an insurance agent. The examination shall be held at a reasonable time and place designated by the commissioner;

(3) the examination shall be approved for use by the commissioner and shall test the applicant's knowledge of the lines of insurance, policies, and transactions to be handled under the class of license applied for, of the duties and responsibilities of the licensee, and pertinent insurance laws of this state;

(4) the examination shall be given only after the applicant has completed a program of classroom studies in a school, which shall not include a school ~~conducted by an admitted insurer~~ sponsored by, offered by, or affiliated with an insurance company or its agents; except that this limitation does not preclude a bona fide professional association of agents, not acting on behalf of an insurer, from offering courses. The course of study shall consist of 30 hours of classroom study devoted to the basic fundamentals of insurance for those seeking a Minnesota license for the first time, 15 hours devoted to specific life and health topics for those seeking a life and health license, and 15 hours devoted to specific property and casualty topics for those seeking a property and casualty license. The program of studies or study course shall have been approved by the commissioner in order to qualify under this clause. If the applicant has been previously licensed for the particular line of insurance in the state of Minnesota, the requirement of a program of studies or a study course shall be waived. A certification of compliance by the organization offering the course shall accompany the applicant's license application. This program of studies in a school or a study course shall not apply to farm property perils and farm liability applicants, or to agents writing such other lines of insurance as the commissioner may exempt from examination by order;

(5) the applicant must pass the examination with a grade determined by the commissioner to indicate satisfactory knowledge and understanding of the class

or classes of insurance for which the applicant seeks qualification. The commissioner shall inform the applicant as to whether or not the applicant has passed;

(6) an applicant who has failed to pass an examination may take subsequent examinations. Examination fees for subsequent examinations shall not be waived; and

(7) any applicant for a license covering the same class or classes of insurance for which the applicant was licensed under a similar license in this state, other than a temporary license, within the three years preceding the date of the application shall be exempt from the requirement of a written examination, unless the previous license was revoked or suspended by the commissioner. An applicant whose license is not renewed under subdivision 20 is exempt from the requirement of a written examination.

(c) **NONRESIDENT AGENT.** The commissioner shall issue a nonresident insurance agent's license to a qualified person who is a resident of another state or country as follows:

(1) A person may qualify for a license under this section as a nonresident only if that person holds a license in another state, province of Canada, or other foreign country which, in the opinion of the commissioner, qualifies that person for the same activity as that for which a license is sought;

(2) The commissioner shall not issue a license to any nonresident applicant until that person files with the commissioner a designation of the commissioner and the commissioner's successors in office as the applicant's true and lawful attorney upon whom may be served all lawful process in any action, suit, or proceeding instituted by or on behalf of any interested person arising out of the applicant's insurance business in this state. This designation shall constitute an agreement that this service of process is of the same legal force and validity as personal service of process in this state upon that applicant.

Service of process upon any licensee in any action or proceeding commenced in any court of competent jurisdiction of this state may be made by serving the commissioner with appropriate copies of the process along with payment of the fee pursuant to section 60A.14, subdivision 1, paragraph (c), clause (4). The commissioner shall forward a copy of the process by registered or certified mail to the licensee at the last known address of record or principal place of business of the licensee; and

(3) A nonresident license shall terminate automatically when the resident license for that class of license in the state, province, or foreign country in which the licensee is a resident is terminated for any reason.

(d) **DENIAL.** (1) If the commissioner finds that an applicant for a resident or nonresident license has not fully met the requirements for licensing, the commissioner shall refuse to issue the license and shall promptly give written notice to both the applicant and the appointing insurer of the denial, stating the

grounds for the denial. All fees which accompanied the application and appointment shall be deemed earned and shall not be refundable.

(2) The commissioner may also deny issuance of a license for any cause that would subject the license of a licensee to suspension or revocation. If a license is denied pursuant to this clause, the provisions of subdivision 6c, paragraph (c) apply.

(3) The applicant may make a written demand upon the commissioner for a hearing within 30 days of the denial of a license to determine whether the reasons stated for the denial were lawful. The hearing shall be held pursuant to chapter 14.

(e) **TERM.** All licenses issued pursuant to this section shall remain in force until voluntarily terminated by the licensee, not renewed as prescribed in subdivision 1d, or until suspended or revoked by the commissioner. A voluntary termination shall occur when the license is surrendered to the commissioner with the request that it be terminated or when the licensee dies, or when the licensee is dissolved or its existence is terminated. In the case of a nonresident license, a voluntary termination shall also occur upon the happening of the event described in paragraph (c), clause (3).

Every licensed agent shall notify the commissioner within 30 days of any change of name, address, or information contained in the application.

(f) **SUBSEQUENT APPOINTMENTS.** A person who holds a valid agent's license from this state may solicit applications for insurance on behalf of an admitted insurer with which the licensee does not have a valid appointment on file with the commissioner; provided, that the licensee has permission from the insurer to solicit insurance on its behalf and, provided further, that the insurer upon receipt of the application for insurance submits a written notice of appointment to the commissioner accompanied by its check payable to the state treasurer in the amount of the appointment fee prescribed by section 60A.14, subdivision 1, paragraph (c), clause (9). The notice of appointment shall be on a form prescribed by the commissioner.

(g) **AMENDMENT OF LICENSE.** An application to the commissioner to amend a license to reflect a change of name, or to include an additional class of license, or for any other reason, shall be on forms provided by the commissioner and shall be accompanied by the applicant's surrendered license and a check payable to the state treasurer for the amount of fee specified in section 60A.14, subdivision 1, paragraph (c).

An applicant who surrenders an insurance license pursuant to this clause retains licensed status until an amended license is received.

(h) **EXCEPTIONS.** The following are exempt from the general licensing requirements prescribed by this section:

(1) agents of township mutuals who are exempted pursuant to subdivision 1b;

(2) fraternal beneficiary association representatives exempted pursuant to subdivision 1c;

(3) any regular salaried officer or employee of a licensed insurer, without license or other qualification, may act on behalf of that licensed insurer in the negotiation of insurance for that insurer; provided that a licensed agent must participate in the sale of any such insurance;

(4) employers and their officers or employees, and the trustees or employees of any trust plan, to the extent that the employers, officers, employees, or trustees are engaged in the administration or operation of any program of employee benefits for the employees of the employers or employees of their subsidiaries or affiliates involving the use of insurance issued by a licensed insurance company; provided, that the activities of the officers, employees and trustees are incidental to clerical or administrative duties and their compensation does not vary with the volume of insurance or applications therefor;

(5) employees of a creditor who enroll debtors for life or accident and health insurance; provided the employees receive no commission or fee therefor; ~~and~~

(6) clerical or administrative employees of an insurance agent who take insurance applications or receive premiums in the office of their employer, if the activities are incidental to clerical or administrative duties and the employee's compensation does not vary with the volume of the applications or premiums; and

(7) rental vehicle companies and their employees in connection with the offer of rental vehicle personal accident insurance under section 72A.125.

Sec. 5. Minnesota Statutes 1986, section 60A.17, subdivision 2c, is amended to read:

Subd. 2c. ~~MANDATORY~~ **TEMPORARY LICENSES.** The commissioner ~~shall~~ may grant a temporary insurance agent's license to a person who has ~~submitted an application for a resident license which is accepted by the commissioner and who has~~ successfully completed the examination, if any, required by the commissioner. The temporary license ~~shall~~ may be granted ~~no later than~~ as of the date upon which the applicant receives written notice from the commissioner that ~~the application for resident license has been accepted by the commissioner and that~~ the person has passed any required examination. A temporary license will permit the applicant to act as an insurance agent for the original appointing insurer for the class of business specified therein until the earlier of (a) receipt by the applicant of the resident license, or (b) the expiration of 90 days from the date on which the temporary license was granted.

Sec. 6. Minnesota Statutes 1986, section 60A.17, subdivision 11, is amended to read:

Subd. 11. ~~LIFE COMPANY AGENTS~~ INSURER'S AGENT. Any person who ~~shall solicit an application for~~ solicits insurance ~~upon the life of another shall, in any controversy between the assured or the assured's beneficiary and the company issuing any policy upon such application, be regarded as~~ is the agent of the ~~company~~ insurer and not the agent of the ~~assured~~ insured.

Sec. 7. Minnesota Statutes 1986, section 60A.17, subdivision 13, is amended to read:

Subd. 13. **AGENTS; VARIABLE CONTRACTS.** (a) **LICENSE REQUIRED.** No person shall sell or offer for sale a contract on a variable basis unless prior to making any solicitation or sale the person has obtained from the commissioner a license therefor. The license shall only be granted, upon the written requisition of an insurer, to a qualified person who holds a current license authorizing the person to solicit and sell life insurance and annuity contracts in this state. To become qualified, a person shall complete a written application on a form prescribed by the commissioner and shall take and pass an examination prescribed by the commissioner. ~~Prior to the taking of the examination, or upon reexamination, the applicant shall transmit to the commissioner, by money order or cashiers check payable to the state treasurer, an examination fee of $10.~~

(b) **EXCEPTIONS.** (1) Any regularly salaried officer or employee of a licensed insurer may, without license or other qualification, act on behalf of that licensed insurer in the negotiation of a contract on a variable basis, provided that a licensed agent must participate in the sale of any contract.

(2) Any person who, on July 1, 1969, holds a valid license authorizing the person to solicit and sell life insurance and annuity contracts and who also holds a valid license issued by the department of commerce authorizing the person to sell or offer for sale contracts on a variable basis shall be issued a license by the commissioner of commerce upon application therefor and payment of a $2 fee, which license shall expire on May 31, 1970, unless renewed by an insurer as provided in paragraph (a).

(3) Any person who holds a valid license to solicit and sell life insurance and annuity contracts may solicit and sell contracts on a variable basis without acquiring a license under this subdivision if the contract is based on an account which is excluded from the definition of investment company under the Investment Company Act of 1940, United States Code, title 15, section 80a-3(11).

(c) **RULES.** The commissioner may by rules waive or modify any of the foregoing requirements or prescribe additional requirements deemed necessary for the proper sale and solicitation of contracts on a variable basis.

Sec. 8. Minnesota Statutes 1986, section 60A.1701, subdivision 5, is amended to read:

Subd. 5. **POWERS OF THE ADVISORY TASK FORCE.** (a) Applications ~~for accreditation of each course and~~ for approval of individuals responsible for

monitoring course offerings must be submitted to the commissioner on forms prescribed by the commissioner and must be accompanied by a fee of not more than $50 payable to the state of Minnesota for deposit in the general fund. A fee of $5 for each hour or fraction of one hour of course approval sought must be forwarded with the application for course approval. If the advisory task force is created, it shall make recommendations to the commissioner regarding the accreditation of courses sponsored by institutions, both public and private, which satisfy the criteria established by this section, the number of credit hours to be assigned to the courses, and rules which may be promulgated by the commissioner. The advisory task force shall seek out and encourage the presentation of courses.

(b) If the advisory task force is created, it shall make recommendations and provide subsequent evaluations to the commissioner regarding procedures for reporting compliance with the minimum education requirement.

Sec. 9. Minnesota Statutes 1986, section 60A.1701, subdivision 7, is amended to read:

Subd. 7. **CRITERIA FOR COURSE ACCREDITATION.** (a) The commissioner may accredit a course only to the extent it is designed to impart substantive and procedural knowledge of the insurance field. The burden of demonstrating that the course satisfies this requirement is on the individual or organization seeking accreditation. The commissioner shall approve any educational program approved by Minnesota Continuing Legal Education relating to the insurance field.

(b) The commissioner may not accredit a course:

(1) that is designed to prepare students for a license examination;

(2) in mechanical office or business skills, including typing, speedreading, use of calculators, or other machines or equipment;

(3) in sales promotion, including meetings held in conjunction with the general business of the licensed agent; ~~or~~

(4) in motivation, the art of selling, psychology, or time management;

(5) unless the student attends classroom instruction conducted by an instructor approved by the department of commerce; or

(6) which can be completed by the student at home or outside the classroom without the supervision of an instructor approved by the department of commerce.

Sec. 10. Minnesota Statutes 1986, section 60A.1701, subdivision 8, is amended to read:

Subd. 8. **MINIMUM EDUCATION REQUIREMENT.** Each person sub-

ject to this section shall complete annually a minimum of 20 credit hours of courses accredited by the commissioner. Any person teaching or lecturing at an accredited course qualifies for 1-1/2 times the number of credit hours that would be granted to a person completing the accredited course. ~~Credit hours over 20 earned in any one year may be carried forward for the following two years. The commissioner may recognize accredited courses completed in 1983, 1984, or 1985 for the minimum education requirement for 1985.~~ No more than ten credit hours per year may be credited to a person for courses sponsored by, offered by, or affiliated with an insurance company or its agents. Courses sponsored by, offered by, or affiliated with an insurance company or agent may restrict its students to agents of the company or agency.

Sec. 11. Minnesota Statutes 1986, section 60A.196, is amended to read:

60A.196 **DEFINITIONS.**

Unless the context otherwise requires, the following terms have the meanings given them for the purposes of sections 60A.195 to 60A.209:

(a) "Surplus lines insurance" means insurance placed with an insurer permitted to transact the business of insurance in this state only pursuant to sections 60A.195 to 60A.209.

(b) "Eligible surplus lines insurer" means an insurer recognized as eligible to write insurance business under sections 60A.195 to 60A.209 but not licensed by any other Minnesota law to transact the business of insurance.

(c) "Ineligible surplus lines insurer" means an insurer not recognized as an eligible surplus lines insurer pursuant to sections 60A.195 to 60A.209 and not licensed by any other Minnesota law to transact the business of insurance. "Ineligible surplus lines insurer" includes a risk retention group as defined under the Liability Risk Retention Act, Public Law Number 99-563.

(d) "Surplus lines licensee" or "licensee" means a person licensed under sections 60A.195 to 60A.209 to place insurance with an eligible or ineligible surplus lines insurer.

(e) "Association" means an association registered under section 60A.208.

(f) "Alien insurer" means any insurer which is incorporated or otherwise organized outside of the United States.

(g) "Insurance laws" means chapters 60 to 79 inclusive.

Sec. 12. Minnesota Statutes 1986, section 60A.198, subdivision 3, is amended to read:

Subd. 3. **PROCEDURE FOR OBTAINING LICENSE.** A person licensed as ~~a resident~~ an agent in this state pursuant to other law may obtain a surplus lines license by doing the following:

(a) filing an application in the form and with the information the commissioner may reasonably require to determine the ability of the applicant to act in accordance with sections 60A.195 to 60A.209;

(b) maintaining ~~a resident agent~~ an agent's license in this state;

(c) delivering to the commissioner a financial guarantee bond from a surety acceptable to the commissioner for the greater of the following:

(1) $5,000; or

(2) the largest semiannual surplus lines premium tax liability incurred by the applicant in the immediately preceding five years; and

(d) agreeing to file with the commissioner of revenue no later than February 15 and August 15 annually, a sworn statement of the charges for insurance procured or placed and the amounts returned on the insurance canceled under the license for the preceding six-month period ending December 31 and June 30 respectively, and at the time of the filing of this statement, paying the commissioner a tax on premiums equal to three percent of the total written premiums less cancellations; and

(e) annually paying a fee as prescribed by section 60A.14, subdivision 1, paragraph (c), clause (11).

Sec. 13. **[60A.2095] CONSTRUCTION.**

Nothing in sections 60A.195 to 60A.209 shall be construed to permit the state to impose requirements beyond those granted by the Liability Risk Retention Act, Public Law Number 99-563.

Sec. 14. Minnesota Statutes 1986, section 60A.23, subdivision 8, is amended to read:

Subd. 8. **SELF-INSURANCE OR INSURANCE PLAN ADMINISTRATORS; WHO ARE VENDORS OF RISK MANAGEMENT SERVICES.** (1) **SCOPE.** This subdivision applies to any vendor of risk management services and to any entity which administers, for compensation, a self-insurance or insurance plan. This subdivision does not apply (a) to an insurance company authorized to transact insurance in this state, as defined by section 60A.06, subdivision 1, clauses (4) and (5); (b) to a service plan corporation, as defined by section 62C.02, subdivision 6; (c) to a health maintenance organization, as defined by section 62D.02, subdivision 4; (d) to an employer directly operating a self-insurance plan for its employees' benefits; or (e) to an entity which administers a program of health benefits established pursuant to a collective bargaining agreement between an employer, or group or association of employers, and a union or unions.

(2) **DEFINITIONS.** For purposes of this subdivision the following terms have the meanings given them.

(a) "Administering a self-insurance or insurance plan" means (i) processing, reviewing or paying claims, (ii) establishing or operating funds and accounts, or (iii) otherwise providing necessary administrative services in connection with the operation of a self-insurance or insurance plan.

(b) "Employer" means an employer, as defined by section 62E.02, subdivision 2.

(c) "Entity" means any association, corporation, partnership, sole proprietorship, trust, or other business entity engaged in or transacting business in this state.

(d) "Self-insurance or insurance plan" means a plan providing life, medical or hospital care, accident, sickness or disability insurance, as an employee fringe benefit, or a plan providing liability coverage for any other risk or hazard, which is or is not directly insured or provided by a licensed insurer, service plan corporation, or health maintenance organization.

(e) "Vendor of risk management services" means an entity providing for compensation actuarial, financial management, accounting, legal or other services for the purpose of designing and establishing a self-insurance or insurance plan for an employer.

(3) **LICENSE.** No vendor of risk management services or entity administering a self-insurance or insurance plan may transact this business in this state unless it is licensed to do so by the commissioner. An applicant for a license shall state in writing the type of activities it seeks authorization to engage in and the type of services it seeks authorization to provide. The license may be granted only when the commissioner is satisfied that the entity possesses the necessary organization, background, expertise, and financial integrity to supply the services sought to be offered. The commissioner may issue a license subject to restrictions or limitations upon the authorization, including the type of services which may be supplied or the activities which may be engaged in. The license fee is $100. All licenses are for a period of two years.

(4) **REGULATORY RESTRICTIONS; POWERS OF THE COMMISSIONER.** To assure that self-insurance or insurance plans are financially solvent, are administered in a fair and equitable fashion, and are processing claims and paying benefits in a prompt, fair, and honest manner, vendors of risk management services and entities administering insurance or self-insurance plans are subject to the supervision and examination by the commissioner. Vendors of risk management services, entities administering insurance or self-insurance plans, and insurance or self-insurance plans established or operated by them are subject to the trade practice requirements of sections 72A.19 to 72A.30.

(5) **RULE MAKING AUTHORITY.** To carry out the purposes of this subdivision, the commissioner may adopt rules, including emergency rules, pursuant to sections 14.01 to ~~14.70~~ 14.69. These rules may:

(a) establish reporting requirements for administrators of insurance or self-insurance plans;

(b) establish standards and guidelines to assure the adequacy of financing, reinsuring, and administration of insurance or self-insurance plans;

(c) establish bonding requirements or other provisions assuring the financial integrity of entities administering insurance or self-insurance plans; or

(d) establish other reasonable requirements to further the purposes of this subdivision.

Sec. 15. Minnesota Statutes 1986, section 60A.29, subdivision 2, is amended to read:

Subd. 2. **PURPOSE.** The purpose of this section is to authorize the establishment of trust funds for the purpose of indemnifying nonprofit beneficiary organizations and their officers, directors, and agents for financial loss due to the imposition of legal liability or for damage or destruction of property, and to regulate the operation of trust funds established under this section.

Sec. 16. Minnesota Statutes 1986, section 60A.29, subdivision 5, is amended to read:

Subd. 5. **INELIGIBLE RISKS.** No trust fund established under this section shall indemnify any beneficiary for ~~property~~ ~~loss,~~ liabilities incurred under the workers' compensation act, or for benefits provided to employees pursuant to any medical, dental, life, or disability income protection plan.

Sec. 17. Minnesota Statutes 1986, section 60A.29, subdivision 16, is amended to read:

Subd. 16. **REINSURANCE.** Authorized trust funds may insure or reinsure their obligations and liabilities with:

(1) insurance companies authorized to do business in Minnesota, pursuant to section 60A.06; ~~or with;~~

(2) insurance companies similarly authorized in any other state of the United States;

(3) insurance companies not authorized in Minnesota or any other state if the unauthorized insurance company establishes reinsurance security in favor of the ceding trust fund conforming to the general rules for allowance of reinsurance credits stated in the Financial Condition Examiners Handbook adopted by the National Association of Insurance Commissioners; or

(4) other trust funds organized under this section or under similar laws of any other state if the reinsuring trust fund establishes reinsurance security as specified in clause (3) in favor of the ceding trust fund.

Sec. 18. Minnesota Statutes 1986, section 60A.29, is amended by adding a subdivision to read:

Subd. 22. **FOREIGN TRUST FUNDS.** A trust fund organized and existing under the laws of another state for the sole purpose of indemnifying nonprofit beneficiary organizations and their officers, directors, and agents for financial loss due to the imposition of legal liability or for damage or destruction of property, as provided in subdivisions 2 and 4, may apply to the commissioner for authority to operate within this state, provided that:

(1) the trust fund has been continuously in operation for a period of not less than five years prior to the date it applies for authorization under this subdivision, during which period it must have issued only nonassessable indemnification agreements to its beneficiaries, and during each of those years the trust fund received not less than $1,000,000 in contributions from beneficiaries for protections afforded by the trust fund;

(2) the trust fund has been authorized by and is subject to regulation and examination by the department of insurance of its domiciliary state;

(3) the trust fund must file with the commissioner its trust agreement, bylaws or plan of operation, schedule of benefits, forms of indemnification agreements, and contribution schedules applicable to beneficiaries in this state;

(4) the trust fund must be governed by a board of not fewer than five trustees, all of whom must be elected by the beneficiaries of the trust fund, and none of whom may receive compensation for service as a trustee;

(5) the trust fund has, as of the last day of the calendar year immediately prior to its application for authority, a net fund balance surplus of not less than $1,000,000, as evidenced by its financial statements certified by an independent certified public accountant in accordance with generally accepted accounting principles consistently applied; and

(6) the trust fund must, upon and at all times after authorization by the commissioner, maintain a registered office within this state.

Sec. 19. Minnesota Statutes 1986, section 60A.29, is amended by adding a subdivision to read:

Subd. 23. **STANDARDS FOR AUTHORIZATION.** Within 60 days after receipt of the documents specified under subdivision 22 and supporting evidence which establishes compliance with the standards set forth under that subdivision, the commissioner shall grant to the trust fund a certificate of authority to conduct operations in this state. The operations in this state are subject to the limitations and standards set forth in subdivisions 4 to 22 of this section. In the event an authorized foreign trust fund violates one of those subdivisions or the rules of the commissioner applicable to foreign trust funds, the commissioner may suspend or revoke the certificate of authority.

Sec. 20. Minnesota Statutes 1986, section 60A.29, is amended by adding a subdivision to read:

Subd. 24. **RULES.** The commissioner may adopt rules to enforce and administer requirements of sections 18 and 19.

Sec. 21. Minnesota Statutes 1986, section 60A.30, is amended to read:

60A.30 **RENEWAL OF INSURANCE POLICY WITH ALTERED RATES.**

If an insurance company licensed to do business in this state offers or purports to offer to renew any commercial liability and/or property insurance policy at less favorable terms as to the dollar amount of coverage or deductibles, higher rates, and/or higher rating plan, the new terms, the new rates and/or rating plan may take effect on the renewal date of the policy if the insurer has sent to the policyholder notice of the new terms, new rates and/or rating plan at least ~~30~~ 60 days prior to the expiration date. If the insurer has not so notified the policyholder, the policyholder may elect to cancel the renewal policy within the ~~30-day~~ 60-day period after receipt of the notice. Earned premium for the period of coverage, if any, shall be calculated pro rata upon the prior rate. This subdivision does not apply to ocean marine insurance, accident and health insurance, and reinsurance.

This section does not apply if the change relates to guide "a" rates or excess rates also known as "consent to rates."

Sec. 22. Minnesota Statutes 1986, section 60A.31, is amended to read:

60A.31 ~~**MIDTERM CANCELLATION**~~ **WORKER'S COMPENSATION INSURANCE.**

In addition to the requirements of Minnesota Statutes 1984, section 176.185, subdivision 1, ~~no~~ a policy of insurance issued to cover the liability to pay compensation under Minnesota Statutes 1984, chapter 176, shall ~~be canceled by the insurer within the policy period unless the insurer has also complied with the requirements of such rules as the commissioner of commerce may adopt in regard to the cancellation of commercial liability and/ or commercial property insurance policies~~ comply with sections 60A.30 and 60A.35 to 60A.38.

Sec. 23. **[60A.35] SCOPE.**

Except as specifically limited in section 60A.30, sections 23 to 26 apply to all commercial liability and/or property insurance policies issued by companies licensed to do business in this state except ocean marine insurance, accident and health insurance, excess insurance, surplus lines insurance, and reinsurance.

Sec. 24. **[60A.36] MIDTERM CANCELLATION.**

Subdivision 1. **REASON FOR CANCELLATION.** No insurer may cancel a policy of commercial liability and/or property insurance during the term of the policy, except for one or more of the following reasons:

(1) nonpayment of premium;

(2) misrepresentation or fraud made by or with the knowledge of the insured in obtaining the policy or in pursuing a claim under the policy;

(3) actions by the insured that have substantially increased or substantially changed the risk insured;

(4) refusal of the insured to eliminate known conditions that increase the potential for loss after notification by the insurer that the condition must be removed;

(5) substantial change in the risk assumed, except to the extent that the insurer should reasonably have foreseen the change or contemplated the risk in writing the contract;

(6) loss of reinsurance by the insurer which provided coverage to the insurer for a significant amount of the underlying risk insured. A notice of cancellation under this clause shall advise the policyholder that the policyholder has ten days from the date of receipt of the notice to appeal the cancellation to the commissioner of commerce and that the commissioner will render a decision as to whether the cancellation is justified because of the loss of reinsurance within five business days after receipt of the appeal;

(7) a determination by the commissioner that the continuation of the policy could place the insurer in violation of the insurance laws of this state; or

(8) nonpayment of dues to an association or organization, other than an insurance association or organization, where payment of dues is a prerequisite to obtaining or continuing the insurance. This provision for cancellation for failure to pay dues does not apply to persons who are retired at 62 years of age or older or who are disabled according to social security standards.

Subd. 2. **NOTICE.** Cancellation under subdivision 1, clauses (2) to (8), shall not be effective before 60 days after notice to the policyholder. The notice of cancellation shall contain a specific reason for cancellation as provided in subdivision 1.

A policy shall not be canceled for nonpayment of premium pursuant to subdivision 1, clause (1), unless the insurer, at least ten days before the effective cancellation date, has given notice to the policyholder of the amount of premium due and the due date. The notice shall state the effect of nonpayment by the due date. No cancellation for nonpayment of premium shall be effective if payment of the amount due is made before the effective date in the notice.

Subd. 3. **NEW POLICIES.** Subdivisions 1 and 2 do not apply to any insurance policy that has not been previously renewed if the policy has been in effect less than 90 days at the time the notice of cancellation is mailed or delivered. No cancellation under this subdivision is effective until at least ten days after the written notice to the policyholder.

Subd. 4. **LONGER TERM POLICIES.** A policy may be issued for a term longer than one year or for an indefinite term with a clause providing for cancellation by the insurer for the reasons stated in subdivision 1 by giving notice as required by subdivision 2 at least 60 days before any anniversary date.

Sec. 25. **[60A.37] NONRENEWAL.**

Subdivision 1. **NOTICE REQUIRED.** At least 60 days before the date of expiration provided in the policy, a notice of intention not to renew the policy beyond the agreed expiration date must be made to the policyholder by the insurer. If the notice is not given at least 60 days before the date of expiration provided in the policy, the policy shall continue in force until 60 days after a notice of intent not to renew is received by the policyholder.

Subd. 2. **EXCEPTIONS.** This section does not apply if the policyholder has insured elsewhere, has accepted replacement coverage, or has requested or agreed to nonrenewal.

Sec. 26. **[60A.38] INTERPRETATION AND PENALTIES.**

Subdivision 1. **SECTIONS NOT EXCLUSIVE.** Sections 23 to 26 are not exclusive, and the commissioner may also consider other provisions of Minnesota law to be applicable to the circumstances or situations addressed by sections 23 to 26. The rights provided by sections 23 to 26 are in addition to and do not prejudice any other rights the policyholder may have at common law, under statute, or rules.

Subd. 2. **PENALTIES.** A violation of any provisions of sections 23 to 26 shall be deemed to be an unfair trade practice in the business of insurance and shall subject the violator to the penalties provided by sections 72A.17 to 72A.32 in addition to any other penalty provided by law.

Subd. 3. **NOTICES REQUIRED.** All notices required by sections 23 to 26 shall only be made by first class mail addressed to the policyholder's last known address or by delivery to the policyholder's last known address. Notice by first class mail is effective upon deposit in the United States mail. In addition to giving notice to the policyholder, the insurer must also give notice to the agent of record, if any, in the manner specified for the policyholder.

Sec. 27. Minnesota Statutes 1986, section 60B.44, subdivision 1, is amended to read:

Subdivision 1. **DEDUCTIBLE PROVISION.** The distribution of claims from the insurer's estate shall be in the order stated in this section with a descending degree of preference for each subdivision. ~~The first $50 of the amount allowed on each claim in the classes under subdivisions 3 to 7 shall be deducted from the claim and included in the class under subdivision 9. Claims may not be cumulated by assignment to avoid application of the $50 deductible provision. Subject to the $50 deductible provision,~~ Every claim in each class

shall be paid in full or adequate funds retained for the payment before the members of the next class receive any payment. No subclasses shall be established within any class.

Sec. 28. Minnesota Statutes 1986, section 60B.44, subdivision 4, is amended to read:

Subd. 4. **LOSS CLAIMS; INCLUDING CLAIMS NOT COVERED BY A GUARANTY ASSOCIATION.** All claims under policies or contracts of coverage for losses incurred including third party claims, and all claims against the insurer for liability for bodily injury or for injury to or destruction of tangible property which are not under policies or contracts~~, except the first $200 of losses otherwise payable to any claimant under this subdivision~~. All claims under life insurance and annuity policies, whether for death proceeds, annuity proceeds, or investment values, shall be treated as loss claims. ~~Claims may not be cumulated by assignment to avoid application of the $200 deductible provision.~~ That portion of any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the claimant shall not be included in this class, other than benefits or advantages recovered or recoverable in discharge of familial obligations of support or by way of succession at death or as proceeds of life insurance, or as gratuities. No payment made by an employer to an employee shall be treated as a gratuity. Claims not covered by a guaranty association are loss claims. If any portion of a claim is covered by a reinsurance treaty or similar contractual obligation, that claim shall be entitled to a pro rata share, based upon the relationship the claim amount bears to all claims payable under the treaty or contract, of the proceeds received under that treaty or contractual obligation.

Claims receiving pro rata payments shall not, as to any remaining unpaid portion of their claim, be treated in a different manner than if no such payment had been received.

Sec. 29. Minnesota Statutes 1986, section 60B.44, subdivision 5, is amended to read:

Subd. 5. **UNEARNED PREMIUMS ~~AND SMALL LOSS CLAIMS~~.** Claims under nonassessable policies or contracts of coverage for unearned premiums or subscription rates or other refunds ~~and the first $200 of loss excepted by the deductible provision in subdivision~~ 4.

Sec. 30. Minnesota Statutes 1986, section 60B.44, subdivision 9, is amended to read:

Subd. 9. **MISCELLANEOUS SUBORDINATED CLAIMS.** The remaining claims or portions of claims not already paid, with interest as in subdivision 8.

(a) ~~The first $50 of each claim in the classes under subdivisions 3 to 7 subordinated under this section;~~

~~(b)~~ Claims under section 60B.39, subdivision 2;

~~(c)~~ (b) Claims subordinated by section 60B.61;

~~(d)~~ (c) Except to the extent excused or otherwise permitted pursuant to section 60B.37, claims filed late;

~~(e)~~ (d) Portions of claims subordinated under subdivision 6; and

~~(f)~~ (e) Claims or portions of claims payment of which is provided by other benefits or advantages recovered or recoverable by the claimant.

Sec. 31. Minnesota Statutes 1986, section 60C.08, subdivision 1, is amended to read:

Subdivision 1. The board of directors of the association shall consist of nine persons. Two of the directors shall be public members and seven shall be insurer members. The public members shall be appointed by the commissioner. Public members may include licensed insurance agents. The insurer members of the board shall be selected by association members subject to the approval of the commissioner. Vacancies on the board shall be filled for the remaining period of the term in the same manner as initial appointments. The term of appointment for all members is two years.

Sec. 32. Minnesota Statutes 1986, section 60C.09, is amended to read:

60C.09 **COVERED CLAIMS.**

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

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

(2) Would be within the coverage of an extended reporting endorsement to a claims-made insurance policy if insolvency had not prevented the member insurer from fulfilling its obligation to issue the endorsement, if:

(i) the claims-made policy contained a provision affording the insured the right to purchase a reporting endorsement;

(ii) coverage will be no greater than if a reporting endorsement had been issued;

(iii) the insured has not purchased other insurance which applies to the claim; and

(iv) the insured's deductible under the policy is increased by an amount equal to the premium for the reporting endorsement, as provided in the insured's claims-made policy, or if not so provided, then as established by a rate service organization.

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

(c) Is made by:

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

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

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

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

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

For purposes of paragraph (c), item (i), unit owners of condominiums, townhouses, or cooperatives are considered as having an insurable interest.

A covered claim also includes any unpaid claim which arises or exists within 30 days after the time of entry of an order of liquidation with a finding of insolvency by a court of competent jurisdiction unless prior thereto the insured replaces the policy or causes its cancellation or the policy expires on its expiration date.

Subd. 2. **LIMITATION OF AMOUNT.** Payment of a covered claim, except a claim for unearned premium by any single claimant, whether upon a single policy or multiple policies of insurance, is limited to the amount by which the allowance on any claim exceeds $100 and is less than $300,000. In the case of claim for unearned premium, the entire claim up to $300,000 shall be allowed. The limitation on the amount of payment for a covered claim does not apply to claims for workers' compensation insurance. In no event is the association obligated to the policyholder or claimant in an amount in excess of the obligation of the insurer under the policy from which the claim arises.

Sec. 33. Minnesota Statutes 1986, section 60C.12, is amended to read:

60C.12 **APPEAL AND REVIEW.**

Subdivision 1. **APPEAL.** A claimant whose claim has been declared to be not covered or reduced by the board under section 60C.10 may appeal to the board within 30 days after the claimant has been notified of the board's decision and of the rights of the claimant under this section.

Subd. 2. **REVIEW.** Decisions of the board under subdivision 1 are subject to ~~judicial review~~ appeal to the commissioner of commerce who may overturn, affirm, or modify the board's actions or take other action the commissioner considers appropriate.

The appeal to the commissioner must be in the manner provided in chapter 14.

Subd. 3. **JUDICIAL REVIEW.** A final action or order of the commissioner under this subdivision is subject to judicial review in the manner provided by chapter 14. In lieu of the appeal to the commissioner under subdivision 2, a claimant may seek judicial review of the board's actions.

Sec. 34. **[60F.01] ESTABLISHMENT.**

Any three or more employers, excluding the state and its political subdivisions as described in section 471.617, subdivision 1, who are authorized to transact business in Minnesota may jointly self-insure for any property and/or casualty or automobile liability. Joint plans must meet all conditions and terms of this chapter.

Sec. 35. **[60F.02] EXCESS STOP-LOSS COVERAGE.**

A joint self-insurance plan must include aggregate excess stop-loss coverage and individual excess stop-loss coverage provided by an insurance company licensed by the state of Minnesota. Aggregate excess stop-loss coverage must include provisions to cover the excess claims of incurred, unpaid claim liability even in the event of plan termination. The joint plan must bear the risk of coverage for any member of the pool that becomes insolvent with outstanding contribution due by providing a surety bond from a Minnesota licensed surety in the amount of one year's contribution. In addition, the plan of self-insurance must have participants fund an amount at least equal to the point at which the excess or stop-loss insurer must assume 100 percent of the excess coverage limits of additional liability. A joint self-insurance plan must submit its proposed excess or stop-loss insurance contract to the commissioner of commerce at least 30 days prior to the proposed plan's effective date and at least 30 days subsequent to any renewal date. The commissioner shall review the contract to determine if it meets the standards established by this chapter and respond within a 30-day period. An excess or stop-loss insurance plan must be noncancelable for a minimum term of one year.

Sec. 36. **[60F.03] LIMITATION ON ADMINISTRATIVE SERVICES.**

No joint self-insurance plan may offer marketing, risk management, or administrative services unless these services are provided by vendors duly licensed by the commissioner to provide these services. No vendor of these services may be a trustee of a joint self-insurance plan for which they provide marketing, risk management, or administrative services.

Sec. 37. **[60F.04] APPLICABILITY OF PROVISIONS.**

A joint self-insurance plan is subject to the requirements of the applicable parts of chapters 60A, 65A, 65B, 72B, and 72C, and section 72A.20, unless otherwise specifically exempt. A joint self-insurance plan must offer a plan which complies with all applicable rules and statutes.

Sec. 38. **[60F.05] FUND MANAGEMENT.**

Funds collected from the participants under joint self-insurance plans must be held in trust subject to the following requirements:

(a) A board of trustees elected by the participants shall serve as fund managers on behalf of participants. Trustees must be plan participants. No participants may be represented by more than one trustee. A minimum of three and a maximum of seven trustees may be elected. Trustees shall receive no remuneration, but they may be reimbursed for actual and reasonable expenses incurred in connection with duties as trustees.

(b) Trustees must be bonded in an amount not less than $100,000 nor more than $500,000 from a licensed bonding company.

(c) Investment of plan funds is subject to the same restrictions as are applicable to political subdivisions pursuant to section 475.66. All investments must be managed by a bank or other investment organization licensed to operate in Minnesota.

(d) Trustees, on behalf of the fund, shall file annual reports with the commissioner of commerce within 30 days immediately following the end of each calendar year. The reports must summarize the financial condition of the fund, itemize collection from participants, and detail all fund expenditures.

Sec. 39. **[60F.06] RULES.**

The commissioner of commerce shall adopt rules, including emergency rules, to ensure the solvency and operation of all self-insured plans subject to this chapter. The commissioner may examine the joint self-insurance plans pursuant to sections 60A.03 and 60A.031.

Sec. 40. **[60F.07] REVENUE FEE.**

A joint self-insurance plan shall pay a two percent revenue fee. This revenue must be computed based on two percent of the paid claims level for the most recently completed calendar year. This revenue must be deposited in the general fund.

Sec. 41. **[60F.08] APPLICABILITY.**

A joint self-insurance plan is not an insurer for purposes of chapter 60C.

Sec. 42. **[61A.092] CONTINUATION OF COVERAGE FOR LIFE INSURANCE.**

Subdivision 1. **CONTINUATION OF COVERAGE.** Every group insurance policy issued or renewed within this state after August 1, 1987, providing coverage for life insurance benefits shall contain a provision that permits covered employees who are voluntarily or involuntarily terminated or laid offfrom their employment, if the policy remains in force for any active employee of the employer, to elect to continue the coverage for themselves and their dependents.

An employee is considered to be laid offfrom employment if there is a reduction in hours to the point where the employee is no longer eligible for coverage under the group life insurance policy. Termination does not include discharge for gross misconduct.

Subd. 2. **RESPONSIBILITY OF EMPLOYEE.** Every covered employee electing to continue coverage shall pay the employee's former employer, on a monthly basis, the cost of the continued coverage. In no event shall the amount of premium charged exceed 102 percent of the cost to the plan for such period of coverage for other similarly situated employees with respect to whom neither termination nor layoffhas occurred, without respect to whether such cost is paid by the employer or employee. The employee is eligible to continue the coverage until the employee obtains coverage under another group policy, or for a period of 18 months after the termination or layoff from employment, whichever is shorter.

Subd. 3. **NOTICE OF OPTIONS.** Upon termination of or layofffrom employment of a covered employee, the employer shall inform the employee of:

(1) the employee's right to elect to continue the coverage;

(2) the amount the employee must pay monthly to the employer to retain the coverage;

(3) the manner in which and the office of the employer to which the payment to the employer must be made; and

(4) the time by which the payments to the employer must be made to retain coverage.

The employee has 60 days within which to elect coverage. The 60-day period shall begin to run on the date coverage would otherwise terminate or on the date upon which notice of the right to coverage is received, whichever is later.

Notice must be in writing and sent by first class certified mail to the employee's last known address which the employee has provided to the employer.

A notice in substantially the following form is sufficient: "As a terminated or laid offemployee, the law authorizes you to maintain your group insurance benefits for a period of up to 18 months. To do so, you must notify your former employer within 60 days of your receipt of this notice that you intend to retain this coverage and must make a monthly payment of $..... at ..... by the ..... of each month."

Subd. 4. **RESPONSIBILITY OF EMPLOYER AND INSURER.** If the employer fails to notify a covered employee of the options set forth in subdivision 3, or if after timely receipt of the monthly payment from a covered employee the employer fails to make the payment to the insurer, with the result that the employee's coverage is terminated, the employer is still liable for the employee's coverage to the same extent as the insurer would be if the coverage were still in effect.

Subd. 5. **CONVERSION TO INDIVIDUAL POLICY.** A group insurance policy that provides posttermination or layoff coverage as required by this section must also include a provision allowing a covered employee, surviving spouse, or dependent at the expiration of the posttermination or layoff coverage provided by subdivision 2 to obtain from the insurer offering the group policy, at the employee's, spouse's, or dependent's option and expense, without further evidence of insurability and without interruption of coverage, an individual policy of insurance contract providing the same or substantially similar benefits.

A policy providing reduced benefits at a reduced premium rate may be accepted by the employee, the spouse, or a dependent in lieu of the coverage otherwise required by this subdivision.

Sec. 43. Minnesota Statutes 1986, section 61A.28, subdivision 12, is amended to read:

Subd. 12. **ADDITIONAL INVESTMENTS.** Investments of any kind, without regard to the categories, conditions, standards, or other limitations set forth in the foregoing subdivisions and section 61A.31, subdivision 3, except that the prohibitions in clause (d) of subdivision 3 remains applicable, 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 $675,000. Provided, however, that a company's total investment under this section in the common stock of any corporation, other than the stock of the types of corporations specified in subdivision 6(a), may 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 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 other provisions of this chapter, the company may consider the investment as being held under the other provision and the investment need no longer be considered as having been made under the provisions of this subdivision.

In addition to the investments authorized by this subdivision, a domestic life insurance company may make qualified investments in any additional securities or property of the type authorized by subdivision 6, paragraph (f), with the written order of the commissioner. This approval is at the discretion of the commissioner. This authorization does not negate or reduce the investment authority granted in subdivision 6, paragraph (f), or this subdivision.

Sec. 44. Minnesota Statutes 1986, section 61B.09, is amended to read:

61B.09 **DUTIES AND POWERS OF THE COMMISSIONER.**

~~(a)~~ Subdivision 1. The commissioner shall:

(1) Notify the board of directors of the existence of an impaired insurer within three days after a determination of impairment is made or the commissioner receives notice of impairment;

(2) Upon request of the board of directors, provide the association with a statement of the premiums in the appropriate states for each member insurer; and

(3) When an impairment is declared and the amount determined, serve a demand upon the impaired insurer to make good the impairment within a reasonable time. Notice to the impaired insurer shall constitute notice to its shareholders. The failure of the insurer to promptly comply with the demand shall not excuse the association from performance under sections 61B.01 to 61B.16.

~~(b)~~ Subd. 2. The commissioner may, after notice and hearing, suspend or revoke the certificate of authority to transact insurance in this state of any member insurer which fails to pay an assessment when due or to comply with the plan of operation. As an alternative, the commissioner may levy a forfeiture on any member insurer which fails to pay an assessment when due. A forfeiture shall not exceed five percent of the unpaid assessment per month, but no forfeiture shall be less than $100 per month.

~~(c)~~ Subd. 3. Any action of the board of directors or the association may be appealed to the commissioner ~~by any member insurer~~ within 30 days of the ~~occurrence~~ notice of the action. Any final action or order of the commissioner shall be subject to judicial review in a court of competent jurisdiction, in the manner provided by chapter 14. In lieu of the appeal to the commissioner under this subdivision, a claimant may seek judicial review of the board's actions.

~~(d)~~ Subd. 4. The liquidator, rehabilitator, or conservator of any impaired insurer may notify all interested persons of the effect of sections 61B.01 to 61B.16.

Sec. 45. Minnesota Statutes 1986, section 62A.041, is amended to read:

62A.041 **MATERNITY BENEFITS; ~~UNMARRIED WOMEN~~.**

Each group policy of accident and health insurance and each group health maintenance contract shall provide the same coverage for maternity benefits to unmarried women and minor female dependents that it provides to married women including the wives of employees choosing dependent family coverage. If an unmarried insured or an unmarried enrollee is a parent of a dependent child, each group policy and each group contract shall provide the same coverage for that child as that provided for the child of a married employee choosing dependent family coverage if the insured or the enrollee elects dependent family coverage.

Each individual policy of accident and health insurance and each individual health maintenance contract shall provide the same coverage for maternity benefits to unmarried women and minor female dependents as that provided for married women. If an unmarried insured or an unmarried enrollee is a parent of a dependent child, each individual policy and each individual contract shall also provide the same coverage for that child as that provided for the child of a married insured or a married enrollee choosing dependent family coverage if the insured or the enrollee elects dependent family coverage.

Except for policies which only provide coverage for specified diseases, each group subscriber contract of accident and health insurance or health maintenance contract, issued or renewed after August 1, 1987, shall include maternity benefits in the same manner as any other illness covered under the policy or contract.

For the purposes of this section, the term "maternity benefits" shall not include elective, induced abortion whether performed in a hospital, other abortion facility, or the office of a physician.

This section applies to policies and contracts issued, delivered, or renewed after August 1, 1985, that cover Minnesota residents.

Sec. 46. Minnesota Statutes 1986, section 62A.043, is amended by adding a subdivision to read:

Subd. 3. Except for policies which only provide coverage for specified diseases, no policy or certificate of health, medical, hospitalization, or accident and sickness insurance regulated under this chapter, or subscriber contract provided by a nonprofit health service plan corporation regulated under chapter 62C, or health maintenance organization regulated under chapter 62D, shall be issued, renewed, continued, delivered, issued for delivery, or executed in this state after August 1, 1987, unless the policy, plan, or contract specifically provides coverage for surgical and nonsurgical treatment of temporomandibular joint disorder and craniomandibular disorder. Coverage shall be the same as that for treatment to any other joint in the body, and shall apply if the treatment is administered or prescribed by a physician or dentist.

Sec. 47. Minnesota Statutes 1986, section 62A.141, is amended to read:

62A.141 **COVERAGE FOR HANDICAPPED DEPENDENTS.**

No group policy or plan of health and accident insurance regulated under this chapter, chapter 62C, or 62D, which provides for dependent coverage may be issued or renewed in this state after August 1, 1983, unless it covers the handicapped dependents of the insured, subscriber, or enrollee of the policy or plan. Consequently, the policy or plan shall not contain any provision concerning preexisting condition limitations, insurability, eligibility, or health underwriting approval concerning handicapped dependents.

If ordered by the commissioner of commerce, the insurer of a Minnesota-domiciled nonprofit association which is composed solely of agricultural members may restrict coverage under this section to apply only to Minnesota residents.

Sec. 48. Minnesota Statutes 1986, section 62A.146, is amended to read:

62A.146 **CONTINUATION OF BENEFITS TO SURVIVORS.**

No policy or plan of accident and health protection issued by an insurer, nonprofit health service plan corporation, or health maintenance organization, providing coverage of hospital or medical expense on either an expense incurred basis or other than an expense incurred basis which in addition to coverage of the insured, subscriber, or enrollee, also provides coverage to dependents, shall, except upon the written consent of the survivor or survivors of the deceased insured, subscriber or enrollee, terminate, suspend or otherwise restrict the participation in or the receipt of benefits otherwise payable under the policy or plan to the survivor or survivors until the earlier of the following dates:

(a) the date ~~of remarriage of~~ the surviving spouse becomes covered under another group health plan; or

(b) the date coverage would have terminated under the policy or plan had the insured, subscriber, or enrollee lived.

The survivor or survivors, in order to have the coverage and benefits extended, may be required to pay the entire cost of the protection on a monthly basis. In no event shall the amount of premium or fee contributions charged exceed 102 percent of the cost to the plan for such period of coverage for other similarly situated spouses and dependent children who are not the survivors of a deceased insured, without regard to whether such cost is paid by the employer or employee. Failure of the survivor to make premium or fee payments within 90 days after notice of the requirement to pay the premiums or fees shall be a basis for the termination of the coverage without written consent. In event of termination by reason of the survivor's failure to make required premium or fee contributions, written notice of cancellation must be mailed to the survivor's last known address at least 30 days before the cancellation. If the coverage is

provided under a group policy or plan, any required premium or fee contributions for the coverage shall be paid by the survivor to the group policyholder or contract holder for remittance to the insurer, nonprofit health service plan corporation, or health maintenance organization.

Sec. 49. Minnesota Statutes 1986, section 62A.152, subdivision 2, is amended to read:

Subd. 2. **MINIMUM BENEFITS.** All group policies and all group subscriber contracts providing benefits for mental or nervous disorder treatments in a hospital shall also provide coverage~~, to~~ on the same basis as coverage for other benefits for at least ~~the extent of~~ 80 percent ~~of the first $750~~ of the cost of the usual and customary charges of the first ten hours of treatment incurred over a 12-month benefit period, for mental or nervous disorder consultation, diagnosis and treatment services delivered while the insured person is not a bed patient in a hospital, and at least 75 percent of the cost of the usual and customary charges for any additional hours of treatment during the same 12-month benefit period for serious and persistent mental or nervous disorders, if the services are furnished by (1) a licensed or accredited hospital, (2) a community mental health center or mental health clinic approved or licensed by the commissioner of human services or other authorized state agency, or (3) a licensed consulting psychologist licensed under the provisions of sections 148.87 to 148.98, or a psychiatrist licensed under chapter 147. Prior authorization from an accident and health insurance company, or a nonprofit health service corporation, shall be required for an extension of coverage beyond ten hours of treatment. This prior authorization must be based upon the severity of the disorder, the patient's risk of deterioration without ongoing treatment and maintenance, degree of functional impairment, and a concise treatment plan. Authorization for extended treatment may not exceed a maximum of 30 visit hours during any 12-month benefit period.

For purposes of this section, covered treatment for a minor shall include treatment for the family if family therapy is recommended by a provider listed above in item (1), (2) or (3).

Sec. 50. Minnesota Statutes 1986, section 62A.17, is amended to read:

62A.17 **TERMINATION OF OR LAYOFF FROM EMPLOYMENT.**

Subdivision 1. **CONTINUATION OF COVERAGE.** Every group insurance policy, group subscriber contract, and health care plan included within the provisions of section 62A.16, except policies, contracts, or health care plans covering employees of an agency of the federal government, shall contain a provision which permits every ~~eligible~~ covered employee who is voluntarily or involuntarily terminated or laid offfrom employment, if the policy, contract, or health care plan remains in force for active employees of the employer, to elect to continue the coverage for the employee and dependents.

An employee shall be considered to be laid off from employment if there is

a reduction in hours to the point where the employee is no longer eligible under the policy, contract, or health care plan. Termination shall not include discharge for gross misconduct.

Subd. 2. **RESPONSIBILITY OF EMPLOYEE.** Every ~~eligible~~ covered employee electing to continue coverage shall pay the former employer, on a monthly basis, the cost of the continued coverage. If the policy, contract, or health care plan is administered by a trust, every ~~eligible~~ covered employee electing to continue coverage shall pay the trust the cost of continued coverage according to the eligibility rules established by the trust. In no event shall the amount of premium charged exceed 102 percent of the cost to the plan for such period of coverage for similarly situated employees with respect to whom neither termination nor layoffhas occurred, without regard to whether such cost is paid by the employer or employee. The employee shall be eligible to continue the coverage until ~~reemployed and eligible for health care coverage under a group policy, contract, or plan sponsored by the same or another employer~~ the employee becomes covered under another group health plan, or for a period of ~~12~~ 18 months after the termination of or lay offfrom employment, whichever is shorter.

~~Subd. 3. ELIGIBILITY FOR CONTINUED COVERAGE. An employee shall be eligible to make the election for the employee and dependents provided for in subdivision 1 if:~~

~~(a) In the period preceding the termination of or lay off from employment, the employee and dependents were covered through employment by a group insurance policy, subscriber's contract, or health care plan included within the provisions of section 62A.16;~~

~~(b) The termination of or lay offfrom employment was for reasons other than the discontinuance of the business, bankruptcy, or the employee's disability or retirement.~~

Subd. 4. **RESPONSIBILITY OF EMPLOYER.** After timely receipt of the monthly payment from ~~an eligible~~ a covered employee, if the employer, or the trustee, if the policy, contract, or health care plan is administered by a trust, fails to make the payment to the insurer, nonprofit health service plan corporation, or health maintenance organization, with the result that the employee's coverage is terminated, the employer or trust shall become liable for the employee's coverage to the same extent as the insurer, nonprofit health service plan corporation, or health maintenance organization would be if the coverage were still in effect.

In the case of a policy, contract or plan administered by a trust, the employer must notify the trustee within 30 days of the termination or layoffof a covered employee of the name and last known address of the employee.

If the employer or trust fails to notify a covered employee, the employer or trust shall continue to remain liable for the employee's coverage to the same extent as the insurer would be if the coverage were still in effect.

Subd. 5. **NOTICE OF OPTIONS.** Upon the termination of or lay offfrom employment of an eligible employee, the employer shall inform the employee within ten days after termination or lay offof:

(a) the right to elect to continue the coverage;

(b) the amount the employee must pay monthly to the employer to retain the coverage;

(c) the manner in which and the office of the employer to which the payment to the employer must be made; and

(d) the time by which the payments to the employer must be made to retain coverage.

If the policy, contract, or health care plan is administered by a trust, the employer is relieved of the obligation imposed by clauses (a) to (d). The trust shall inform the employee of the information required by clauses (a) to (d).

The employee shall have 60 days within which to elect coverage. The 60-day period shall begin to run on the date plan coverage would otherwise terminate or on the date upon which notice of the right to coverage is received, whichever is later.

Notice ~~may~~ must be in writing and sent by first class mail to the employee's last known address which the employee has provided the employer or trust. ~~If the employer or trust fails to so notify the employee who is properly enrolled in the program, the employee shall have the option to retain coverage if the employee makes this election within 60 days of the date terminated or laid offby making the proper payment to the employer or trust to provide continuous coverage.~~

A notice in substantially the following form shall be sufficient~~:~~: "As a terminated or laid offemployee, the law authorizes you to maintain your group medical insurance for a period of up to ~~12~~ 18 months. To do so you must notify your former employer within ~~ten~~ 60 days of your receipt of this notice that you intend to retain this coverage and must make a monthly payment of $..... to ..... at ..... by the ..... of each month."

Subd. 6. **CONVERSION TO INDIVIDUAL POLICY.** A group insurance policy that provides posttermination or layoff coverage as required by this section shall also include a provision allowing a covered employee, surviving spouse, or dependent at the expiration of the posttermination or layoff coverage provided by subdivision 2 to obtain from the insurer offering the group policy or group subscriber contract, at the employee's, spouse's, or dependent's option and expense, without further evidence of insurability and without interruption of coverage, an individual policy of insurance or an individual subscriber contract providing at least the minimum benefits of a qualified plan as prescribed by section 62E.06 and the option of a number three qualified plan, a number two qualified plan,

and a number one qualified plan as provided by section 62E.06, subdivisions 1 to 3, provided application is made to the insurer within 30 days following notice of the expiration of the continued coverage and upon payment of the appropriate premium. The required conversion contract must treat pregnancy the same as any other covered illness under the conversion contract. A health maintenance contract issued by a health maintenance organization that provides posttermination or layoffcoverage as required by this section shall also include a provision allowing a former employee, surviving spouse, or dependent at the expiration of the posttermination or layoffcoverage provided in subdivision 2 to obtain from the health maintenance organization, at the former employee's, spouse's, or dependent's option and expense, without further evidence of insurability and without interruption of coverage, an individual health maintenance contract. Effective January 1, 1985, enrollees who have become nonresidents of the health maintenance organization's service area shall be given the option, to be arranged by the health maintenance organization, of a number three qualified plan, a number two qualified plan, or a number one qualified plan as provided by section 62E.06, subdivisions 1 to 3 if an arrangement with an insurer can reasonably be made by the health maintenance organization. This option shall be made available at the enrollee's expense, without further evidence of insurability and without interruption of coverage.

A policy providing reduced benefits at a reduced premium rate may be accepted by the employee, the spouse, or a dependent in lieu of the optional coverage otherwise required by this subdivision.

The individual policy or contract shall be renewable at the covered under another qualified plan as defined in section 62E.02, subdivision 4, up to age 65 or to the day before the date of eligibility for coverage under title XVIII of the Social Security Act, as amended. Any revisions in the table of rate for the individual policy shall apply to the covered person's original age at entry and shall apply equally to all similar policies issued by the insurer.

Sec. 51. **[62A.20] COVERAGE OF CURRENT SPOUSE AND CHILDREN.**

Subdivision 1. **REQUIREMENT.** Every policy of accident and health insurance providing coverage of hospital or medical expense on either an expense-incurred basis or other than an expense-incurred basis, which in addition to covering the insured also provides coverage to the spouse and dependent children of the insured shall contain:

(1) a provision which permits the spouse and dependent children to elect to continue coverage when the insured becomes enrolled for benefits under Title XVIII of the Social Security Act (Medicare); and

(2) a provision which permits the dependent children to continue coverage when they cease to be dependent children under the generally applicable requirement of the plan.

Subd. 2. **CONTINUATION PRIVILEGE.** The coverage described in subdivision 1 may be continued until the earlier of the following dates:

(1) the date coverage would otherwise terminate under the policy;

(2) 36 months after continuation by the spouse or dependent was elected; or

(3) the spouse or dependent children become covered under another group health plan.

If coverage is provided under a group policy, any required premium contributions for the coverage shall be paid by the insured on a monthly basis to the group policyholder for remittance to the insurer. In no event shall the amount of premium charged exceed 102 percent of the cost to the plan for such period of coverage for other similarly situated spouse and dependent children to whom subdivision 1 is not applicable, without regard to whether such cost is paid by the employer or employee.

Sec. 52. Minnesota Statutes 1986, section 62A.21, is amended to read:

62A.21 **CONVERSION PRIVILEGES FOR INSURED FORMER SPOUSES AND CHILDREN.**

Subdivision 1. No policy of accident and health insurance providing coverage of hospital or medical expense on either an expense incurred basis or other than an expense incurred basis, which in addition to covering the insured also provides coverage to the spouse of the insured shall contain a provision for termination of coverage for a spouse covered under the policy solely as a result of a break in the marital relationship ~~except by reason of an entry of a valid decree of dissolution of marriage~~.

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

(a) The date ~~of remarriage of either the insured or~~ the insured's former spouse becomes covered under any other group health plan; or

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

If the coverage is provided under a group policy, any required premium contributions for the coverage shall be paid by the insured on a monthly basis to the group policyholder for remittance to the insurer. In no event shall the amount of premium charged exceed 102 percent of the cost to the plan for such period of coverage for other similarly situated spouses and dependent children with respect to whom the marital relationship has not dissolved, without regard to whether such cost is paid by the employer or employee.

Subd. 2b. **CONVERSION PRIVILEGE.** Every policy described in subdivision 1 shall contain a provision allowing a former spouse and dependent children of an insured, without providing evidence of insurability, to obtain from the insurer at the expiration of any continuation of coverage required under subdivision 2a or ~~section~~ sections 62A.146 and 62A.20, ~~or upon termination of coverage by reason of an entry of a valid decree of dissolution which does not require the insured to provide continued coverage for the former spouse and dependent children,~~ conversion coverage providing at least the minimum benefits of a qualified plan as prescribed by section 62E.06 and the option of a number three qualified plan, a number two qualified plan, a number one qualified plan as provided by section 62E.06, subdivisions 1 to 3, provided application is made to the insurer within 30 days following notice of the expiration of the continued coverage and upon payment of the appropriate premium. A policy providing reduced benefits at a reduced premium rate may be accepted by the former spouse and dependent children in lieu of the optional coverage otherwise required by this subdivision. The individual policy shall be renewable at the option of the former spouse as long as the former spouse is not covered under another qualified plan as defined in section 62E.02, subdivision 4, up to age 65 or to the day before the date of eligibility for coverage under Title XVIII of the Social Security Act, as amended. Any revisions in the table of rate for the individual policy shall apply to the former spouse's original age at entry, and shall apply equally to all similar policies issued by the insurer.

Subd. 3. Subdivision 1 applies to every policy of accident and health insurance which is delivered, issued for delivery, renewed or amended on or after July 19, 1977.

Subdivisions 2a and 2b apply to every policy of accident and health insurance which is delivered, issued for delivery, renewed, or amended on or after August 1, 1981.

Sec. 53. Minnesota Statutes 1986, section 62A.27, is amended to read:

62A.27 **COVERAGE FOR ADOPTED CHILDREN.**

No individual or group policy or plan of health and accident insurance regulated under this chapter or chapter 64B, subscriber contract regulated under chapter 62C, or health maintenance contract regulated under chapter 62D, providing coverage for more than one person may be issued or renewed in this state after August 1, 1983, unless the policy, plan, or contract covers adopted children of the insured, subscriber, or enrollee on the same basis as other dependents. Consequently, the policy or plan shall not contain any provision concerning preexisting condition limitations, insurability, eligibility, or health underwriting approval concerning adopted children.

The coverage required by this section is effective from the date of placement for the purpose of adoption and continues unless the placement is disrupted prior to legal adoption and the child is removed from placement.

Sec. 54. **[62A.29] SURETY BOND OR SECURITY FOR CERTAIN HEALTH BENEFIT PLANS.**

Subdivision 1. **SURETY BOND OR SECURITY REQUIREMENT.** Any employer, except the state and its political subdivisions as defined in section 65B.43, subdivision 20, who provides a health benefit plan to its Minnesota employees, which is to some extent self-insured by the employer, and who purchases stop-loss insurance coverage, or any other insurance coverage, in connection with the health benefit plan, shall annually file with the commissioner, within 60 days of the end of the employer's fiscal year, security acceptable to the commissioner in an amount specified under subdivision 2, or a surety bond in the form and amount prescribed by subdivisions 2 and 3. An acceptable surety bond is one issued by a corporate surety authorized by the commissioner to transact this business in the state of Minnesota for the purposes of this section. The term "Minnesota employees" includes any Minnesota resident who is employed by the employer.

Subd. 2. **AMOUNT OF SURETY BOND OR SECURITY.** The amount of surety bond or acceptable security required by subdivision 1 shall be equal to one-fourth of the projected annual medical and hospital expenses to be incurred by the employer or $1,000, whichever is greater, with respect to its Minnesota employees by reason of the portion of the employer's health benefit plan which is self-insured by the employer.

Subd. 3. **FORM OF THE SURETY BOND.** The surety bond shall provide as follows:

SURETY BOND

KNOW ALL PERSONS BY THESE PRESENTS: That (entity to be bonded), of (location), (hereinafter called the "principal"), as principal, and (bonding company name), a (name of state) corporation, of (location) (hereinafter called the "surety"), as surety are held and firmly bound unto the commissioner of commerce of the state of Minnesota for the use and benefit of Minnesota residents entitled to health benefits from the principal in the sum of ($.....), for the payment of which well and truly to be made, the principal binds itself, its successor and assigns, and the surety binds itself and its successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, in accordance with section (.....) of the Minnesota Statute, principal is required to file a surety bond with the commissioner of commerce of the state of Minnesota.

NOW, THEREFORE, the condition of this obligation is such that if the said principal shall, according to the terms, provisions, and limitations of principals' health benefit program for its Minnesota employees, pay all of its liabilities and obligations, including all benefits as provided in the attached plan, then, this obligation shall be null and void, otherwise to remain in full force and effect, subject, however, to the following terms and conditions:

1. The liability of the surety is limited to the payment of the benefits of the employee benefit plan which are payable by the principal and within the amount of the bond. The surety shall be bound to payments owed by the principal for obligations arising from a default of the principal or any loss incurred during the period to which the bond applies.

2. In the event of any default on the part of the principal to abide by the terms and provision of the attached plan, the commissioner of commerce may, upon ten-days notice to the surety and opportunity to be heard, require the surety to pay all of the principal's past and future obligations under the attached plan with respect to the principal's Minnesota employees.

3. Service on the surety shall be deemed to be service on the principals.

4. This bond shall be in effect from ..... to ....., and may not be canceled by either the surety or the principal.

5. Any Minnesota employee of principal aggrieved by a default of principal under the attached plan, and/or the commissioner of commerce on behalf of any such employee, may enforce the provisions of this bond.

6. This bond shall become effective at (time of day, month, day, year).

IN TESTIMONY WHEREOF, said principals and said surety have caused this instrument to be signed by their respective, duly authorized officers and their corporate seals to be hereunto affixed this (day, month, year).

Signed, sealed and delivered in the presence of:

_____

_____

_____

_____

Corporation Name

_____

_____

Bonding Company Name

By: _____

Subd. 4. **PENALTY FOR FAILURE TO COMPLY.** The commissioner of revenue shall deny any business tax deduction to an employer for the employer's contribution to a health plan for the period which the employer fails to comply with this section. This section does not apply to trusts established under chapter 62H which have been approved by the commissioner.

Subd. 5. **PETITION TO REDUCE BOND OR SECURITY AMOUNT.** An employer subject to this section may petition the commissioner to, and the commissioner may, allow the use of a surety bond not in the form specified in subdivision 3, or grant a reduction in the amount of the surety bond or security required.

In reviewing a petition submitted under this subdivision, the commissioner must consider, in addition to any other factors, information provided by the petitioner in regard to the following:

(1) the size of the petitioner's business;

(2) the number of employees;

(3) the cost of providing the bond or security and the effect the cost will have on the petitioner's financial condition;

(4) whether the cost of the bond or security will impair the petitioner's ability to self-insure; and

(5) the petitioner's likelihood of being able to meet the petitioner's future obligations in regard to the health plan.

Sec. 55. Minnesota Statutes 1986, section 62A.31, subdivision 1a, is amended to read:

Subd. 1a. **APPLICATION TO CERTAIN POLICIES.** The requirements of sections 62A.31 to 62A.44 shall not apply to disability income protection insurance policies, long-term care policies issued pursuant to sections 62A.46 to 62A.56, or group policies of accident and health insurance which do not purport to supplement medicare issued to any of the following groups:

(a) A policy issued to an employer or employers or to the trustee of a fund established by an employer where only employees or retirees, and dependents of employees or retirees, are eligible for coverage.

(b) A policy issued to a labor union or similar employee organization.

(c) A policy issued to an association, a trust or the trustee of a fund established, created or maintained for the benefit of members of one or more associations. The association or associations shall have at the outset a minimum of 100 persons; shall have been organized and maintained in good faith for purposes other than that of obtaining insurance; shall have a constitution and bylaws which provide that (1) the association or associations hold regular meetings not less frequently than annually to further purposes of the members, (2) except for credit unions, the association or associations collect dues or solicit contributions from members, ~~and~~ (3) the members have voting privileges and representation on the governing board and committees, and (4) the members are not, within the first 30 days of membership, directly solicited, offered, or sold a long-term care policy or Medicare supplement policy if the policy is available as an association benefit. This clause does not prohibit direct solicitations, offers, or sales made exclusively by mail.

Sec. 56. Minnesota Statutes 1986, section 62A.43, subdivision 2, is amended to read:

Subd. 2. **REFUNDS.** Notwithstanding the provisions of section 62A.38, an insurer which issues a medicare supplement plan to any person who has one plan then in effect, except as permitted in subdivision 1, shall, at the request of the insured, either refund the premiums or pay any claims on the policy, whichever is greater. Any refund of premium pursuant to this section or section

62A.38 shall be sent by the insurer directly to the insured within 15 days of the request by the insured.

Sec. 57. Minnesota Statutes 1986, section 62A.43, is amended by adding a subdivision to read:

Subd. 4. **OTHER POLICIES NOT PROHIBITED.** The prohibition in this section against the sale of duplicate Medicare supplement coverage does not preclude the sale of insurance coverage, such as travel, accident, and sickness coverage, the effect or purpose of which is not to supplement Medicare coverage. Notwithstanding this provision, if the commissioner determines that the coverage being sold is in fact Medicare supplement insurance, the commissioner shall notify the insurer in writing of the determination. If the insurer does not thereafter comply with sections 62A.31 to 62A.44, the commissioner may, pursuant to chapter 14, revoke or suspend the insurer's authority to sell accident and health insurance in this state or impose a civil penalty not to exceed $10,000, or both.

Sec. 58. Minnesota Statutes 1986, section 62A.46, is amended by adding a subdivision to read:

Subd. 11. **BENEFIT PERIOD.** "Benefit period" means one or more separate or combined periods of confinement covered by a long-term care policy in a nursing facility or at home while receiving home care services. A benefit period begins on the first day the insured receives a benefit under the policy and ends when the insured has received no benefits for the same or related cause for an interval of 180 consecutive days.

Sec. 59. Minnesota Statutes 1986, section 62A.48, subdivision 1, is amended to read:

Subdivision 1. **POLICY REQUIREMENTS.** No individual or group policy, certificate, subscriber contract, or other evidence of coverage of nursing home care or other long-term care services shall be offered, issued, delivered, or renewed in this state, whether or not the policy is issued in this state, unless the policy is offered, issued, delivered, or renewed by a qualified insurer and the policy satisfies the requirements of sections 62A.46 to 62A.56. A long-term care policy must cover medically prescribed long-term care in nursing facilities and at least the medically prescribed long-term home care services in section 62A.46, subdivision 4, clauses (1) to (5), provided by a home health agency. Coverage under a long-term care policy AA must include: a maximum lifetime benefit limit of at least $100,000 for services, and nursing facility and home care coverages must not be subject to separate lifetime maximums, and a requirement of prior hospitalization for up to one day may be imposed only for long-term care in a nursing facility. Coverage under a long-term care policy A must include: a maximum lifetime benefit limit of at least $50,000 for services, nursing facility and home care coverages must not be subject to separate lifetime maximums, and a requirement of prior hospitalization for up to three days may be imposed for long-term care in a nursing facility or home care services. If long-term care policies require the policyholder to be admitted to a nursing facility or begin home care services within a specified period after discharge from a hospital, that period may be no less than 30 days.

Coverage under either policy designation must cover preexisting conditions during the first six months of coverage if the insured was not diagnosed or treated for the particular condition during the 90 days immediately preceding the effective date of coverage. Coverage under either policy designation may include a waiting period of up to 90 days before benefits are paid, but there must be no more than one waiting period per benefit period. No policy may exclude coverage for mental or nervous disorders which have a demonstrable organic cause, such as Alzheimer's and related dementias. No policy may require the insured to meet a prior hospitalization test more than once during a single benefit period. The policy must include a provision that the plan will not be canceled or renewal refused except on the grounds of nonpayment of the premium, provided that the insurer may change the premium rate on a class basis on any policy anniversary date. ~~Policy options include~~ A provision that the policyholder may elect to have the premium paid in full at age 65 by payment of a higher premium up to age 65 ~~and~~ may be offered. A provision that the premium would be waived during any period in which benefits are being paid to the insured during confinement in a nursing facility must be included. A nongroup policyholder may return a policy within 30 days of its delivery and have the premium refunded in full, less any benefits paid under the policy, if the policyholder is not satisfied for any reason.

Sec. 60. Minnesota Statutes 1986, section 62A.48, subdivision 2, is amended to read:

Subd. 2. **PER DIEM COVERAGE.** If benefits are provided on a per diem basis, the minimum daily benefit for care in a nursing facility must be the lesser of $60 or actual charges under a long-term care policy AA or the lesser of $40 or actual charges under a long-term care policy A and the minimum ~~daily~~ benefit per visit for home care under a long-term care policy AA or A must be the lesser of $25 or actual charges ~~under a long-term care policy AA or the lesser of $25 or actual charges for nurse and therapy services and $20 for home health aide and nonmedical services under a long-term care policy A. If home care services are provided less frequently than daily, the minimum benefit is the lesser of actual charges or an amount determined by multiplying the number of days of the period during which services will be provided, or a reasonable interval of the service period, by $25 and dividing the resulting amount by the number of days during this period on which home care services were rendered~~. The home care services benefit must cover at least seven paid visits per week.

Sec. 61. Minnesota Statutes 1986, section 62A.48, subdivision 6, is amended to read:

Subd. 6. **COORDINATION OF BENEFITS.** A long-term care policy ~~shall~~ may be secondary coverage for services provided under sections 62A.46 to 62A.56. Nothing in sections 62A.46 to 62A.56 shall require the secondary payor to pay the obligations of the primary payor nor shall it prevent the secondary payor from recovering from the primary payor the amount of any obligation of the primary payor that the secondary payor elects to pay.

There shall be no coordination of benefits between a long-term care policy and a policy designed primarily to provide coverage payable on a per diem, fixed indemnity or nonexpense-incurred basis, or a policy that provides only accident coverage.

Sec. 62. Minnesota Statutes 1986, section 62A.48, is amended by adding a subdivision to read:

Subd. 7. **EXISTING POLICIES.** Nothing in sections 62A.46 to 62A.56 prohibits the renewal of policies sold outside the state of Minnesota to persons who at the time of sale were not residents of the state of Minnesota.

Sec. 63. Minnesota Statutes 1986, section 62A.50, subdivision 3, is amended to read:

Subd. 3. **DISCLOSURES.** No long-term care policy shall be offered or delivered in this state, whether or not the policy is issued in this state, and no certificate of coverage under a group long-term care policy shall be offered or delivered in this state, unless a statement containing at least the following information is delivered to the applicant at the time the application is made:

(1) a description of the benefits and coverage provided by the policy and the differences between this policy, a supplemental medicare policy and the benefits to which an individual is entitled under parts A and B of medicare and the differences between policy designations A and AA;

(2) a statement of the exceptions and limitations in the policy including the following language, as applicable, in bold print: "THIS POLICY DOES NOT COVER ALL NURSING CARE FACILITIES OR NURSING HOME OR HOME CARE EXPENSES AND DOES NOT COVER RESIDENTIAL CARE. READ YOUR POLICY CAREFULLY TO DETERMINE WHICH FACILITIES AND EXPENSES ARE COVERED BY YOUR POLICY.";

(3) a statement of the renewal provisions including any reservation by the insurer of the right to change premiums;

(4) a statement that the outline of coverage is a summary of the policy issued or applied for and that the policy should be consulted to determine governing contractual provisions;

(5) an explanation of the policy's loss ratio including at least the following language: "This means that, on the average, policyholders may expect that $..... of every $100 in premium will be returned as benefits to policyholders over the life of the contract."; and

(6) a statement of the out-of-pocket expenses, including deductibles and copayments for which the insured is responsible, and an explanation of the specific out-of-pocket expenses that may be accumulated toward any out-of-pocket maximum as specified in the policy.

Sec. 64. Minnesota Statutes 1986, section 62D.05, is amended by adding a subdivision to read:

Subd. 6. **SUPPLEMENTAL BENEFITS.** A health maintenance organization may, as a supplemental benefit, provide coverage to its enrollees for health care services and supplies received from providers who are not employed by, under contract with, or otherwise affiliated with the health maintenance organization. The commissioner may, pursuant to chapter 14, adopt, enforce, and administer rules relating to this subdivision, including: rules insuring that these benefits are supplementary and not substitutes for comprehensive health maintenance services; rules relating to protection against insolvency, including the establishment of necessary financial reserves; rules relating to appropriate standards for claims processing; rules relating to marketing practices; and other rules necessary for the effective and efficient administration of this subdivision. The commissioner, in adopting rules, shall give consideration to existing laws and rules administered and enforced by the department of commerce relating to health insurance plans. Except as otherwise provided by law, a health maintenance organization may not advertise, offer, or enter into contracts for the coverage described in this subdivision until 30 days after the effective date of rules adopted by the commissioner of health to implement this subdivision.

Sec. 65. Minnesota Statutes 1986, section 62D.102, is amended to read:

62D.102 **MINIMUM BENEFITS.**

In addition to minimum requirements established in other sections, all group health maintenance contracts providing benefits for mental or nervous disorder treatments in a hospital shall also provide coverage for at least ten hours of treatment over a 12-month period with a copayment not to exceed the greater of $10 or 20 percent of the applicable usual and customary charge for mental or nervous disorder consultation, diagnosis and treatment services delivered while the enrollee is not a bed patient in a hospital and at least 75 percent of the cost of the usual and customary charges for any additional hours of ambulatory mental health treatment during the same 12-month benefit period for serious and persistent mental or nervous disorders.

Prior authorization may be required for an extension of coverage beyond ten hours of treatment. This prior authorization must be based upon the severity of the disorder, the patient's risk of deterioration without ongoing treatment and maintenance, degree of functional impairment, and a concise treatment plan. Authorization for extended treatment may not exceed a maximum of 30 visit hours during any 12-month benefit period.

For purposes of this section, covered treatment for a minor shall include treatment for the family if family therapy is recommended by a health maintenance organization provider.

Sec. 66. Minnesota Statutes 1986, section 62E.06, subdivision 1, is amended to read:

Subdivision 1. **NUMBER THREE PLAN.** A plan of health coverage shall be certified as a number three qualified plan if it otherwise meets the requirements established by chapters 62A and 62C, and the other laws of this state, whether or not the policy is issued in Minnesota, and meets or exceeds the following minimum standards:

(a) The minimum benefits for a covered individual shall, subject to the other provisions of this subdivision, be equal to at least 80 percent of the cost of covered services in excess of an annual deductible which does not exceed $150 per person. The coverage shall include a limitation of $3,000 per person on total annual out-of-pocket expenses for services covered under this subdivision. The coverage shall be subject to a maximum lifetime benefit of not less than $250,000.

The $3,000 limitation on total annual out-of-pocket expenses and the $250,000 maximum lifetime benefit shall not be subject to change or substitution by use of an actuarially equivalent benefit.

(b) Covered expenses shall be the usual and customary charges for the following services and articles when prescribed by a physician:

(1) hospital services;

(2) professional services for the diagnosis or treatment of injuries, illnesses, or conditions, other than ~~outpatient mental or~~ dental, which are rendered by a physician or at the physician's direction;

(3) drugs requiring a physician's prescription;

(4) services of a nursing home for not more than 120 days in a year if the services would qualify as reimbursable services under medicare;

(5) services of a home health agency if the services would qualify as reimbursable services under medicare;

(6) use of radium or other radioactive materials;

(7) oxygen;

(8) anesthetics;

(9) prostheses other than dental;

(10) rental or purchase, as appropriate, of durable medical equipment other than eyeglasses and hearing aids;

(11) diagnostic X-rays and laboratory tests;

(12) oral surgery for partially or completely unerupted impacted teeth, a tooth root without the extraction of the entire tooth, or the gums and tissues of the mouth when not performed in connection with the extraction or repair of teeth;

(13) services of a physical therapist; ~~and~~

(14) transportation provided by licensed ambulance service to the nearest facility qualified to treat the condition; or a reasonable mileage rate for transportation to a kidney dialysis center for treatment; and

(15) services of an occupational therapist.

(c) Covered expenses for the services and articles specified in this subdivision do not include the following:

(1) any charge for care for injury or disease either (i) arising out of an injury in the course of employment and subject to a workers' compensation or similar law, (ii) for which benefits are payable without regard to fault under coverage statutorily required to be contained in any motor vehicle, or other liability insurance policy or equivalent self-insurance, or (iii) for which benefits are payable under another policy of accident and health insurance, medicare or any other governmental program except as otherwise provided by law;

(2) any charge for treatment for cosmetic purposes other than for reconstructive surgery when such service is incidental to or follows surgery resulting from injury, sickness or other diseases of the involved part or when such service is performed on a covered dependent child because of congenital disease or anomaly which has resulted in a functional defect as determined by the attending physician;

(3) care which is primarily for custodial or domiciliary purposes which would not qualify as eligible services under medicare;

(4) any charge for confinement in a private room to the extent it is in excess of the institution's charge for its most common semiprivate room, unless a private room is prescribed as medically necessary by a physician, provided, however, that if the institution does not have semiprivate rooms, its most common semiprivate room charge shall be considered to be 90 percent of its lowest private room charge;

(5) that part of any charge for services or articles rendered or prescribed by a physician, dentist, or other health care personnel which exceeds the prevailing charge in the locality where the service is provided; and

(6) any charge for services or articles the provision of which is not within the scope of authorized practice of the institution or individual rendering the services or articles.

(d) The minimum benefits for a qualified plan shall include, in addition to those benefits specified in clauses (a) and (e), benefits for well baby care, effective July 1, 1980, subject to applicable deductibles, coinsurance provisions, and maximum lifetime benefit limitations.

(e) Effective July 1, 1979, the minimum benefits of a qualified plan shall

include, in addition to those benefits specified in clause (a), a second opinion from a physician on all surgical procedures expected to cost a total of $500 or more in physician, laboratory and hospital fees, provided that the coverage need not include the repetition of any diagnostic tests.

(f) Effective August 1, 1985, the minimum benefits of a qualified plan must include, in addition to the benefits specified in clauses (a), (d), and (e), coverage for special dietary treatment for phenylketonuria when recommended by a physician.

(g) Outpatient mental health coverage is subject to section 62A.152, subdivision 2.

Sec. 67. Minnesota Statutes 1986, section 62E.10, subdivision 2, is amended to read:

Subd. 2. **BOARD OF DIRECTORS; ORGANIZATION.** The board of directors of the association shall be made up of ~~seven individuals~~ nine members as follows: five insurer directors selected by participating members, subject to approval by the commissioner ~~and two~~; four public ~~members appointed by the governor~~ directors selected by the commissioner. Public members may include licensed insurance agents. In determining voting rights at members' meetings, each member shall be entitled to vote in person or proxy. The vote shall be a weighted vote based upon the member's cost of self-insurance, accident and health insurance premium, subscriber contract charges, or health maintenance contract payment derived from or on behalf of Minnesota residents in the previous calendar year, as determined by the commissioner. In approving ~~members~~ directors of the board, the commissioner shall consider, among other things, whether all types of members are fairly represented. ~~Members of the board~~ Insurer directors may be reimbursed from the money of the association for expenses incurred by them as ~~members~~ directors, but shall not otherwise be compensated by the association for their services. The costs of conducting meetings of the association and its board of directors shall be borne by members of the association.

Sec. 68. Minnesota Statutes 1986, section 62E.10, is amended by adding a subdivision to read:

Subd. 2a. **APPEALS.** A person may appeal to the commissioner within 30 days after notice of an action, ruling, or decision by the board.

A final action or order of the commissioner under this subdivision is subject to judicial review in the manner provided by chapter 14.

In lieu of the appeal to the commissioner, a person may seek judicial review of the board's action.

Sec. 69. Minnesota Statutes 1986, section 62E.10, is amended by adding a subdivision to read:

Subd. 9. **EXPERIMENTAL DELIVERY METHOD.** The association may petition the commissioner of commerce for a waiver to allow the experimental use of alternative means of health care delivery. The commissioner may approve the use of the alternative means the commissioner considers appropriate. The commissioner may waive any of the requirements of chapters 60A, 62A, 62D, and 62E in granting the waiver. The commissioner may also grant to the association any additional powers as are necessary to facilitate the specific waiver.

This subdivision is effective until August 1, 1989.

Sec. 70. Minnesota Statutes 1986, section 62E.14, is amended by adding a subdivision to read:

Subd. 5. **TERMINATED EMPLOYEES.** An employee who is voluntarily or involuntarily terminated or laid offfrom employment and unable to exercise the option to continue coverage under section 62A.17 may enroll, within 60 days of termination or lay-off, with a waiver of the preexisting condition limitation set forth in subdivision 3 and a waiver of the evidence of rejection set forth in subdivision 1, paragraph (c).

Sec. 71. **[62E.18] HEALTH INSURANCE FOR RETIRED EMPLOYEES NOT ELIGIBLE FOR MEDICARE.**

A Minnesota resident who is age 65 or over and is not eligible for the health insurance benefits of the federal Medicare program is entitled to purchase the benefits of a qualified plan, one or two, offered by the Minnesota comprehensive health association without any of the limitations set forth in section 62E.14, subdivision 1, paragraph (c), and subdivision 3.

Sec. 72. Minnesota Statutes 1986, section 62F.041, subdivision 2, is amended to read:

Subd. 2. This section shall expire on June 30, ~~1987~~ 1989.

Sec. 73. Minnesota Statutes 1986, section 62F.06, subdivision 1, is amended to read:

Subdivision 1. A policy issued by the association ~~shall provide for a continuous period of coverage beginning with its effective date and terminating automatically at 12:01 a.m. on September 1, 1988, or sooner as provided in sections 62F.01 to 62F.14~~ may not extend beyond a period of one year from the date on which the authorization under section 62F.04 ends. The policy shall be issued subject to the group retrospective rating plan and the stabilization reserve fund authorized by section 62F.09. The policy shall be written to apply to claims first made against the insured and reported to the association during the policy period. No policy form shall be used by the association unless it has been filed with the commissioner, and the commissioner may disapprove the form within 30 days if the commissioner determines it is misleading or violates public policy.

Sec. 74. Minnesota Statutes 1986, section 62H.01, is amended to read:

62H.01 **JOINT SELF-INSURANCE EMPLOYEE HEALTH PLAN.**

Any three or more employers, excluding the state and its political subdivisions as described in 471.617, subdivision 1, who are authorized to transact business in Minnesota may jointly self-insure employee health, dental, or short-term disability benefits. Joint plans must have a minimum of 250 covered employees and meet all conditions and terms of sections 62H.01 to 62H.08. Joint plans covering employers not resident in Minnesota must meet the requirements of sections 62H.01 to 62H.08 as if the portion of the plan covering Minnesota resident employees was treated as a separate plan. A plan may cover employees resident in other states only if the plan complies with the applicable laws of that state.

Sec. 75. Minnesota Statutes 1986, section 62H.02, is amended to read:

62H.02 **REQUIRED PROVISIONS.**

A joint self-insurance plan must include aggregate excess stop-loss coverage and individual excess stop-loss coverage provided by an insurance company licensed by the state of Minnesota. Aggregate excess stop-loss coverage must include provisions to cover incurred, unpaid claim liability in the event of plan termination. ~~The excess or stop-loss insurer must bear the risk of coverage for any member of the pool that becomes insolvent with outstanding contribution due.~~ In addition, the plan of self-insurance must have participating employers fund an amount at least equal to the point at which the excess or stop-loss insurer ~~must~~ has contracted to assume 100 percent of additional liability. A joint self-insurance plan must submit its proposed excess or stop-loss insurance contract to the commissioner of commerce at least 30 days prior to the proposed plan's effective date and at least 30 days subsequent to any renewal date. The commissioner shall review the contract to determine if they meet the standards established by sections 62H.01 to 62H.08 and respond within a 30-day period. Any excess or stop-loss insurance plan must ~~be noncancelable for a minimum term of two years~~ contain a provision that the excess or stop-loss insurer will give the plan and the commissioner of commerce a minimum of 180 days notice of termination or nonrenewal. If the plan fails to secure replacement coverage within 60 days after receipt of the notice of cancellation or nonrenewal, the commissioner shall issue an order providing for the orderly termination of the plan.

Sec. 76. Minnesota Statutes 1986, section 62H.04, is amended to read:

62H.04 **COMPLIANCE WITH OTHER LAWS.**

A joint self-insurance plan is subject to the requirements of ~~chapter~~ chapters 62A, and 62E, and sections 72A.17 to 72A.32 unless otherwise specifically exempt. A joint self-insurance plan must not offer less than a number two qualified plan or its actuarial equivalent.

Sec. 77. Minnesota Statutes 1986, section 62I.02, subdivision 1, is amended to read:

Subdivision 1. **CREATION.** The Minnesota joint underwriting association is created to provide insurance coverage to any person or entity unable to obtain insurance through ordinary methods if the insurance is required by statute, ordinance, or otherwise required by law, or is necessary to earn a livelihood or conduct a business and serves a public purpose. Prudent business practice or mere desire to have insurance coverage is not a sufficient standard for the association to offer insurance coverage to a person or entity. For purposes of this subdivision, directors' and officers' liability insurance is considered to be a business necessity and not merely a prudent business practice. The association shall be specifically authorized to provide insurance coverage to day care providers, foster parents, foster homes, developmental achievement centers, group homes, and sheltered workshops for mentally, emotionally, or physically handicapped persons, and citizen participation groups established pursuant to the housing and community redevelopment act of 1974, Public Law Number 93-383. Because the activities of certain persons or entities present a risk that is so great, the association shall not offer insurance coverage to any person or entity the board of directors of the association determines is outside the intended scope and purpose of the association because of the gravity of the risk of offering insurance coverage. The association shall not offer environmental impairment liability or product liability insurance. The association shall not offer coverage for activities that are conducted substantially outside the state of Minnesota unless the insurance is required by statute, ordinance, or otherwise required by law. Every insurer authorized to write property and casualty insurance in this state shall be a member of the association as a condition to obtaining and retaining a license to write insurance in this state.

Sec. 78. Minnesota Statutes 1986, section 62I.02, subdivision 3, is amended to read:

Subd. 3. **REAUTHORIZATION.** The authorization to issue insurance to day care providers, foster parents, foster homes, developmental activity centers, group homes, and sheltered workshops for mentally, emotionally, or physically handicapped persons, and citizen participation groups established pursuant to the housing and community redevelopment act of 1974, Public Law Number 93-383, is valid for a period of two years from the date it was made. The commissioner may reauthorize the issuance of insurance for these groups and other classes of business for additional two-year periods pursuant to sections 62I.21 and 62I.22. This subdivision is not a limitation on the number of times the commissioner may reauthorize the issuance of insurance. ~~Insurance may not be offered pursuant to this section to persons or entities other than those listed in this subdivision after December 31, 1989.~~

Sec. 79. Minnesota Statutes 1986, section 62I.03, subdivision 5, is amended to read:

Subd. 5. **DEFICIT.** "Deficit" means, for a particular policy year ~~and line or type of insurance~~, that amount by which total paid and outstanding losses and loss adjustment expenses exceed premium revenue, including retrospective premium revenue.

Sec. 80. Minnesota Statutes 1986, section 62I.04, is amended to read:

62I.04 **POLICY ISSUANCE.**

Any person or entity that is a resident of the state of Minnesota who has a current ~~written~~ notice of refusal to insure from an insurer licensed to offer insurance in the state of Minnesota may make written application to the association for coverage. The applicable premium or required portion of it must be paid prior to coverage by the association.

The application shall be filed simultaneously with the association and the market assistance plan for the association.

The association is authorized to (1) issue or cause to be issued insurance policies to applicants subject to limits specified in the plan of operation; (2) underwrite the insurance and adjust and pay losses with respect to it, or appoint service companies to perform those functions; (3) assume reinsurance from its members; and (4) cede reinsurance.

Sec. 81. Minnesota Statutes 1986, section 62I.12, subdivision 1, is amended to read:

Subdivision 1. **ADMINISTRATOR.** The association shall be administered by a qualified insurer or vendor of risk management services selected by the commissioner. If the commissioner deems it necessary, the commissioner may select more than one person to administer the association. At the option of the board, employees may participate in the state retirement plan and the state deferred compensation plan for employees in the unclassified service, and an insurance plan administered by the commissioner of employee relations under chapter 43A.

Sec. 82. Minnesota Statutes 1986, section 62I.13, is amended by adding a subdivision to read:

Subd. 6. Notwithstanding any order of the commissioner or inconsistent provisions of this chapter, the board of directors may decline to offer coverage to any class of business or a member of a class of business upon a reasonable underwriting basis.

Sec. 83. Minnesota Statutes 1986, section 62I.16, subdivision 3, is amended to read:

Subd. 3. **SUPERVISION.** All money paid into the fund shall be held in trust by the corporate trustee selected by the board of directors. The corporate trustee may invest the money held in trust subject to the approval of the board.

All investment income shall be credited to the fund. All expenses of the administration of the fund shall be charged against the fund. The money held in trust shall be used solely for the purpose of discharging when due any retrospective premium charges payable by policyholders and any retrospective premium refunds payable to policyholders under the group retrospective rating plan. Payment of retrospective premium charges shall be made upon certification of the amount due. If all money accruing to the fund is exhausted in payment of retrospective premium charges, all liability and obligations of the association's policyholders with respect to the payment of retrospective premium charges shall terminate and shall be conclusively presumed to have been discharged. Any stabilization reserve fund charges from a particular policy year ~~and line or type of insurance~~ not used to pay retrospective premiums must be returned to policyholders after all claims and expense obligations from that particular policy year ~~and line or type of insurance~~ are satisfied.

Sec. 84. Minnesota Statutes 1986, section 62I.22, subdivision 2, is amended to read:

Subd. 2. **NOTICE.** The commissioner of commerce shall publish notice of the hearing in the State Register at least 30 days before the hearing date. The notice should be that used for rulemaking under chapter 14. Approval by the administrative law judge of the notice prior to publication is not required. The notice must contain a statement that anyone wishing to oppose activation beyond 180 days for any particular class, must file a petition to intervene with the administrative law judge at least ten days before the hearing date. If no notice to intervene is filed for a class, then the class is activated beyond the 180-day period without further action.

Sec. 85. Minnesota Statutes 1986, section 62I.22, is amended by adding a subdivision to read:

Subd. 6. **CASE PRESENTATION.** The department of commerce, upon request by small businesses as defined by section 14.115, subdivision 1, shall assist small businesses in any specific class requesting continuation of coverage beyond the 180-day period, in coordinating the class and presenting the case in the contested hearing.

Sec. 86. Minnesota Statutes 1986, section 64B.11, subdivision 4, is amended to read:

Subd. 4. **FILING OF AMENDMENTS BY FOREIGN OR ALIEN SOCIETY.** Every foreign or alien society authorized to do business in this state shall ~~file with the commissioner a duly certified copy of all amendments of, or additions to, its laws within 90 days after the enactment of same~~ be subject to the requirements of section 72A.061, subdivision 2, as to amendments or additions to its bylaws.

Sec. 87. Minnesota Statutes 1986, section 64B.18, is amended to read:

64B.18 **BENEFITS NOT ATTACHABLE.**

~~Except as provided in chapter 256B, the money or other benefits, charity, relief, or aid to be paid, provided, or rendered by any society authorized to do business under this chapter shall, neither before nor after being paid, be liable to attachment, garnishment, or other process and shall not be ceased, 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 the certificate, or of any person who may have any right thereunder.~~ The cash value, proceeds, or benefits under any matured or unmatured life insurance or annuity contract issued before, on, or after the effective date of this section, by any society authorized to do business under this chapter, is exempt from attachment, garnishment, execution, or other legal process to the extent provided by section 550.37, subdivisions 10, 23, and 24.

Sec. 88. Minnesota Statutes 1986, section 64B.27, is amended to read:

64B.27 **ANNUAL LICENSE.**

Societies that are now authorized to transact business in this state may continue this business until the first day of June next succeeding August 1, 1985. The authority of the societies and all societies hereafter licensed, may thereafter be renewed annually, subject to section 60A.13, subdivisions 1, 5, 6, and 7. However, a license so issued shall continue in full force and effect until the new license is issued or specifically refused. ~~For each license or renewal the society shall pay the commissioner $20.~~ A duly certified copy or duplicate of the license is prima facie evidence that the licensee is a fraternal benefit society within the meaning of this chapter.

Sec. 89. Minnesota Statutes 1986, section 65A.01, subdivision 3a, is amended to read:

Subd. 3a. **CANCELLATION.** (1) There shall be printed in the policy or an endorsement attached to the policy a printed form in the following words:

When this policy has been issued to cover buildings used for residential purposes other than a hotel or motel and has been in effect for at least ~~six months~~ 60 days, or if it has been renewed, this policy shall not be canceled, except for one or more of the following reasons which shall be stated in the notice of cancellation:

(a) Nonpayment of premium;

(b) Misrepresentation or fraud made by or with the knowledge of the insured in obtaining the policy or in pursuing a claim thereunder;

(c) An act or omission of the insured which materially increases the risk originally accepted;

(d) Physical changes in the insured property which are not corrected or

restored within a reasonable time after they occur and which result in the property becoming uninsurable; or

(e) Nonpayment of dues to an association or organization, other than an insurance association or organization, where payment of dues is a prerequisite to obtaining or continuing the insurance.

Provided, however, that this limitation on cancellation shall not apply to additional coverages in a divisible policy, other than a policy of fire and extended coverage insurance. If this company cancels the additional coverages, it may issue a new, separate fire policy at a premium calculated on a pro rata basis for the remaining period of the original policy.

(2) The provisions of clause (1)(e) shall not be included in the language of the policy or endorsement unless the payment of dues to an association or organization, other than an insurance association or organization, is a prerequisite to obtaining or continuing the insurance.

Sec. 90. Minnesota Statutes 1986, section 65A.03, subdivision 1, is amended to read:

65A.03 **BINDERS, TEMPORARY INSURANCE.**

Subdivision 1. **GENERALLY.** 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. 91. Minnesota Statutes 1986, section 65A.10, is amended to read:

65A.10 **LIMITATION.**

Nothing contained in sections 65A.08 and 65A.09 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. Subject to any applicable policy limits, where an insurer offers replacement cost insurance, the insurance must cover the cost of replacing, rebuilding, or repairing any loss or damaged property in accordance with the minimum code as required by state or local authorities. In the case of a partial loss, unless more extensive coverage is otherwise specified in the policy, this coverage applies only to the damaged portion of the property.

Sec. 92. Minnesota Statutes 1986, section 65A.29, is amended by adding a subdivision to read:

Subd. 10. **RETURN OF UNEARNED PREMIUM.** Cancellation of a policy of homeowner's insurance pursuant to this section is not effective unless any

unearned premium due the insured is returned to the insured with the notice of cancellation or is delivered or sent by mail to the insured so as to be received by the insured not later than the effective date of cancellation. If the premium has been paid by the insured's agent and debited to the agent's account with the company, upon cancellation, the unearned premium must be credited to the agent's account with the company.

Sec. 93. Minnesota Statutes 1986, section 65A.35, subdivision 5, is amended to read:

Subd. 5. **ADMINISTRATION.** (1) The facility shall be administered by a governing ~~committee~~ board of ~~five members~~ nine directors, five of whom are elected ~~annually~~ by the members of the facility~~,~~ and four ~~additional members~~ who represent the public. Public directors may include licensed insurance agents. Public directors are appointed by the commissioner~~, at least three of whom shall be public members~~. At least one elected ~~member of the governing committee~~ director shall be a domestic stock insurer, and at least one ~~elected member of the governing committee~~ director shall be a domestic nonstock insurer. In the election of ~~members of the governing committee~~ directors, each member of the facility shall be allotted votes bearing the same ratio to the total number of votes to be cast as its degree of participation in the facility bears to the total participation. ~~Pending the determination of the degree of participation of the members in the facility, each member of the facility shall be allotted votes bearing the same ratio to the total number of votes to be cast as each member's written premium on basic property insurance during calendar year 1968 bears to the statewide total written premium for basic property insurance during such year. The first governing committee shall be elected at a meeting of the members or their authorized representatives.~~

(2) Any vacancy among the elected ~~members on the governing committee~~ directors shall be filled by a vote of the other elected ~~members of the governing committee~~ directors.

(3) If at any time the ~~members~~ directors fail to elect the required number of members to the ~~governing committee~~ board, or a vacancy remains unfilled for more than 15 days, the commissioner may appoint the members necessary to constitute a full ~~governing committee~~ board of directors.

(4) Vacancies among directors appointed by the commissioner shall be filled by appointment by the commissioner. A person so appointed serves until the end of the term of the member they are replacing.

(5) All directors serve for a period of two years. The terms of all directors begin on January 1 of the year their appointment begins.

(6) The plan of operation must provide for adequate compensation of directors. A per diem amount and a procedure for reimbursement of expenses incurred in the discharge of their duties must be included in the plan. Directors whose employers compensate them while serving on the board or who would submit their compensation to their employer are not eligible for compensation under the plan.

Sec. 94. **[65A.375] RATES FOR COOPERATIVE HOUSING AND NEIGHBORHOOD REAL ESTATE TRUST INSURANCE.**

The commissioner shall set the insurance rates for cooperative housing, organized under chapter 308, and for neighborhood real estate trusts, characterized as nonprofit ownership of real estate with resident control. The rates must be actuarially sound.

Sec. 95. Minnesota Statutes 1986, section 65A.39, is amended to read:

65A.39 **RIGHT OF APPEAL.**

(a) Any applicant or participating insurer shall have the right of appeal to the ~~governing committee~~ board of directors, which shall promptly determine ~~said~~ the appeal. A decision of the ~~committee~~ board may be appealed to the commissioner within 30 days from notice of the action or decision ~~of the committee, and~~. The commissioner shall promptly determine ~~said~~ the appeal. Each denial of insurance shall be accompanied by a statement that the applicant has the right of appeal to the ~~governing committee~~ board and the commissioner and setting forth the procedures to be followed for ~~such~~ the appeal. A final action of the commissioner is subject to judicial review as provided in chapter 14.

(b) In lieu of the appeal to the commissioner under paragraph (a), an applicant or insurer may seek judicial review of the board's action.

Sec. 96. Minnesota Statutes 1986, section 65B.03, subdivision 1, is amended to read:

Subdivision 1. **MEMBERSHIP.** The commissioner shall direct that an election be held among every insurer subject to this chapter, for the election of ~~a~~ insurer representatives on the facility governing committee. The governing committee shall be made up of ~~eight~~ nine individuals ~~selected~~, five of whom shall be elected by participating members of the facility and ~~one public member appointed by the governor to two-year terms~~ four who shall be public members. Public members may include licensed insurance agents. The public members shall be appointed by the commissioner. Each insurer member of the governing committee shall be a participating member. The term of office for members of the governing committee is two years.

Each participating member serving on the governing committee shall be represented by a salaried employee of that participating member, and not more than one participating member in a group under the same management shall serve on the governing committee at the same time. ~~The commissioner of commerce or a designee shall be an ex officio member of the governing committee.~~

Sec. 97. Minnesota Statutes 1986, section 65B.12, is amended to read:

65B.12 **RIGHT TO HEARING; CONSTRUCTION OF PLAN OF OPERATION.**

Subdivision 1. Any participating member, applicant or person insured under a policy placed through the facility may request a formal hearing and ruling by the governing committee on any alleged violation of the plan of operation or any alleged improper act or ruling of the facility ~~directly affecting its assessment, premium or coverage furnished, provided that such right to hearing shall not apply to any claim arising out of insurance provided by any participating member~~. ~~Such~~ The request for hearing must be filed within 30 days after the date of the alleged act or decision.

Subd. 2. The plan of operation shall provide for prompt and fair hearings, and shall prescribe the procedure to be followed in ~~such~~ the hearings.

Subd. 3. Any formal ruling by the governing committee may be appealed to the commissioner by filing notice of appeal with the facility and the commissioner within 30 days after issuance of the ruling. ~~Such a~~ The hearing shall be governed by the procedures for contested cases.

Subd. 4. Upon a hearing pursuant to ~~Laws 1971, chapter 813~~ chapter 14, the commissioner shall issue an order approving or disapproving the action or decision of the governing committee or directing the governing committee to reconsider the ruling.

Subd. 4a. In lieu of the appeal to the commissioner, a member, applicant, or person may seek judicial review of the governing committee's action.

Subd. 5. The plan of operation shall be interpreted to conform to the laws of this state with respect to automobile insurance coverage and any changes ~~therein~~ in the laws, unless the facility is specifically excluded from the applicability of ~~such~~ these laws.

Sec. 98. Minnesota Statutes 1986, section 65B.1311, is amended to read:

65B.1311 **COVERAGE FOR FORMER SPOUSE.**

Subdivision 1. **NEW POLICY ISSUED.** ~~If the former spouse of a named insured under a policy of private passenger vehicle insurance applies within 60 days of entry of a valid decree of dissolution of the marriage and the former spouse was an insured driver under the policy for at least 12 months prior to entry of the decree, the insurer must issue a policy, upon payment of the appropriate premium, to the former spouse only on the basis of the driving record applicable to the former spouse and any person who is to be an insured, as defined in section 65B.43, under the policy to be issued, provided the person or persons to be insured meets the insurer's eligibility standards~~ An insurer must issue a policy of private passenger insurance to the former spouse of a named insured, within the provisions of subdivision 2 of this section, if the following conditions are met:

(1) the former spouse has been an insured driver under the former policy for at least the six months immediately preceding the entry of a valid decree of dissolution of marriage;

(2) the former spouse makes application for a policy before the end of the policy period or within 60 days after the entry of the decree of dissolution of marriage, whichever is later;

(3) the appropriate premium is paid; and

(4) the former spouse and any person or persons who are to be an insured, as defined in section 65B.43, meets the insurer's eligibility standards for renewal policies.

Subd. 2. **NAMED INSURED.** A named insured under a policy of private passenger vehicle insurance shall have the premium determined at the first and any subsequent renewals of the policy after entry of a valid decree of dissolution of the marriage of the named insured only on the basis of the driving record and rating classification applicable to the named insured and any person who is to be an insured, as defined in section 65B.43, under the policy to be renewed.

Sec. 99. Minnesota Statutes 1986, section 65B.15, subdivision 1, is amended to read:

Subdivision 1. No cancellation or reduction in the limits of liability of coverage during the policy period of any policy shall be effective unless notice thereof is given and unless based on one or more reasons stated in the policy which shall be limited to the following:

1. Nonpayment of premium; or

2. The policy was obtained through a material misrepresentation; or

3. Any insured made a false or fraudulent claim or knowingly aided or abetted another in the presentation of such a claim; or

4. The named insured failed to disclose fully motor vehicle accidents and moving traffic violations of the named insured for the preceding 36 months if called for in the written application; or

5. The named insured failed to disclose in the written application any requested information necessary for the acceptance or proper rating of the risk; or

6. The named insured knowingly failed to give any required written notice of loss or notice of lawsuit commenced against the named insured, or, when requested, refused to cooperate in the investigation of a claim or defense of a lawsuit; or

7. The named insured or any other operator who either resides in the same household, unless the other operator is identified by name in any other policy as an insured; or customarily operates an automobile insured under such policy:

(a) has, within the 36 months prior to the notice of cancellation, had that person's driver's license under suspension or revocation; or

(b) is or becomes subject to epilepsy or heart attacks, and such individual does not produce a written opinion from a physician testifying to that person's medical ability to operate a motor vehicle safely, such opinion to be based upon a reasonable medical probability; or

(c) has an accident record, conviction record (criminal or traffic), physical condition or mental condition, any one or all of which are such that the person's operation of an automobile might endanger the public safety; or

(d) has been convicted, or forfeited bail, during the 24 months immediately preceding the notice of cancellation for criminal negligence in the use or operation of an automobile, or assault arising out of the operation of a motor vehicle, or operating a motor vehicle while in an intoxicated condition or while under the influence of drugs; or leaving the scene of an accident without stopping to report; or making false statements in an application for a driver's license, or theft or unlawful taking of a motor vehicle; or

(e) has been convicted of, or forfeited bail for, one or more violations within the 18 months immediately preceding the notice of cancellation, of any law, ordinance, or rule which justify a revocation of a driver's license.

8. The insured automobile is:

(1) so mechanically defective that its operation might endanger public safety; or

(2) used in carrying passengers for hire or compensation, provided however that the use of an automobile for a car pool shall not be considered use of an automobile for hire or compensation; or

(3) used in the business of transportation of flammables or explosives; or

(4) an authorized emergency vehicle; or

(5) subject to an inspection law and has not been inspected or, if inspected, has failed to qualify within the period specified under such inspection law; or

(6) substantially changed in type or condition during the policy period, increasing the risk substantially, such as conversion to a commercial type vehicle, a dragster, sports car or so as to give clear evidence of a use other than the original use.

Sec. 100. Minnesota Statutes 1986, section 65B.16, is amended to read:

65B.16 **STATEMENT OF REASONS FOR CANCELLATION OR REDUCTION.**

No notice of cancellation or reduction in the limits of liability of coverage of an automobile insurance policy under section 65B.15 shall be effective unless the specific underwriting or other reason or reasons for such cancellation or

reduction in the limits of liability of coverage are stated in such notice and the notice is mailed or delivered by the insurer to the named insured at least 30 days prior to the effective date of cancellation; provided, however, that when nonpayment of premium is the reason for cancellation or when the company is exercising its right to cancel insurance which has been in effect for less than 60 days at least ten days notice of cancellation, and the reasons for the cancellation, shall be given. Information regarding moving traffic violations or motor vehicle accidents must be specifically requested on the application in order for a company to use those incidents to exercise its right to cancel within the first 59 days of coverage. When nonpayment of premiums is the reason for cancellation, the reason must be given to the insured with the notice of cancellation; and if the company is exercising its right to cancel within the first 59 days of coverage and notice is given with less than ten days remaining in the 59-day period, the coverage must be extended, to expire ten days after notice was mailed.

Sec. 101. **[65B.162] NOTICE OF POSSIBLE CANCELLATION.**

A written notice shall be provided to all applicants for private passenger insurance, at the time the application is submitted, containing the following language in bold print: "THE INSURER MAY ELECT TO CANCEL COVERAGE AT ANY TIME DURING THE FIRST 59 DAYS FOLLOWING ISSUANCE OF THE COVERAGE FOR ANY REASON WHICH IS NOT SPECIFICALLY PROHIBITED BY STATUTE."

Sec. 102. Minnesota Statutes 1986, section 65B.21, subdivision 2, is amended to read:

Subd. 2. Upon receipt of a written objection pursuant to the provisions herein, the commissioner ~~shall~~ may notify the insurer of receipt of such objection and of the right of the insurer to file a written response thereto within ten days of receipt of such notification. The commissioner may also order an investigation of the objection or complaint, the submission of additional information by the insured or the insurer about the action by the insurer or the objections of the insured, or such other procedure as the commissioner deems appropriate or necessary. Within 23 days of receipt of such written objection by an insured the commissioner shall approve or disapprove the insurer's action and shall notify the insured and insurer of the final decision. Either party may institute proceedings for judicial review of the commissioner's decision; provided, however, that the commissioner's final decision shall be binding pending judicial review.

Sec. 103. Minnesota Statutes 1986, section 65B.28, is amended to read:

65B.28 **ACCIDENT PREVENTION COURSE PREMIUM REDUCTIONS.**

Subdivision 1. **REQUIRED REDUCTION.** An insurer must provide an appropriate premium reduction of at least ten percent on its policies of private passenger vehicle insurance, as defined in section 65B.001, subdivision 2, issued,

delivered, or renewed in this state after January 1, 1985, to insureds ~~65~~ 55 years old and older who successfully complete an accident prevention course established under subdivision 2.

Subd. 2. **ACCIDENT PREVENTION COURSE; RULES.** The commissioner of public safety shall, by January 1, 1985, adopt rules establishing and regulating a motor vehicle accident prevention course for persons ~~65~~ 55 years old and older. The rules must, at a minimum, include provisions:

(1) establishing curriculum requirements;

(2) establishing the number of hours required for successful completion of the course;

(3) providing for the issuance of a course completion certification and requiring its submission to an insured as evidence of completion of the course; and

(4) requiring persons ~~65~~ 55 years old and older to retake the course every three years to remain eligible for a premium reduction.

Sec. 104. Minnesota Statutes 1986, section 65B.46, is amended to read:

65B.46 **RIGHT TO BENEFITS.**

Subdivision 1. If the accident causing injury occurs in this state, every person suffering loss from injury arising out of maintenance or use of a motor vehicle or as a result of being struck as a pedestrian by a motorcycle has a right to basic economic loss benefits.

Subd. 2. If the accident causing injury occurs outside this state in the United States, United States possessions, or Canada, the following persons and their surviving dependents suffering loss from injury arising out of maintenance or use of a motor vehicle or as a result of being struck as a pedestrian by a motorcycle have a right to basic economic loss benefits:

(1) Insureds, and

(2) the driver and other occupants of a secured vehicle, other than (a) a vehicle which is regularly used in the course of the business of transporting persons or property and which is one of five or more vehicles under common ownership, or (b) a vehicle owned by a government other than this state, its political subdivisions, municipal corporations, or public agencies. The reparation obligor may, if the policy expressly states, extend the basic economic loss benefits to any stated area beyond the limits of the United States, United States possessions and Canada.

Subd. 3. For the purposes of sections 65B.41 to 65B.71, injuries suffered by a person while on, mounting or alighting from a motorcycle do not arise out of the maintenance or use of a motor vehicle although a motor vehicle is involved in the accident causing the injury.

Sec. 105. Minnesota Statutes 1986, section 65B.48, subdivision 1, is amended to read:

Subdivision 1. Every owner of a motor vehicle of a type which is required to be registered or licensed or is principally garaged in this state shall maintain during the period in which operation or use is contemplated a plan of reparation security under provisions approved by the commissioner, insuring against loss resulting from liability imposed by law for injury and property damage sustained by any person arising out of the ownership, maintenance, operation or use of the vehicle. The plan of reparation security shall provide for basic economic loss benefits and residual liability coverage in amounts not less than those specified in section 65B.49, subdivision 3, clauses (1) and (2). The nonresident owner of a motor vehicle which is not required to be registered or licensed, or which is not principally garaged in this state, shall maintain such security in effect continuously throughout the period of the operation, maintenance or use of such motor vehicle within this state with respect to accidents occurring in this state; such security shall include coverage for property damage to a motor vehicle rented or leased within this state by a nonresident.

Sec. 106. Minnesota Statutes 1986, section 65B.49, is amended by adding a subdivision to read:

Subd. 5a. **RENTAL VEHICLES.** (a) No plan of reparation security may be issued or renewed after August 1, 1987, unless the plan provides that all coverages under the plan are extended to any motor vehicle while being rented by the named insured. The plan must also provide that all or any part of the obligation of the named insured for property damage to a rented vehicle would be covered by the collision or comprehensive portion of the plan. The plan must provide that any deductible will not apply to claims that arise while a motor vehicle is being rented by a named insured.

(b) A vehicle is rented for purposes of this subdivision if the rate for the use of the vehicle is determined on a weekly or daily basis. A vehicle is not rented for purposes of this subdivision if the rate for the vehicle's use is determined on a monthly or longer period or the vehicle is rented principally for business purposes.

(c) The policy or certificate issued by the plan must inform the insured of the application of the plan to rental vehicles and that the insured may not need to purchase additional coverage from the rental company.

(d) Where an insured has two or more plans of reparation security containing the rented motor vehicle coverage required under paragraph (a), claims must be made against the plan covering the motor vehicle most often driven by the insured.

(e) A notice advising the insured of rental vehicle coverage must be given to each current insured with the first renewal notice after January 1, 1988. The notice must be approved by the commissioner of commerce. The commissioner

may specify the form of the notice. A form approved by the commissioner must be reasonably calculated to put the insured on notice of the coverage.

(f) When a motor vehicle is rented or leased in this state, the rental contract must contain a written notice in at least ten-point bold type, if printed, or in capital letters, if typewritten, which states:

> Under Minnesota law, a personal automobile insurance policy issued in Minnesota must cover the rental of a motor vehicle unless the rental is principally for business use or rented on a monthly or longer basis. Therefore, purchase of any collision damage waiver or other insurance affected in this rental contract may not be necessary if your policy was issued in Minnesota.

No collision damage waiver or other insurance offered as part of or in conjunction with a rental of a motor vehicle may be sold unless the person renting the vehicle provides a written acknowledgment that the above consumer protection notice has been read and understood.

Sec. 107. **[65B.491] SENIOR CITIZENS.**

After August 1, 1987, no plan of reparation security issued to or renewed with a person who has attained the age of 65 years may provide coverage for wage loss reimbursement that the insured will not reasonably be expected to be able to receive. It is the responsibility of the person issuing or renewing the plan to inquire as to the applicability of this section. The rate for any plan for which coverage has been excluded or reduced pursuant to this section must be reduced accordingly. This section does apply to self-insurance.

Sec. 108. Minnesota Statutes 1986, section 65B.525, subdivision 1, is amended to read:

Subdivision 1. The supreme court and the several courts of general trial jurisdiction of this state shall by rules of court or other constitutionally allowable device, provide for the mandatory submission to arbitration of all cases at issue where ~~a~~ the claim at the commencement of arbitration is in an amount of $5,000 or less ~~is made by a motor vehicle accident victim, whether in an action to recover economic loss or noneconomic detriment for the allegedly negligent operation, maintenance, or use of a motor vehicle within this state, or~~ against any insured's reparation obligor ~~for benefits as provided in sections 65B.41 to 65B.71~~ for no-fault benefits or comprehensive or collision damage coverage.

Sec. 109. Minnesota Statutes 1986, section 65B.63, subdivision 1, is amended to read:

Subdivision 1. Reparation obligors providing basic economic loss insurance in this state shall organize and maintain, subject to approval and regulation by the commissioner, an assigned claims bureau and an assigned claims plan, and adopt rules for their operation and for the assessment of costs on a fair and

equitable basis consistent with sections 65B.41 to 65B.71. The assigned claims bureau shall be managed by a governing committee made up of four individuals selected by the insurer members, one individual selected by the self-insurer members, and two public members appointed by the governor to two-year terms. Public members may include licensed insurance agents. If such obligors do not organize and continuously maintain an assigned claims bureau and an assigned claims plan in a manner considered by the commissioner of commerce to be consistent with sections 65B.41 to 65B.71, the commissioner shall organize and maintain an assigned claims bureau and an assigned claims plan. Each reparation obligor providing basic economic loss insurance in this state shall participate in the assigned claims bureau and the assigned claims plan. Costs incurred shall be allocated fairly and equitably among the reparation obligors.

A ruling, action, or decision of the governing committee may be appealed to the commissioner within 30 days. A final action or order of the commissioner is subject to judicial review in the manner provided by chapter 14. In lieu of an appeal to the commissioner, judicial review of the governing committee's ruling, action, or decision may be sought.

Sec. 110. Minnesota Statutes 1986, section 67A.05, subdivision 2, is amended to read:

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~~ be subject to the requirements of section 72A.061, subdivision 2, as to amendments or additions to its bylaws.

Sec. 111. Minnesota Statutes 1986, section 67A.06, is amended to read:

67A.06 **POWERS OF CORPORATION.**

Every corporation formed under the provisions of sections 67A.01 to 67A.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;

(7) To wind up and liquidate its business in the manner provided by chapter 60B; and

(8) To indemnify certain persons against expenses and liabilities as provided in section ~~300.082~~ 300.083. In applying section ~~300.082~~ 300.083 for this purpose, the term "members" shall be substituted for the terms "shareholders" and "stockholders."

Sec. 112. Minnesota Statutes 1986, section 67A.231, is amended to read:

67A.231 **DEPOSIT OF FUNDS; INVESTMENT; LIMITATIONS.**

The directors of any township mutual insurance company may authorize the treasurer to invest any of its funds and accumulations in:

(a) Bonds, notes, mortgages, or other obligations guaranteed by the full faith and credit of the United States of America and those for which the credit of the United States is pledged to pay principal, interest or dividends, including United States agency and instrumentality bonds, debentures, or obligations;

(b) Bonds, notes, evidence of indebtedness, or other public authority obligations guaranteed by this state;

(c) Bonds, notes, evidence of the indebtedness or other obligations guaranteed by the full faith and credit of any county, municipality, school district, or other duly authorized political subdivision of this state;

(d) Bonds or other interest bearing obligations, payable from revenues, provided that the bonds or other interest bearing obligations are at the time of purchase rated among the highest four quality categories used by a nationally recognized rating agency for rating the quality of similar bonds or other interest bearing obligations, and are not rated lower by any other such agency; or obligations of a United States agency or instrumentality that have been determined to be investment grade (as indicated by a "yes" rating) by the Securities Valuation Office of the National Association of Insurance Commissioners. This is not applicable to bonds or other interest bearing obligations in default as to principal;

(e) Investments in the obligations stated in paragraphs (a), (b), (c), and (d), may be made either directly or in the form of securities of, or other interests in, an investment company registered under the Federal Investment Company Act of 1940. Investment company shares authorized pursuant to this subdivision shall not exceed 20 percent of the company's surplus. These obligations must be carried at the lower of cost or market on the annual statement filed with the commissioner and adjusted to market on an annual basis;

~~(d)~~ (f) Loans upon improved and unencumbered real property in this state worth at least twice the amount loaned thereon, not including buildings, unless insured by property insurance policies payable to and held by the security holder;

~~(e)~~ (g) Real estate, including land, buildings and fixtures, located in this state and used primarily as home office space for the insurance company;

~~(f)~~ (h) Demand or time deposits or savings accounts in federally insured depositories located in this state to the extent that the deposit or investment is insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation, or the National Credit Union Administration;

~~(g)~~ (i) Guarantee fund certificates of a mutual insurer which reinsures the business of the township mutual insurance company. The commissioner may by rule limit the amount of guarantee fund certificates which the township mutual insurance company may purchase and this limit may be a function of the size of the township mutual insurance company; and

(j) Up to $1,500 in stock of an insurer which issues directors and officers liability insurance to township mutual insurance company directors and officers.

Sec. 113. Minnesota Statutes 1986, section 70A.06, is amended by adding a subdivision to read:

Subd. 1a. Whenever an insurer files a change in a rate that will result in a 25 percent or more increase in a 12-month period over existing rates, the commissioner may hold a hearing to determine if the change is excessive. The hearing must be conducted under chapter 14. The commissioner must give notice of intent to hold a hearing within 60 days of the filing of the change. It shall be the responsibility of the insurer to show the rate is not excessive. The rate is effective unless it is determined as a result of the hearing that the rate is excessive.

Sec. 114. Minnesota Statutes 1986, section 70A.08, subdivision 3, is amended to read:

Subd. 3. ~~Until January 1, 1988,~~ The commissioner may restrict approval on claims-made policies to forms filed by a rate service organization which have been approved.

Sec. 115. **[72A.125] RENTAL VEHICLE PERSONAL ACCIDENT INSURANCE; SPECIAL REQUIREMENTS.**

Subdivision 1. **DEFINITION.** (a) "Auto rental company" means a corporation, partnership, individual, or other person that is engaged primarily in the renting of motor vehicles at per diem rates.

(b) "Rental vehicle personal accident insurance" means accident only insurance providing accidental death benefits, dismemberment benefits and/or reim-

bursement for medical expenses which is issued by an insurer authorized in this state to issue accident and health insurance. These coverages are nonqualified plans under chapter 62E.

Subd. 2. **SALE BY AUTO RENTAL COMPANIES.** An auto rental company that offers or sells rental vehicle personal accident insurance in this state in conjunction with the rental of a vehicle shall only sell these products if the forms and rates have met the relevant requirements of section 62A.02, taking into account the possible infrequency and severity of loss that may be incurred. Sections 60A.17 and 60A.1701 do not apply if the persons engaged in the sale of these products are employees of the auto rental company who do not receive commissions or other remuneration for selling the product in addition to their regular compensation. Compensation may not be determined in any part by the sale of insurance products. The auto rental company before engaging in the sale of the product must file with the commissioner the following documents:

(1) an appointment of the commissioner as agent for service of process;

(2) an agreement that the auto rental company assumes all responsibility for the authorized actions of all unlicensed employees who sell the insurance product on its behalf in conjunction with the rental of its vehicles;

(3) an agreement that the auto rental company with respect to itself and its employees will be subject to this chapter regarding the marketing of the insurance products and the conduct of those persons involved in the sale of insurance products in the same manner as if it were a licensed agent.

An auto rental company failing to file the documents in clauses (1) to (3) is guilty of an individual violation as to the unlicensed sale of insurance for each sale that occurs after the effective date of this section until they make the required filings. Each individual sale after the effective date of this section and prior to the filing required by this section is subject to, in addition to any other penalties allowable by law, up to a $100 per violation fine. Further, the sale of the insurance product by an auto rental company or any employee or agent of the company after the effective date of this section without having complied with this section shall be deemed to be in acceptance of the provisions of this section.

Insurance sold pursuant to this subdivision must be limited in availability to rental vehicle customers though coverage may extend to the customer, other drivers, and passengers using or riding in the rented vehicles; and limited in duration to a period equal to and concurrent with that of the vehicle rental.

Persons purchasing rental vehicle personal accident insurance may be provided a certificate summarizing the policy provisions in lieu of a copy of the policy if a copy of the policy is available for inspection at the place of sale and a free copy of the policy may be obtained from the auto rental company's home office.

The commissioner may, after a hearing, revoke an auto rental company's right to operate under this section if the company has repeatedly violated the insurance laws of this state and the revocation is in the public interest.

Sec. 116. Minnesota Statutes 1986, section 72A.20, subdivision 11, is amended to read:

Subd. 11. **APPLICATION TO CERTAIN SECTIONS.** Violating any provision of the following sections of this chapter not set forth in ~~subdivisions 1 to 15~~ this section shall constitute an unfair method of competition and an unfair and deceptive act or practice: sections 72A.12, subdivisions 2, 3, and 4, 72A.16, subdivision 2, 72A.03 and 72A.04, 72A.08, subdivision 1 as modified by section 72A.08, subdivision 4, and 65B.13.

Sec. 117. Minnesota Statutes 1986, section 72A.20, subdivision 17, is amended to read:

Subd. 17. **RETURN OF PREMIUMS ~~UPON DEATH OF INSURED~~.** (a) Refusing, upon surrender of an individual policy of life insurance, to refund to the estate of the insured all unearned premiums paid on the policy covering the insured as of the time of the insured's death if the unearned premium is for a period of more than one month.

The insurer may deduct from the premium any previously accrued claim for loss or damage under the policy.

For the purposes of this section, a premium is unearned during the period of time the insurer has not been exposed to any risk of loss.

(b) Refusing, upon termination or cancellation of a policy of automobile insurance under section 65B.14, subdivision 2, or a policy of homeowner's insurance under section 65A.27, subdivision 4, or a policy of accident and sickness insurance under section 62A.01, or a policy of comprehensive health insurance under chapter 62E, to refund to the insured all unearned premiums paid on the policy covering the insured as of the time of the termination or cancellation if the unearned premium is for a period of more than one month.

The insurer may deduct from the premium any previously accrued claim for loss or damage under the policy.

For purposes of this section, a premium is unearned during the period of time the insurer has not been exposed to any risk of loss.

Sec. 118. Minnesota Statutes 1986, section 72A.20, is amended by adding a subdivision to read:

Subd. 18. **IMPROPER BUSINESS PRACTICES.** (a) Improperly withholding, misappropriating, or converting any money belonging to a policyholder, beneficiary, or other person when received in the course of the insurance business; or (b) engaging in fraudulent, coercive, or dishonest practices in connection with the insurance business, shall constitute an unfair method of competition and an unfair and deceptive act or practice.

Sec. 119. Minnesota Statutes 1986, section 72A.20, is amended by adding a subdivision to read:

Subd. 19. **SUPPORT FOR UNDERWRITING STANDARDS.** No life or health insurance company doing business in this state shall engage in any selection or underwriting process unless the insurance company establishes beforehand substantial data, actuarial projections, or claims experience which support the underwriting standards used by the insurance company. The data, projections, or claims experience used to support the selection or underwriting process is not limited to only that of the company. The experience, projections, or data of other companies or a rate service organization may be used as well.

Sec. 120. Minnesota Statutes 1986, section 72A.31, subdivision 1, is amended to read:

Subdivision 1. 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:

(1) 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

(2) refuse to accept any policy of insurance covering such property because it was not negotiated through or with any particular agent, or insurer, or

(3) refuse to accept any policy of insurance covering the property issued by an insurer that is a member insurer as defined by section 60C.03, subdivision 6, or

(4) require any policy of insurance covering the property to exceed the replacement cost of the buildings on the mortgaged premises.

This section shall not prevent the disapproval of the insurer or a policy of insurance by any such person, firm, corporation, trustee, director, officer, agent or employee where there are reasonable grounds for believing that the insurer is insolvent or that such insurance is unsatisfactory as to placement with an unauthorized insurer, ~~the financial solvency of the insurer,~~ adequacy of the coverage, adequacy of the insurer to assume the risk to be insured, the assessment features to which the policy is subject, or other grounds which are based on the nature of the coverage and which are not arbitrary, unreasonable or discriminatory, nor

shall this section prevent a mortgage lender or mortgage servicer from requiring that a policy of insurance or renewal thereof be in conformance with standards of the federal national mortgage association or the federal home loan mortgage corporation, nor shall this section forbid the securing 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. For purposes of this section, "insurer" includes a township mutual fire insurance company operating under sections 67A.01 to 67A.26 and a farmers mutual fire insurance company operating under sections 67A.27 to 67A.39.

Upon notice of any such disapproval of or refusal to accept an insurer or a policy of insurance, the commissioner may order the approval of the insurer or the acceptance of the tendered policy of insurance, or both, if the commissioner determines such disapproval or refusal to accept is not in accordance with the foregoing requirements. Failure to comply with such an order of the commissioner of commerce shall be deemed a violation of this section.

Sec. 121. Minnesota Statutes 1986, section 169.045, subdivision 1, is amended to read:

Subdivision 1. **DESIGNATION OF ROADWAYS, PERMIT.** The governing body of any home rule charter or statutory city or town may by ordinance authorize the operation of motorized golf carts, or four-wheel all-terrain vehicles, on designated roadways or portions thereof under its jurisdiction. Authorization to operate a motorized golf cart or four-wheel all-terrain vehicle is by permit only. ~~Permits are restricted to physically handicapped persons defined in section 169.345, subdivision 2.~~ For purposes of this section, a four-wheel all-terrain vehicle is a motorized flotation-tired vehicle with four low-pressure tires that is limited in engine displacement of less than 800 cubic centimeters and total dry weight less than 600 pounds.

Sec. 122. Minnesota Statutes 1986, section 169.045, is amended by adding a subdivision to read:

Subd. 8. **INSURANCE.** In the event persons operating a motorized golf cart or four-wheel, all-terrain vehicle under this section cannot obtain liability insurance in the private market, that person may purchase automobile insurance, including no-fault coverage, from the Minnesota Automobile Assigned Risk Plan at a rate to be determined by the commissioner of commerce.

Sec. 123. **[256B.73] DEMONSTRATION PROJECT FOR UNINSURED LOW INCOME PERSONS.**

Subdivision 1. **PURPOSE.** The purpose of the demonstration project is to determine the need for and the feasibility of establishing a statewide program of medical insurance for uninsured low income persons.

Subd. 2. **ESTABLISHMENT: GEOGRAPHIC AREA.** The commissioner of human services shall establish a demonstration project to provide low cost medical insurance to uninsured low income persons in Cook, Lake, St. Louis, Carlton, Aitkin, Pine, Itasca, and Koochiching counties except an individual county may be excluded as determined by the county board of commissioners.

Subd. 3. **DEFINITIONS.** For the purposes of this section, the following terms have the meanings given:

(1) "commissioner" means the commissioner of human services;

(2) "coalition" means an organization comprised of members representative of small business, health care providers, county social service departments, health consumer groups, and the health industry, established to serve the purposes of this demonstration;

(3) "demonstration provider" means a Minnesota corporation regulated under chapter 62A, 62C, or 62D;

(4) "individual provider" means a medical provider under contract to the demonstration provider to provide medical care to enrollees; and

(5) "enrollee" means a person eligible to receive coverage according to subdivision 4.

Subd. 4. **ENROLLEE ELIGIBILITY REQUIREMENTS.** To be eligible for participation in the demonstration project, an enrollee must:

(1) not be eligible for medicare, medical assistance, or general assistance medical care;

(2) have an income not more than 200 percent of the Minnesota income standards by family size used in the aid to families with dependent children program; and

(3) have no medical insurance or health benefits plan available through employment or other means that would provide coverage for the same medical services as provided by this demonstration.

Subd. 5. **ENROLLEE BENEFITS.** Eligible persons enrolled by a demonstration provider shall receive a health services benefit package that includes health services which the enrollees might reasonably require to be maintained in good health, including emergency care, inpatient hospital and physician care, outpatient health services, and preventive health services, except that services related to chemical dependency, mental illness, vision care, dental care, and other benefits may be excluded or limited upon approval by the commissioner. The commissioner, the coalition, and demonstration providers shall work together to design a package of benefits or packages or benefits that can be provided to enrollees for an affordable monthly premium.

Subd. 6. **ENROLLEE PARTICIPATION.** An enrollee is not required to furnish evidence of good health. The demonstration provider shall accept all persons applying for coverage who meet the criteria in subdivision 4, subject to the following provisions:

(a) Enrollees will be required to pay a sliding fee on a monthly basis for health coverage through the demonstration project. Except for any required

co-payments, the sliding fee should be considered payment in full for the coverage provided. The sliding fee shall be based on the enrollee's income and shall not exceed 50 percent of the rate that would be paid to a prepaid plan serving general assistance medical care recipients in the same geographic area.

(b) The demonstration provider may terminate the coverage for an enrollee who has not made payment within the first ten calendar days of the month for which coverage is being purchased. The termination for nonpayment shall be retroactive to the first day of the month for which no payment has been made by the enrollee.

(c) An enrollee who either requests termination of coverage under the demonstration or who allows coverage to terminate due to nonpayment of the required monthly fee may be required to furnish evidence of good health prior to being reinstated in the demonstration. As an alternative to evidence of good health, the enrollee may furnish evidence of having been eligible for health care services under a plan with similar benefits.

(d) The demonstration provider shall establish limits of enrollment which allow for a sufficient number of enrollees to constitute a reasonable demonstration project. These limits shall be established by county within the project area.

Subd. 7. **CONTRACT WITH DEMONSTRATION PROVIDER.** The commissioner shall contract with the demonstration provider for the duration of the project. This contract shall be for 24 months with an option to renew for no more than 12 months. This contract may be canceled without cause by the commissioner upon 90 days' written notice to the demonstration provider or by the demonstration provider with 90 days' written notice to the commissioner. The commissioner shall assure the cooperation of the county human services or social services staffin all counties participating in the project.

Subd. 8. **MEDICAL ASSISTANCE AND GENERAL ASSISTANCE MEDICAL CARE COORDINATION.** To assure enrollees of uninterrupted delivery of health care services, the commissioner may pay the premium to the demonstration provider for persons who become eligible for medical assistance or general assistance medical care. To determine eligibility for medical assistance, any medical expenses for eligible services incurred by the demonstration provider shall be considered as evidence of satisfying the medical expense requirements of section 256B.06, subdivision 1, paragraphs (14) and (15). To determine eligibility for general assistance medical care, any medical expenses for eligible services incurred by the demonstration provider shall be considered as evidence of satisfying the medical expense requirements of section 256D.03, subdivision 3.

Subd. 9. **WAIVER REQUIRED.** No part of the demonstration project shall become operational until waivers of appropriate federal regulation are obtained from the health care financing administration.

Subd. 10. **COORDINATION OF DEMONSTRATION WITH REGION.**

The commissioner shall consult with a health insurance coalition formed locally with members from the demonstration area. This coalition will work with the commissioner and potential demonstration providers as well as other private and public organizations to suggest program design, to secure additional funding support, and to ensure the program's local applicability.

Sec. 124. Minnesota Statutes 1986, section 471.98, subdivision 2, is amended to read:

Subd. 2. "Political subdivision" includes a statutory or home rule charter city, a county, a school district, a town, a watershed management organization as defined in section 473.876, subdivision 9, or an instrumentality thereof having independent policy making and appropriating authority. For the purposes of this section and section 471.981, the governing body of a town is the town board.

Sec. 125. **[541.22] LIMITATION ON ASBESTOS CLAIMS.**

Subdivision 1. **FINDINGS AND PURPOSE.** The legislature finds that it is in the interest of the general public, particularly those persons who may bring claims regarding materials containing asbestos and those against whom the claims may be brought, to set a specific date by which building owners must bring a cause of action for removal or other abatement costs associated with the presence of asbestos in their building. By enactment of this statute of limitations the legislature does not imply that suits would otherwise be barred by an existing limitations period.

Subd. 2. **LIMITATION ON CERTAIN ASBESTOS ACTIONS.** Notwithstanding any other law to the contrary, an action against a manufacturer or supplier of asbestos or material containing asbestos to recover for (1) removal of asbestos or materials containing asbestos from a building, (2) other measures taken to locate, correct, or ameliorate any problem related to asbestos in a building, or (3) reimbursement for removal, correction, or amelioration of an asbestos problem that would otherwise be barred before July 1, 1990, as a result of expiration of the applicable period of limitation, is revived or extended. An asbestos action revived or extended under this subdivision may be begun before July 1, 1990.

Sec. 126. **[604.08] VOLUNTEER ATHLETIC COACHES AND OFFICIALS; IMMUNITY FROM LIABILITY.**

Subdivision 1. **GRANT.** No individual who provides services or assistance without compensation as an athletic coach, manager, or official for a sports team that is organized or performing under a nonprofit charter, and no community-based, voluntary nonprofit athletic association, or any volunteer of the nonprofit athletic association, is liable for money damages to a player or participant as a result of an individual's acts or omissions in the providing of that service or assistance.

This section applies to organized sports competitions and practice and instruction in that sport.

For purposes of this section, "compensation" does not include reimbursement for expenses.

Subd. 2. **LIMITATION.** Subdivision 1 does not apply:

(1) to the extent that the acts or omissions are covered under an insurance policy issued to the entity for whom the coach, manager, or official serves;

(2) if the individual acts in a willful and wanton or reckless manner in providing the services or assistance;

(3) if the acts or omissions arise out of the operation, maintenance, or use of a motor vehicle;

(4) to an athletic coach, manager, or official who provides services or assistance as part of a public or private educational institution's athletic program; and

(5) if the individual acts in violation of federal, state, or local law.

The limitation in clause (1) constitutes a waiver of the defense of immunity to the extent of the liability stated in the policy, but has no effect on the liability of the individual beyond the coverage provided.

Sec. 127. **SPECIAL STUDY.**

The commissioner of health, with the advice and assistance of the commissioners of commerce and human services, shall prepare a report to the legislature which addresses the issues concerning reimbursement by third-party payors of home health care benefits for individuals with a medical condition which would require inpatient hospital services in the absence of home or community-based care, and who are dependent upon medical technology in order to avoid death or serious injury. Development of the report must include participation by home care providers and third-party payors. The report must include recommendations for the adoption of definitions of home care, minimum standards of home care services, the costs of providing home care, and resolution of the issue of cost-shifting of home care. The report must be delivered to the legislature by January 15, 1988.

Sec. 128. **RULE CHANGES.**

The commissioner shall adopt rule amendments to Minnesota Rules, chapter 2725, as necessary to effect the changes required by the legislature in sections 8 to 10.

These rules are exempt from the rulemaking provisions of chapter 14. The commissioner must comply with section 14.38, subdivision 7, when adopting these rule amendments.

Sec. 129. **APPLICATION.**

Sections 49, 65, and 66 apply to all group policies, all group subscriber contracts, all health maintenance contracts, and all qualified plans within the scope of Minnesota Statutes, chapters 62A, 62C, 62D, and 62E, that are issued, delivered or renewed in this state after August 1, 1987.

Sec. 130. **SEVERABILITY.**

The provisions of Minnesota Statutes, section 645.20 apply to this act.

Sec. 131. **REPEALER.**

Minnesota Statutes 1986, sections 62A.12; and 67A.43, subdivision 3, are repealed.

Minnesota Rules, parts 2700.2400; 2700.2410; 2700.2420; 2700.2430; and 2700.2440, are repealed.

Section 123 is repealed effective July 1, 1988, if the project implementation phase has not begun by that date.

Sec. 132. **EFFECTIVE DATE.**

Section 10 is effective May 31, 1987. Credits earned and reported to the department before May 31, 1988, may be carried forward and used to fulfill continuing education requirements until May 31, 1989.

Sections 2, 5, 6, 15 to 20, 43, 57 to 63, 69 to 75, 77, 81, 82, 87, 102, 116, and 122 to 125 are effective the day following final enactment.

Section 126 is effective August 1, 1987, and applies to claims arising from incidents occurring on or after that date.

Approved June 1, 1987

CHAPTER 338—S.F.No. 44

An act relating to highways; abolishing restrictions on disposition of right-of-way of trunk highway No. 15 in St. Cloud; repealing Laws 1986, chapter 387, section 2.

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

Section 1. **REPEALER.**

Laws 1986, chapter 387, section 2, is repealed.

Approved June 1, 1987