

repeal of Minnesota Statutes, section 116J.991, by Laws 1999, chapter 243, article 12, section 4, and provided that the assistance would have been subject to Minnesota Statutes, section 116J.991, if not for that repeal.

Subd. 2. PUBLIC ASSISTANCE TO BUSINESS; WAGE AND JOB REQUIREMENTS. A business that receives state or local government assistance for economic development or job growth purposes must create a net increase in jobs in Minnesota within two years of receiving the assistance.

The government agency providing the assistance must establish wage level and job creation goals to be met by the business receiving the assistance. A business that fails to meet the goals must repay the assistance to the government agency.

Each government agency must report the wage and job goals and the results for each project in achieving those goals to the department of trade and economic development. The department shall compile and publish the results of the reports for the previous calendar year by August 1 of each year. The reports of the agencies to the department and the compilation report of the department shall be made available to the public.

For the purpose of this subdivision, "assistance" means a grant or loan in excess of \$25,000 or tax increment financing.

Sec. 15. EFFECTIVE DATE.

The amendment in section 1, adding clause (21), is effective the day following final enactment and is retroactive to January 1, 2000. Section 14 is effective January 1, 2001.

Presented to the governor May 11, 2000

Signed by the governor May 15, 2000, 10:55 a.m.

CHAPTER 483—H.F.No. 3505

An act relating to commerce; providing enforcement authority to the commissioner; providing technical changes; regulating certain disclosures; specifying the license term and fees of a managing general agent; regulating motor vehicle service contracts; regulating underwriting practices; regulating insurance brokerage business; regulating workers' compensation self-insurance; regulating securities broker-dealers and investment advisers; authorizing the commissioner to withdraw certain inactive registration applications; regulating real estate and insurance agent continuing education; regulating the contractor recovery fund; making collection agencies responsible for the acts of collectors; providing standards of conduct for notarial acts; regulating unclaimed property; amending Minnesota Statutes 1998, sections 45.027, subdivision 7a; 60A.052, subdivision 1; 60A.129, subdivision 5; 60H.03, by adding a subdivision; 60K.03, subdivision 4; 60K.14, subdivision 1; 61A.092, subdivision 6; 62A.136; 62C.11, subdivision 1; 62C.142, subdivision 2a; 62E.04, subdivision 4; 62H.10, subdivision 4; 62S.02, subdivision 1; 64B.30, subdivision 1; 65B.29, subdivisions 2 and 3; 72A.20, subdivision 17; 72A.499,

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subdivision 1; 79A.04, subdivisions 1, 2, 7, and 9; 79A.11, subdivision 2, and by adding a subdivision; 79A.22, subdivisions 3 and 11; 80A.04, subdivisions 2 and 3; 80A.07, subdivision 1; 80A.10, subdivision 2; 80C.05, subdivision 4; 80C.07; 82.22, subdivision 13; 82A.04, subdivision 4, and by adding a subdivision; 82B.14; 83.23, by adding a subdivision; 308A.711, subdivision 1; 326.975, subdivision 1; and 345.515; Minnesota Statutes 1999 Supplement, sections 60A.052, subdivision 2; 60K.19, subdivision 8; 62J.535, subdivision 2; 72A.20, subdivision 23; 79A.22, subdivision 2; 79A.23, subdivisions 1, 2, and 3; 79A.24, subdivision 2; and 80A.15, subdivision 2; Laws 1999, chapter 177, section 89; proposing coding for new law in Minnesota Statutes, chapters 60K; 332; and 359; repealing Minnesota Statutes 1998, sections 62A.285, subdivision 4; 62A.651; and 65B.13.

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

Section 1. Minnesota Statutes 1998, section 45.027, subdivision 7a, is amended to read:

Subd. 7a. **AUTHORIZED DISCLOSURES OF INFORMATION AND DATA.** (a) The commissioner may release and disclose any active or inactive investigative information and data on licensees to any national securities exchange or national securities association registered under the Securities Exchange Act of 1934 when necessary for the requesting agency in initiating, furthering, or completing an investigation.

(b) The commissioner may release any active or inactive investigative data relating to the conduct of the business of insurance to the Office of the Comptroller of the Currency or the Office of Thrift Supervision in order to facilitate the initiation, furtherance, or completion of the investigation.

Sec. 2. Minnesota Statutes 1998, section 60A.052, subdivision 1, is amended to read:

Subdivision 1. **GROUND.** The commissioner may by order take any or all of the following actions: (a) deny, suspend, or revoke a certificate of authority; (b) censure the insurance company; ~~or~~ (c) impose a civil penalty as provided for in section 45.027, subdivision 6; or (d) under a written agreement with the insurance company based upon the company's financial condition, impose conditions or restrictions on the insurance company's authority to transact business in Minnesota. In order to take this action the commissioner must find that the order is in the public interest, and the insurance company:

(1) has a board of directors or principal management that is incompetent, untrustworthy, or so lacking in insurance company managerial experience as to make its operation hazardous to policyholders, its stockholders, or to the insurance buying public;

(2) is controlled directly or indirectly through ownership, management, reinsurance transactions, or other business relations by any person or persons whose business operations are or have been marked by manipulation of any assets, reinsurance, or accounts as to create a hazard to the company's policyholders, stockholders, or the insurance buying public;

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(3) is in an unsound or unsafe condition;

(4) has the actual liabilities that exceed the actual funds of the company;

(5) has filed an application for a license which is incomplete in any material respect or contains any statement which, in light of the circumstances under which it was made, contained any misrepresentation or was false, misleading, or fraudulent;

(6) has pled guilty, with or without explicitly admitting guilt, pled nolo contendere, or been convicted of a felony, gross misdemeanor, or misdemeanor involving moral turpitude, or similar conduct;

(7) is permanently or temporarily enjoined by any court of competent jurisdiction from engaging in or continuing any conduct or practice involving any aspect of the insurance business;

(8) has violated or failed to comply with any order of the insurance regulator of any other state or jurisdiction;

(9) has had a certificate of authority denied, suspended, or revoked, has been censured or reprimanded, has been the subject of any other discipline imposed by, or has paid or has been required to pay a monetary penalty or fine to, another state;

(10) agents, officers, or directors refuse to submit to examination or perform any related legal obligation; or

(11) has violated or failed to comply with, any of the provisions of the insurance laws including chapter 45 or chapters 60A to 72A or any rule or order under those chapters.

Sec. 3. Minnesota Statutes 1999 Supplement, section 60A.052, subdivision 2, is amended to read:

Subd. 2. **SUSPENSION OR REVOCATION OF AUTHORITY OR CENSURE.** If the commissioner determines that one of the conditions listed in subdivision 1 exists, the commissioner may issue an order requiring the insurance company to show cause why any or all of the following should not occur: (1) revocation or suspension of any or all certificates of authority granted to the foreign or domestic insurance company or its agent; (2) censuring of the insurance company; (3) cancellation of all or some of the company's insurance contracts then in force in this state; ~~or~~ (4) the imposition of a civil penalty; or (5) under a written agreement with the insurance company based upon the company's financial condition, imposition of conditions or restrictions on the insurance company's authority to transact business in Minnesota. The order shall be calculated to give reasonable notice of the time and place for hearing thereon, and shall state the reasons for the entry of the order. All hearings shall be conducted in accordance with chapter 14. The insurer may waive its right to the hearing. If the insurer is under the supervision or control of the insurance department of the insurer's state of domicile, that insurance department, acting on behalf of the insurer, may waive the insurer's right to the hearing. After the hearing, the commissioner shall enter an order disposing of the matter as the facts require. If the insurance company fails to appear at a hearing after having been duly notified of it, the

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company shall be considered in default, and the proceeding may be determined against the company upon consideration of the order to show cause, the allegations of which may be considered to be true.

Sec. 4. Minnesota Statutes 1998, section 60A.129, subdivision 5, is amended to read:

Subd. 5. **CONSOLIDATED FILING.** (a) The commissioner may allow an insurer to file a consolidated loss reserve certification required by subdivision 2, in lieu of separate loss certifications and may allow an insurer to file consolidated or combined audited financial statements required by subdivision 3, paragraph (a), in lieu of separate annual audited financial statements, where it can be demonstrated that an insurer is part of a group of insurance companies that has a pooling or 100 percent reinsurance agreement which substantially affects the solvency and integrity of the reserves of the insurer and the insurer cedes all of its direct and assumed business to the pool. An affiliated insurance company not meeting these requirements may be included in the consolidated or combined audited financial statements, if the company's total admitted assets are less than five percent of the consolidated group's total admitted assets. If these circumstances exist, then the company may file a written application to file a consolidated loss reserve certification and/or consolidated or combined audited financial statements. This application shall be for a specified period.

(b) A consolidated annual audit filing shall include a columnar consolidated or combining worksheet. Amounts shown on the audited consolidated or combined financial statement shall be shown on the worksheet. Amounts for each insurer shall be stated separately. Noninsurance operations may be shown on the worksheet on a combined or individual basis. Explanations of consolidating or eliminating entries shall be shown on the worksheet. A reconciliation of any differences between the amounts shown in the individual insurer columns of the worksheet and comparable amounts shown on the annual statement of the insurers shall be included on the worksheet.

Sec. 5. Minnesota Statutes 1998, section 60H.03, is amended by adding a subdivision to read:

Subd. 4. **TERM AND FEES.** The term of a managing general agent license issued under this section and the license fees imposed are the same as those applicable to a licensed insurance agent under chapter 60K.

Sec. 6. Minnesota Statutes 1998, section 60K.03, subdivision 4, is amended to read:

Subd. 4. **TERM.** All licenses issued pursuant to this section remain in force until voluntarily terminated by the licensee, not renewed as prescribed in section 60K.06, or until suspended or revoked by the commissioner. A voluntary termination occurs 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 also occurs upon the happening of the event described in subdivision 3, paragraph (c).

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

Sec. 7. [60K.081] BROKERAGE BUSINESS.

Every insurance agent licensed to transact business in this state may procure the insurance of risks, or parts of risks, in the class or classes of insurance for which the agent is licensed, from an insurer authorized to transact business in this state, when the agent is not an appointed agent of the insurer, but the insurance must be consummated only through an appointed agent of the insurer.

Sec. 8. Minnesota Statutes 1998, section 60K.14, subdivision 1, is amended to read:

Subdivision 1. **PERSONAL SOLICITATION OF INSURANCE SALES.** (a) **DEFINITIONS.** For the purposes of this section, the following terms have the meanings given them:

(1) "agent" means a person, copartnership, or corporation required to be licensed pursuant to section 60K.02; and

(2) "personal solicitation" means any contact by an agent, or any person acting on behalf of an agent, made for the purpose of selling or attempting to sell insurance, when either the agent or a person acting for the agent contacts the buyer by telephone or in person, except: (i) an attempted sale in which the buyer personally knows the identity of the agent, the name of the general agency, if any, which the agent represents, and the fact that the agent is an insurance agent; (ii) an attempted sale in which the prospective purchaser of insurance initiated the contact; or (iii) a personal contact which takes place at the agent's place of business.

(b) **DISCLOSURE REQUIREMENT.** Before a personal solicitation, the agent or person acting for an agent shall, at the time of initial personal contact with the potential buyer, clearly and expressly disclose in writing:

(1) the name and state insurance agent license number of the person making the contact;

(2) the name of the agent, general agency, or insurer that person represents; and

(3) the fact that the agent, agency, or insurer is in the business of selling insurance.

If the initial personal contact is made by telephone, the disclosures required by this subdivision need not be made in writing.

(c) **FALSE REPRESENTATION OF GOVERNMENT AFFILIATION.** No agent or person acting for an agent shall make any communication to a potential buyer that indicates or gives the impression that the agent is acting on behalf of a government agency.

Sec. 9. Minnesota Statutes 1999 Supplement, section 60K.19, subdivision 8, is amended to read:

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Subd. 8. **MINIMUM EDUCATION REQUIREMENT.** Each person subject to this section shall complete a minimum of 30 credit hours of courses accredited by the commissioner during each 24-month licensing period, ~~two hours of which must be devoted to state law, regulations, and rules applicable to the line or lines of insurance for which the agent is licensed.~~ Any person whose initial licensing period extends more than six months shall complete 15 hours of courses accredited by the commissioner during the initial license period. 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. No more than 15 credit hours per licensing period 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. 10. Minnesota Statutes 1998, section 61A.092, subdivision 6, is amended to read:

Subd. 6. **APPLICATION.** This section applies to a policy, certificate of insurance, or similar evidence of coverage issued to a Minnesota resident or issued to provide coverage to a Minnesota resident. This section does not apply to: (1) a certificate of insurance or similar evidence of coverage that meets the conditions of section 61A.093, subdivision 2; or (2) a group life insurance policy that contains a provision permitting the certificate holder, upon termination or layoff from employment, to retain the coverage provided under the group policy by paying premiums directly to the insurer, provided that the employer shall give the employee notice of the employee's and each related certificate holder's right to continue the insurance by paying premiums directly to the insurer. A related certificate holder is an insured spouse or dependent child of the employee. Upon termination of this group policy, each covered employee, spouse, and dependent child is entitled to have issued to them a life conversion policy as prescribed in section 61A.09, subdivision 1, paragraph (h).

Sec. 11. Minnesota Statutes 1998, section 62A.136, is amended to read:

62A.136 DENTAL AND VISION PLAN COVERAGE.

The following provisions do not apply to health plans providing dental or vision coverage only: sections 62A.041; 62A.0411; 62A.047; 62A.149; 62A.151; 62A.152; 62A.154; 62A.155; 62A.17, subdivision 6; 62A.21, subdivision 2b; 62A.26; 62A.28; and 62A.285; 62A.30; 62A.304; 62A.3093; and 62E.16.

Sec. 12. Minnesota Statutes 1998, section 62C.11, subdivision 1, is amended to read:

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

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Sec. 13. Minnesota Statutes 1998, section 62C.142, subdivision 2a, is amended to read:

Subd. 2a. **CONTINUATION PRIVILEGE.** Every subscriber contract, other than a contract whose continuance is contingent upon continued employment or membership, shall contain a provision which permits continuation of coverage under the contract for the subscriber's former spouse and children upon entry of a valid decree of dissolution of marriage, if the decree requires the subscriber to provide continued coverage for those persons. The coverage may be continued until the earlier of the following dates:

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

(b) the date coverage would otherwise terminate under the subscriber contract.

The contract must require the group contract holder to, upon request, provide the insured with written verification from the insurer of the cost of this coverage promptly at the time of eligibility for this coverage and at any time during the continuation period. 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.

Sec. 14. Minnesota Statutes 1998, section 62E.04, subdivision 4, is amended to read:

Subd. 4. **MAJOR MEDICAL COVERAGE.** Each insurer and fraternal shall affirmatively offer coverage of major medical expenses to every applicant who applies to the insurer or fraternal for a new unqualified policy, which has a lifetime benefit limit of less than \$1,000,000, at the time of application and annually to every holder of such an unqualified policy of accident and health insurance renewed by the insurer or fraternal. The coverage shall provide that when a covered individual incurs out-of-pocket expenses of \$5,000 or more within a calendar year for services covered in section 62E.06, subdivision 1, benefits shall be payable, subject to any copayment authorized by the commissioner, up to a maximum lifetime limit of \$500,000. The offer of coverage of major medical expenses may consist of the offer of a rider on an existing unqualified policy or a new policy which is a qualified plan.

Sec. 15. Minnesota Statutes 1998, section 62H.10, subdivision 4, is amended to read:

Subd. 4. **BROKER.** "Broker" means an agent engaged in brokerage business pursuant to section ~~60K.08~~ 60K.081.

Sec. 16. Minnesota Statutes 1999 Supplement, section 62J.535, subdivision 2, is amended to read:

Subd. 2. **COMPLIANCE.** (a) Concurrent with the effective date of required compliance established under United States Code, title 42, sections 1320d to 1320d-8, as amended from time to time, for uniform electronic billing standards, all health care

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providers must conform to the uniform billing standards developed under subdivision 1.

(b) Notwithstanding paragraph (a), the requirements for the uniform remittance advice report shall be effective 12 months after the date of the required compliance of the standards for the electronic remittance advice transaction are effective under United States Code, title 42, sections 1320d to 1320d-8, as amended from time to time.

Sec. 17. Minnesota Statutes 1998, section 62S.02, subdivision 1, is amended to read:

Subdivision 1. **REQUIREMENTS.** A qualified long-term care insurance policy may not be offered, issued, delivered, or renewed in this state unless the policy satisfies the requirements of this chapter and the filing provisions of section 62A.02. A qualified long-term care insurance policy must cover qualified long-term care services.

Sec. 18. Minnesota Statutes 1998, section 64B.30, subdivision 1, is amended to read:

Subdivision 1. **VISITATION AND EXAMINATION.** The commissioner, or any person the commissioner may appoint, shall have the power of visitation and examination into the affairs of any domestic society. The commissioner shall conduct an examination at least ~~once~~ in every three years as often as is required in section 60A.031, subdivision 1. The commissioner may:

(1) employ assistance for the purposes of examination and the commissioner, or any person the commissioner may appoint, shall have free access to any books, papers, and documents that relate to the business of the association; and

(2) summon and qualify as witnesses, under oath, and examine its officers, agents, and employees, or other persons, in relation to the affairs, transactions, and condition of the association.

Sec. 19. Minnesota Statutes 1998, section 65B.29, subdivision 2, is amended to read:

Subd. 2. **INSURANCE REQUIRED.** No motor vehicle service contract may be issued, sold, or offered for sale in this state unless the provider of the service contract is insured under a motor vehicle service contract reimbursement insurance policy issued by an insurer authorized to do business in this state. Insurers issuing such a policy are required to have capital and surplus equal to at least \$5,000,000 at the end of the preceding year. Capital and surplus must be calculated using the accounting standards required by section 60A.13.

Sec. 20. Minnesota Statutes 1998, section 65B.29, subdivision 3, is amended to read:

Subd. 3. **FILING REQUIREMENTS.** No motor vehicle service contract may be issued, sold, or offered for sale in this state unless a true and correct copy of the service contract and the provider's reimbursement insurance policy have been filed with the commissioner and either (1) the commissioner has approved it or (2) 60 days have

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elapsed and the commissioner has not disapproved it as misleading or violative of public policy. The commissioner may, by written notice to the provider, extend the review for an additional period not to exceed 60 days.

Sec. 21. Minnesota Statutes 1998, section 72A.20, subdivision 17, is amended to read:

Subd. 17. **RETURN OF PREMIUMS.** (a) Refusing, upon surrender of an individual policy of life insurance in the case of the insured's death, or in the case of a surrender prior to death, of an individual insurance policy not covered by the standard nonforfeiture laws under section 61A.24, to refund to the owner all unearned premiums paid on the policy covering the insured as of the time of the insured's death or surrender if the unearned premium is for a period of more than one month. The return of unearned premium must be delivered to the insured within 30 days following receipt by the insurer of the insured's request for cancellation.

(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 return of unearned premium must be delivered to the insured within 30 days following receipt by the insurer of the insured's request for cancellation.

(c) This subdivision does not apply to policies of insurance providing coverage only for motorcycles or other seasonally rated or limited use vehicles where the rate is reduced to reflect seasonal or limited use.

(d) 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. Except for premiums for motorcycle coverage or other seasonally rated or limited use vehicles where the rate is reduced to reflect seasonal or limited use, the unearned premium is determined by multiplying the premium by the fraction that results from dividing the period of time from the date of termination to the date the next scheduled premium is due by the period of time for which the premium was paid.

(e) The owner may cancel a policy referred to in this section at any time during the policy period. This provision supersedes any inconsistent provision of law or any inconsistent policy provision.

Sec. 22. Minnesota Statutes 1999 Supplement, section 72A.20, subdivision 23, is amended to read:

Subd. 23. **DISCRIMINATION IN AUTOMOBILE INSURANCE POLICIES.**

(a) No insurer that offers an automobile insurance policy in this state shall:

(1) use the employment status of the applicant as an underwriting standard or guideline; or

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(2) deny coverage to a policyholder for the same reason.

(b) No insurer that offers an automobile insurance policy in this state shall:

(1) use the applicant's status as a residential tenant, as the term is defined in section 504B.001, subdivision 12, as an underwriting standard or guideline; or

(2) deny coverage to a policyholder for the same reason; or

(3) make any discrimination in offering or establishing rates, premiums, dividends, or benefits of any kind, or by way of rebate, for the same reason.

(c) No insurer that offers an automobile insurance policy in this state shall:

(1) use the failure of the applicant to have an automobile policy in force during any period of time before the application is made as an underwriting standard or guideline; or

(2) deny coverage to a policyholder for the same reason.

This provision Paragraph (c) does not apply if the applicant was required by law to maintain automobile insurance coverage and failed to do so.

An insurer may require reasonable proof that the applicant did not fail to maintain this coverage. The insurer is not required to accept the mere lack of a conviction or citation for failure to maintain this coverage as proof of failure to maintain coverage. The insurer must provide the applicant with information identifying the documentation that is required to establish reasonable proof that the applicant did not fail to maintain the coverage.

(d) No insurer that offers an automobile insurance policy in this state shall use an applicant's prior claims for benefits paid under section 65B.44 as an underwriting standard or guideline if the applicant was 50 percent or less negligent in the accident or accidents causing the claims.

(e) No insurer shall refuse to issue any standard or preferred policy of motor vehicle insurance or make any discrimination in the acceptance of risks, in rates, premiums, dividends, or benefits of any kind, or by way of rebate:

(1) between persons of the same class, or

(2) on account of race, or

(3) on account of physical handicap if the handicap is compensated for by special training, equipment, prosthetic device, corrective lenses, or medication and if the physically handicapped person:

(i) is licensed by the department of public safety to operate a motor vehicle in this state, and

(ii) operates only vehicles that are equipped with auxiliary devices and equipment necessary for safe and effective operation by the handicapped person, or

(4) on account of marital dissolution.

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Sec. 23. Minnesota Statutes 1998, section 72A.499, subdivision 1, is amended to read:

Subdivision 1. **NOTICE AND INFORMATION.** (a) In the event of an adverse underwriting decision, the insurer or insurance agent responsible for the decision shall provide in writing to the applicant, policyholder, or individual proposed for coverage:

(1) the specific reason or reasons for the adverse underwriting decision, a summary of the person's rights under sections 72A.497 and 72A.498, and that upon request the person may receive the specific items of personal information that support those reasons and the specific sources of the information; or

(2) the specific reason or reasons for the adverse underwriting decision, the specific items of personal and privileged information that support those reasons, the names and addresses of the sources that supplied the specific items of information specified, and a summary of the rights established under sections 72A.497 and 72A.498.

(b) In addition to the requirements of paragraph (a), if the adverse underwriting decision is either solely or partially based upon a report of credit worthiness, credit standing, or credit capacity that an insurer receives from a consumer reporting agency, the insurer or insurance agent responsible for the decision shall provide in writing to the applicant, policyholder, or individual proposed for coverage the primary reason or reasons for the credit score or other credit based information used by the insurer in the insurer's adverse underwriting decision.

Sec. 24. Minnesota Statutes 1998, section 79A.04, subdivision 1, is amended to read:

Subdivision 1. **ANNUAL SECURING OF LIABILITY.** Each year every private self-insuring employer shall secure incurred liabilities for the payment of compensation and the performance of the its obligations and the obligations of all self-insuring employers imposed under chapter 176 by renewing the prior year's security deposit or by making a new deposit of security. If a new deposit is made, it must be posted within 60 days of the filing of the self-insured employer's annual report with the commissioner, but in no event later than July 1.

Sec. 25. Minnesota Statutes 1998, section 79A.04, subdivision 2, is amended to read:

Subd. 2. **MINIMUM DEPOSIT.** The minimum deposit is 110 percent of the private self-insurer's estimated future liability. ~~Up to ten percent of that~~ ~~The~~ deposit may be used to secure payment of all administrative and legal costs, and unpaid assessments required by section 79A.12, subdivision 2, relating to or arising from the ~~employer's its or other employers'~~ self-insuring. As used in this section, "private self-insurer" includes both current and former members of the self-insurers' security fund; and "private self-insurers' estimated future liability" means the private self-insurers' total of estimated future liability as determined by an Associate or Fellow of the Casualty Actuarial Society every year for group member private self-insurers and, for a nongroup member private self-insurer's authority to self-insure, every year for the

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first five years. After the first five years, the nongroup member's total shall be as determined by an Associate or Fellow of the Casualty Actuarial Society at least every two years, and each such actuarial study shall include a projection of future losses during the period until the next scheduled actuarial study, less payments anticipated to be made during that time.

All data and information furnished by a private self-insurer to an Associate or Fellow of the Casualty Actuarial Society for purposes of determining private self-insurers' estimated future liability must be certified by an officer of the private self-insurer to be true and correct with respect to payroll and paid losses, and must be certified, upon information and belief, to be true and correct with respect to reserves. The certification must be made by sworn affidavit. In addition to any other remedies provided by law, the certification of false data or information pursuant to this subdivision may result in a fine imposed by the commissioner of commerce on the private self-insurer up to the amount of \$5,000, and termination of the private self-insurers' authority to self-insure. The determination of private self-insurers' estimated future liability by an Associate or Fellow of the Casualty Actuarial Society shall be conducted in accordance with standards and principles for establishing loss and loss adjustment expense reserves by the Actuarial Standards Board, an affiliate of the American Academy of Actuaries. The commissioner may reject an actuarial report that does not meet the standards and principles of the Actuarial Standards Board, and may further disqualify the actuary who prepared the report from submitting any future actuarial reports pursuant to this chapter. Within 30 days after the actuary has been served by the commissioner with a notice of disqualification, an actuary who is aggrieved by the disqualification may request a hearing to be conducted in accordance with chapter 14. Based on a review of the actuarial report, the commissioner of commerce may require an increase in the minimum security deposit in an amount the commissioner considers sufficient.

Estimated future liability is determined by first taking the total amount of the self-insured's future liability of workers' compensation claims and then deducting the total amount which is estimated to be returned to the self-insurer from any specific excess insurance coverage, aggregate excess insurance coverage, and any supplementary benefits or second injury benefits which are estimated to be reimbursed by the special compensation fund. Supplementary benefits or second injury benefits will not be reimbursed by the special compensation fund unless the special compensation fund assessment pursuant to section 176.129 is paid and the reports required thereunder are filed with the special compensation fund. In the case of surety bonds, bonds shall secure administrative and legal costs in addition to the liability for payment of compensation reflected on the face of the bond. In no event shall the security be less than the last retention limit selected by the self-insurer with the workers' compensation reinsurance association, provided that the commissioner may allow former members to post less than the workers' compensation reinsurance association retention level if that amount is adequate to secure payment of the self-insurers' estimated future liability, as defined in this subdivision, including payment of claims, administrative and legal costs, and unpaid assessments required by section 79A.12, subdivision 2. The posting

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or depositing of security pursuant to this section shall release all previously posted or deposited security from any obligations under the posting or depositing and any surety bond so released shall be returned to the surety. Any other security shall be returned to the depositor or the person posting the bond.

As a condition for the granting or renewing of a certificate to self-insure, the commissioner may require a private self-insurer to furnish any additional security the commissioner considers sufficient to insure payment of all claims under chapter 176.

Sec. 26. Minnesota Statutes 1998, section 79A.04, subdivision 7, is amended to read:

Subd. 7. **PERFECTION OF SECURITY.** Upon the commissioner sending a request to renew, request to post, or request to increase a security deposit, a perfected security interest is created in the private self-insured's assets in favor of the commissioner to the extent of any then unsecured portion of the self-insured's incurred liabilities. That perfected security interest is transferred to any cash or securities thereafter posted by the private self-insured with the state treasurer and is released only upon either of the following:

(1) the acceptance by the commissioner of a surety bond or irrevocable letter of credit for the full amount of the incurred liabilities for the payment of compensation; or

(2) the return of cash or securities by the commissioner.

The private self-insured employer loses all right, title, and interest in and any right to control all assets or obligations posted or left on deposit as security. In the event of a declaration of bankruptcy or insolvency by a court of competent jurisdiction that a private self-insurer is the subject of a voluntary or involuntary petition under the United States Bankruptcy Code, title 11, or a court of competent jurisdiction has declared the private self-insurer to be bankrupt or insolvent, or in the event of the issuance of a certificate of default by the commissioner, the commissioner shall liquidate the deposit as provided in this chapter, and transfer it to the self-insurer's security fund for application to the self-insured employer's incurred liability and other current or future obligations of the self-insurers' security fund. In the event that a private self-insurer is the subject of a voluntary or involuntary petition under the United States Bankruptcy Code, title 11, or a court of competent jurisdiction has declared the private self-insurer to be bankrupt or insolvent, or in the event of the issuance of a certificate of default by the commissioner, all right, title, and interest in and any right to control all assets or obligations which have been posted or deposited as security must be transferred to the self-insurers' security fund.

Sec. 27. Minnesota Statutes 1998, section 79A.04, subdivision 9, is amended to read:

Subd. 9. **INSOLVENCY, BANKRUPTCY, OR DEFAULT; UTILIZATION OF SECURITY DEPOSIT.** The commissioner of labor and industry shall notify the commissioner and the security fund if the commissioner of labor and industry has knowledge that any private self-insurer has failed to pay workers' compensation

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benefits as required by chapter 176. If the commissioner determines that a private self-insurer is the subject of a voluntary or involuntary petition under the United States Bankruptcy Code, title 11, or the commissioner determines that a court of competent jurisdiction has declared the private self-insurer to be bankrupt or insolvent, and the private self-insurer has failed to pay workers' compensation as required by chapter 176 or, if the commissioner issues a certificate of default against a private self-insurer for failure to pay workers' compensation as required by chapter 176, or failure to pay an assessment to the self-insurers' security fund when due, then the security deposit shall be utilized to administer and pay the private self-insurers' workers' compensation or assessment obligations or any other current or future obligations of the self-insurers' security fund.

Sec. 28. Minnesota Statutes 1998, section 79A.11, subdivision 2, is amended to read:

Subd. 2. **SECURITY DEPOSITS.** The security fund shall have the right and obligation to obtain from and retain the security deposit of an insolvent private self-insurer the amount of to apply to the private self-insurer's current or future compensation obligations, including reasonable administrative and legal costs, paid or assumed by the security fund and to other current or future obligations of the security fund. Reimbursement of administrative costs, including legal costs, shall be subject to approval by a majority of the security fund's voting trustees. The security fund shall be a party in interest in any action to obtain the security deposit for the payment of compensation obligations of an insolvent self-insurer.

Sec. 29. Minnesota Statutes 1998, section 79A.11, is amended by adding a subdivision to read:

Subd. 2a. **REPLACEMENT INSURANCE POLICY.** The insolvent self-insurer may obtain an insurance policy as described in section 79A.06, subdivision 5, to discharge further workers' compensation obligations assumed by the self-insurers' security fund on behalf of the insolvent insurer. At the self-insurers' security fund's option and in its sole discretion, any part of the insolvent self-insurer's security deposit may be used to fund the acquisition of this policy. After the security deposit has been used to: (1) fund the acquisition of this policy; (2) pay all direct and indirect administrative and professional expenses of the fund related to the insolvent self-insurer; and (3) to the extent not covered by the insurance policy, pay the insolvent self-insurer's losses, allocated loss expense and unallocated loss expense, any part of the insolvent self-insurer's security deposit that remains must be promptly returned to the insolvent self-insurer.

Sec. 30. Minnesota Statutes 1999 Supplement, section 79A.22, subdivision 2, is amended to read:

Subd. 2. **FINANCIAL STANDARDS.** Commercial self-insurance groups shall have and maintain:

(1) combined net worth of all of the members in an amount at least equal to ~~12~~ ten times the group's selected retention level of the workers' compensation reinsurance

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association. For purposes of this clause, the amount of any retained surplus by the group is considered part of the combined net worth of all the members;

(2) sufficient assets and liquidity in the group's common claims fund to promptly and completely meet all obligations of its members under this chapter and chapter 176.

Sec. 31. Minnesota Statutes 1998, section 79A.22, subdivision 3, is amended to read:

Subd. 3. **NEW MEMBERSHIP.** The commercial self-insurance group shall file with the commissioner the name of any new employer that has been accepted in the group prior to the initiation date of membership along with the member's signed indemnity agreement and evidence the member has deposited sufficient premiums with the group as required by the commercial self-insurance group's bylaws or plan of operation. The security deposit of the group ~~will~~ shall be increased quarterly to an amount equal to 50 percent of the new ~~member's premium~~ members' premiums for that quarter. If the total increase of new members' premiums for the first quarter is less than five percent of the total annual premium of the group, no quarterly increase is necessary until the cumulative quarterly increases for that calendar year exceed five percent of the total premium of the group. The ~~department of commerce~~ commissioner may, at ~~its~~ the commissioner's option, review the financial statement of any applicant whose premium equals 25 percent or more of the group's total premium.

Sec. 32. Minnesota Statutes 1998, section 79A.22, subdivision 11, is amended to read:

Subd. 11. **DISBURSEMENT OF FUND SURPLUS.** (a) One hundred percent of any surplus money for a fund year in excess of 125 percent of the amount necessary to fulfill all obligations under the Workers' Compensation Act, chapter 176, for that fund year may be declared refundable to a member at any time. The date shall be no earlier than 18 months following the end of such fund year. The first disbursement of fund surplus may not be made prior to the ~~completion of an operational audit by the commissioner~~ written approval of the commissioner. There can be no more than one refund made in any 12-month period. When all the claims of any one fund year have been fully paid, as certified by an actuary, all surplus money from that fund year may be declared refundable.

(b) The commercial self-insurance group shall give notice to the commissioner of any refund. Said notice shall be accompanied by a statement from the commercial self-insurer group's certified public accountant certifying that the proposed refund is in compliance with paragraph (a).

Sec. 33. Minnesota Statutes 1999 Supplement, section 79A.23, subdivision 1, is amended to read:

Subdivision 1. **REQUIRED REPORTS TO COMMISSIONER.** Each commercial self-insurance group shall submit the following documents to the commissioner.

(a) An annual report shall be submitted by April 1 showing the incurred losses, paid and unpaid, specifying indemnity and medical losses by classification, payroll by

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classification, and current estimated outstanding liability for workers' compensation on a calendar year basis, in a manner and on forms available from the commissioner. In addition each group will submit a quarterly interim loss report showing incurred losses for all its membership.

(b) Each commercial self-insurance group shall submit within 45 days of the end of each quarter:

(1) a schedule showing all the members who participate in the group, their date of inception, and date of withdrawal, if applicable;

(2) a separate section identifying which members were added or withdrawn during that quarter; and

(3) an internal financial statement and copies of the fiscal agent's statements supporting the balances in the common claims fund.

(c) The commercial self-insurance group shall submit an annual certified financial audit report of the commercial self-insurance group fund by April 1 of the following year. The report must be accompanied by an expense schedule showing the commercial self-insurance group's operational costs for the same year including service company charges, accounting and actuarial fees, fund administration charges, reinsurance premiums, commissions, and any other costs associated with the administration of the group program.

(d) An officer of the commercial self-insurance group shall, under oath, attest to the accuracy of each report submitted under paragraphs (a), (b), and (c). Upon sufficient cause, the commissioner shall require the commercial self-insurance group to submit a certified audit of payroll and claim records conducted by an independent auditor approved by the commissioner, based on generally accepted accounting principles and generally accepted auditing standards, and supported by an actuarial review and opinion of the future contingent liabilities. The basis for sufficient cause shall include the following factors:

(1) where the losses reported appear significantly different from similar types of groups;

(2) where major changes in the reports exist from year to year, which are not solely attributable to economic factors; or

(3) where the commissioner has reason to believe that the losses and payroll in the report do not accurately reflect the losses and payroll of the commercial self-insurance group.

If any discrepancy is found, the commissioner shall require changes in the commercial self-insurance group's business plan or service company recordkeeping practices.

(e) Each commercial self-insurance group shall submit by September 15 a copy of the group's annual federal and state income tax returns or provide proof that it has received an exemption from these filings.

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(f) With the annual loss report each commercial self-insurance group shall report to the commissioner any worker's compensation claim where the full, undiscounted value is estimated to exceed \$50,000, in a manner and on forms prescribed by the commissioner.

(g) Each commercial self-insurance group shall submit by May 1 a list of all members and the percentage of premium each represents to the total group's premium for the previous calendar year.

(h) Each commercial self-insurance group shall submit by October 15 the following documents prepared by the group's certified public accountant:

(1) a compiled combined financial statement of group members and a list of members included in this statement. An "Agreed Upon Procedures" report, as determined by the commissioner, indicating combined net worth, total assets, cash flow, and net income of the group members may be filed in lieu of the compiled combined financial statement; and

(2) a report that the statements which were combined have met the requirements of subdivision 2.

(i) If any group member comprises over 25 percent of total group premium, that member's financial statement must be reviewed or audited, and, at the commissioner's option, must be filed with the ~~department of commerce~~ commissioner by October 15 of the following year.

(j) Each commercial self-insurance group shall submit a copy of each member's accountant's report letter from the reports used in compiling the combined financial statements. This requirement does not apply to any group that has been in existence for at least three years.

Sec. 34. Minnesota Statutes 1999 Supplement, section 79A.23, subdivision 2, is amended to read:

Subd. 2. **REQUIRED REPORTS FROM MEMBERS TO GROUP.** (a) Each member of the commercial self-insurance group shall, by September 15, submit to the group its most recent annual financial statement, together with other financial information the group may require. These financial statements submitted must not have a fiscal year end date older than January 15 of the group's calendar year end. Individual group members constituting at least 25 percent of the group's annual premium shall submit to the group reviewed or audited financial statements. The remaining members must submit compilation level statements.

(b) For groups that have been in existence for at least three years, individual group members may satisfy the requirements of paragraph (a) by submitting compiled, reviewed, or audited statements or the most recent federal income tax return filed by the member.

Sec. 35. Minnesota Statutes 1999 Supplement, section 79A.23, subdivision 3, is amended to read:

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Subd. 3. **OPERATIONAL AUDIT.** (a) The commissioner, prior to authorizing surplus distribution of a commercial self-insurance group's first fund year or no later than after the third anniversary of the group's authority to self-insure, shall may conduct an operational audit of the commercial self-insurance group's claim handling and reserve practices as well as its underwriting procedures to determine if they adhere to the group's business plan. The commissioner may select outside consultants to assist in conducting the audit. After completion of the audit, the commissioner shall either renew or revoke the commercial self-insurance group's authority to self-insure. The commissioner may also order any changes deemed necessary in the claims handling, reserving practices, or underwriting procedures of the group.

(b) The cost of the operational audit shall be borne by the commercial self-insurance group.

Sec. 36. Minnesota Statutes 1999 Supplement, section 79A.24, subdivision 2, is amended to read:

Subd. 2. **MINIMUM DEPOSIT.** The minimum deposit is 125 percent of the commercial self-insurance group's estimated future liability for the payment of compensation as determined by an actuary. If ~~all the members of the commercial self-insurance group have submitted reviewed or audited financial statements to the group's accountant~~ has been in existence for three years, this minimum deposit shall be 110 percent of the commercial self-insurance group's estimated future liability for the payment of workers' compensation as determined by an actuary. ~~The group must file a letter with the commissioner from the group's accountant which confirms that the compiled combined financial statements were prepared from members reviewed or audited financial statements only before the lower security deposit is allowed.~~ Each actuarial study shall include a projection of future losses during a one-year period until the next scheduled actuarial study, less payments anticipated to be made during that time. Deduction should be made for the total amount which is estimated to be returned to the commercial self-insurance group from any specific excess insurance coverage, aggregate excess insurance coverage, and any supplementary benefits which are estimated to be reimbursed by the special compensation fund. Supplementary benefits will not be reimbursed by the special compensation fund unless the special compensation fund assessment pursuant to section 176.129 is paid and the required reports are filed with the special compensation fund. In the case of surety bonds, bonds shall secure administrative and legal costs in addition to the liability for payment of compensation reflected on the face of the bond. In no event shall the security be less than the group's selected retention limit of the workers' compensation reinsurance association. The posting or depositing of security under this section shall release all previously posted or deposited security from any obligations under the posting or depositing and any surety bond so released shall be returned to the surety. Any other security shall be returned to the depositor or the person posting the bond.

Sec. 37. Minnesota Statutes 1998, section 80A.04, subdivision 2, is amended to read:

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Subd. 2. It is unlawful for any broker-dealer or issuer to employ an agent as a representative in this state unless the agent is licensed. The licensing of an agent is not effective during any period when the agent is not associated with a specified broker-dealer licensed under this chapter or a specified issuer. No agent shall at any time represent more than one broker-dealer or issuer, except that where broker-dealers affiliated by direct common control are licensed under this chapter, an agent may represent the broker-dealer. When an agent begins or terminates employment with a broker-dealer or issuer, or begins or terminates those activities which make that person an agent, the agent as well as the broker-dealer or issuer shall promptly notify the commissioner or the commissioner's designated representative.

A broker-dealer or investment adviser is affiliated by direct common control when 80 percent or more of the equity of each broker-dealer or investment adviser is beneficially owned by the same person or group of persons.

Sec. 38. Minnesota Statutes 1998, section 80A.04, subdivision 3, is amended to read:

Subd. 3. It is unlawful for any person to transact business in this state as an investment adviser unless that person is so licensed or licensed as a broker-dealer ~~under this chapter~~ as described in section 80A.14, subdivision 9, clause (3), or unless: (1) that person's only clients in this state are investment companies as defined in the Investment Company Act of 1940, other investment advisers, broker-dealers, banks, trust companies, savings associations, federal covered advisers insurance companies, corporations with a class of equity securities registered under section 12(b) or 12(g) of the Securities Exchange Act of 1934, small business investment companies, and government agencies or instrumentalities, whether acting for themselves or as trustees with investment control, or other institutional buyers; or (2) that person has no place of business in this state and during the preceding 12-month period has had fewer than six clients who are residents of this state.

Sec. 39. Minnesota Statutes 1998, section 80A.07, subdivision 1, is amended to read:

Subdivision 1. **GENERAL GROUNDS.** The commissioner may by order deny, suspend, or revoke any license or may censure the licensee, if the commissioner finds (a) that the order is in the public interest and (b) that the applicant or licensee or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

(1) has filed an application for license which as of its effective date, or as of any date after filing in the case of an order denying effectiveness, was incomplete in any material respect or contained any statement which was, in light of the circumstances under which it was made, false or misleading with respect to any material fact;

(2) has willfully violated or failed to comply with any provision of this chapter or a predecessor law or any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company

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Act of 1940, the Commodity Exchange Act, or any rule or order under any of these statutes, of which that person has notice and is subject;

(3) has been convicted, within the past ten years, of any misdemeanor involving a security or any aspect of the securities business, or any felony;

(4) is permanently or temporarily enjoined by any court of competent jurisdiction from engaging in or continuing any conduct or practice involving any aspect of the securities business;

(5) is the subject of an order of the commissioner denying, suspending, or revoking a license as a broker-dealer, agent or investment adviser;

(6) is the subject of an order entered within the past five years by the securities administrator of any other state or by the securities and exchange commission, or any national securities exchange or national securities association registered under the Securities Exchange Act of 1934, denying or revoking registration or license as a broker-dealer, agent, or investment adviser, or is the subject of an order of the securities and exchange commission or any national securities exchange or national securities association registered under the Securities Exchange Act of 1934, suspending, barring, or expelling that person from a national securities exchange or association registered under the Securities Exchange Act of 1934, or is the subject of a United States post office fraud order. The commissioner may not institute a revocation or suspension proceeding under this clause more than one year from the date of the order relied on, and may not enter an order under this clause on the basis of an order under another state law unless the order was based on facts which would currently constitute a ground for an order under this section;

(7) has engaged in dishonest or fraudulent practices in the securities business;

(8) has failed to maintain the minimum net capital or to comply with the limitation on aggregate indebtedness which the commissioner by rule prescribes;

(9) is not qualified on the basis of such factors as training, experience, and knowledge of the securities business;

(10) has failed reasonably to supervise agents, investment adviser representatives, or employees to assure their compliance with this chapter;

(11) has failed to pay the proper filing fee, but the commissioner shall vacate the order when the deficiency has been corrected;

(12) has offered or sold securities in this state through any unlicensed agent;

(13) has made any material misrepresentation to the commissioner, or upon request reasonably made by the commissioner, has withheld or concealed information from, or refused to furnish information to, the commissioner;

(14) has failed to reasonably supervise agents, investment adviser representatives, or employees if that person has assumed or has been designated to carry out the supervisory procedures of the broker-dealer or investment adviser; or

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(15) has failed, within 20 business days after receiving written instructions from a customer, to do any of the following:

(a) transfer or deliver securities that have been purchased;

(b) transfer or deliver any free credit balances reflecting completed transactions;
or

(c) transfer or deliver a customer's account securities positions and balances to another broker-dealer.

This clause shall not serve as a basis for denial, suspension, or revocation of a broker-dealer's or agent's license if: (i) the transfer or delivery is between broker-dealers and meets the rules and requirements established by the New York Stock Exchange with regard to the transfer or delivery; or (ii) the delivery of securities to a customer cannot be accomplished within 20 business days, and the broker-dealer or agent has notified the customer in writing of the inability to deliver the securities and the reasons for the nondelivery within 20 business days of receiving the customer's written instructions.

Sec. 40. Minnesota Statutes 1998, section 80A.10, subdivision 2, is amended to read:

Subd. 2. A registration statement under this section shall contain the following information and be accompanied by the following documents in addition to the information specified in section 80A.12 and the consent to service of process required by section 80A.27, subdivision 7;

(a) ~~Two copies~~ One copy of the latest form of prospectus filed under the Securities Act of 1933;

(b) If the commissioner by rule or otherwise requires, a copy of the articles of incorporation and bylaws (or their substantial equivalent) currently in effect, a copy of any agreements with or among underwriters, a copy of any indenture or other instrument governing the issuance of the security to be registered, and a specimen or copy of the security;

(c) If the commissioner requests, any other information, or copies of any other documents, filed under the Securities Act of 1933; and

(d) An undertaking to forward all amendments to the federal prospectus, other than an amendment which merely delays the effective date of the registration statement, not later than the first business day after the day they are forwarded to or filed with the securities and exchange commission or such longer period as the commissioner permits.

Sec. 41. Minnesota Statutes 1999 Supplement, section 80A.15, subdivision 2, is amended to read:

Subd. 2. The following transactions are exempted from sections 80A.08 and 80A.16:

(a) Any sales, whether or not effected through a broker-dealer, provided that:

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(1) no person shall make more than ten sales of securities in Minnesota of the same issuer pursuant to this exemption, exclusive of sales according to clause (2), during any period of 12 consecutive months; provided further, that in the case of sales by an issuer, except sales of securities registered under the Securities Act of 1933 or exempted by section 3(b) of that act, (i) the seller reasonably believes that all buyers are purchasing for investment, and (ii) the securities are not advertised for sale to the general public in newspapers or other publications of general circulation or otherwise, or by radio, television, electronic means or similar communications media, or through a program of general solicitation by means of mail or telephone; and or

(2) no issuer shall make more than 25 sales of its securities in Minnesota according to this exemption, exclusive of sales pursuant to clause (1), during any period of 12 consecutive months; provided further, that the issuer meets the conditions in clause (1) and, in addition meets the following additional conditions: (i) files with the commissioner, ten days before a sale according to this clause, a statement of issuer on a form prescribed by the commissioner; and (ii) no commission or other remuneration is paid or given directly or indirectly for soliciting any prospective buyers in this state in connection with a sale according to this clause except reasonable and customary commissions paid by the issuer to a broker-dealer licensed under this chapter.

(b) Any nonissuer distribution of an outstanding security if (1) either Moody's, Fitch's, or Standard & Poor's Securities Manuals, or other recognized manuals approved by the commissioner contains the names of the issuer's officers and directors, a balance sheet of the issuer as of a date not more than 18 months prior to the date of the sale, and a profit and loss statement for the fiscal year preceding the date of the balance sheet, and (2) the issuer or its predecessor has been in active, continuous business operation for the five-year period next preceding the date of sale, and (3) if the security has a fixed maturity or fixed interest or dividend provision, the issuer has not, within the three preceding fiscal years, defaulted in payment of principal, interest, or dividends on the securities.

(c) The execution of any orders by a licensed broker-dealer for the purchase or sale of any security, pursuant to an unsolicited offer to purchase or sell; provided that the broker-dealer acts as agent for the purchaser or seller, and has no direct material interest in the sale or distribution of the security, receives no commission, profit, or other compensation from any source other than the purchaser and seller and delivers to the purchaser and seller written confirmation of the transaction which clearly itemizes the commission, or other compensation.

(d) Any nonissuer sale of notes or bonds secured by a mortgage lien if the entire mortgage, together with all notes or bonds secured thereby, is sold to a single purchaser at a single sale.

(e) Any judicial sale, exchange, or issuance of securities made pursuant to an order of a court of competent jurisdiction.

(f) The sale, by a pledge holder, of a security pledged in good faith as collateral for a bona fide debt.

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(g) Any offer or sale to a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

(h) An offer or sale of securities by an issuer made in reliance on the exemptions provided by Rule 505 or 506 of Regulation D promulgated by the Securities and Exchange Commission, Code of Federal Regulations, title 17, sections 230.501 to 230.508, subject to the conditions and definitions provided by Rules 501 to 503 of Regulation D, if the offer and sale also satisfies the conditions and limitations in clauses (1) to (10).

(1) The exemption under this paragraph is not available for the securities of an issuer if any of the persons described in Rule 252(c) to (f) of Regulation A promulgated by the Securities and Exchange Commission, Code of Federal Regulations, title 17, sections 230.251 to 230.263:

(i) has filed a registration statement that is the subject of a currently effective order entered against the issuer, its officers, directors, general partners, controlling persons, or affiliates, according to any state's law within five years before the filing of the notice required under clause (5), denying effectiveness to, or suspending or revoking the effectiveness of, the registration statement;

(ii) has been convicted, within five years before the filing of the notice required under clause (5), of a felony or misdemeanor in connection with the offer, sale, or purchase of a security or franchise, or a felony involving fraud or deceit, including but not limited to forgery, embezzlement, obtaining money under false pretenses, larceny, or conspiracy to defraud;

(iii) is subject to an effective administrative order or judgment entered by a state securities administrator within five years before the filing of the notice required under clause (5), that prohibits, denies, or revokes the use of an exemption from securities registration, that prohibits the transaction of business by the person as a broker-dealer or agent, or that is based on fraud, deceit, an untrue statement of a material fact, or an omission to state a material fact; or

(iv) is subject to an order, judgment, or decree of a court entered within five years before the filing of the notice required under clause (5), temporarily, preliminarily, or permanently restraining or enjoining the person from engaging in or continuing any conduct or practice in connection with the offer, sale, or purchase of a security, or the making of a false filing with a state.

A disqualification under paragraph (h) involving a broker-dealer or agent is waived if the broker-dealer or agent is or continues to be licensed in the state in which the administrative order or judgment was entered against the person or if the broker-dealer or agent is or continues to be licensed in this state as a broker-dealer or agent after notifying the commissioner of the act or event causing disqualification.

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The commissioner may waive a disqualification under paragraph (h) upon a showing of good cause that it is not necessary under the circumstances that use of the exemption be denied.

A disqualification under paragraph (h) may be waived if the state securities administrator or agency of the state that created the basis for disqualification has determined, upon a showing of good cause, that it is not necessary under the circumstances that an exemption from registration of securities under the state's laws be denied.

It is a defense to a violation of paragraph (h) based upon a disqualification if the issuer sustains the burden of proof to establish that the issuer did not know, and in the exercise of reasonable care could not have known, that a disqualification under paragraph (h) existed.

(2) This exemption must not be available to an issuer with respect to a transaction that, although in technical compliance with this exemption, is part of a plan or scheme to evade registration or the conditions or limitations explicitly stated in paragraph (h).

(3) No commission, finder's fee, or other remuneration shall be paid or given, directly or indirectly, for soliciting a prospective purchaser, unless the recipient is appropriately licensed, or exempt from licensure, in this state as a broker-dealer.

(4) Nothing in this exemption is intended to or should be in any way construed as relieving issuers or persons acting on behalf of issuers from providing disclosure to prospective investors adequate to satisfy the antifraud provisions of the securities law of Minnesota.

(5) The issuer shall file with the commissioner a notice on form D as adopted by the Securities and Exchange Commission according to Regulation D, Code of Federal Regulations, title 17, section 230.502. The notice must be filed not later than 15 days after the first sale in this state of securities in an offering under this exemption. Every notice on form D must be manually signed by a person duly authorized by the issuer and must be accompanied by a consent to service of process on a form prescribed by the commissioner.

(6) A failure to comply with a term, condition, or requirement of paragraph (h) will not result in loss of the exemption for an offer or sale to a particular individual or entity if the person relying on the exemption shows that: (i) the failure to comply did not pertain to a term, condition, or requirement directly intended to protect that particular individual or entity, and the failure to comply was insignificant with respect to the offering as a whole; and (ii) a good faith and reasonable attempt was made to comply with all applicable terms, conditions, and requirements of paragraph (h), except that, where an exemption is established only through reliance upon this provision, the failure to comply shall nonetheless constitute a violation of section 80A.08 and be actionable by the commissioner.

(7) The issuer, upon request by the commissioner, shall, within ten days of the request, furnish to the commissioner a copy of any and all information, documents, or

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materials furnished to investors or offerees in connection with the offer and sale according to paragraph (h).

(8) Neither compliance nor attempted compliance with the exemption provided by paragraph (h), nor the absence of an objection or order by the commissioner with respect to an offer or sale of securities undertaken according to this exemption, shall be considered to be a waiver of a condition of the exemption or considered to be a confirmation by the commissioner of the availability of this exemption.

(9) The commissioner may, by rule or order, increase the number of purchasers or waive any other condition of this exemption.

(10) The determination whether offers and sales made in reliance on the exemption set forth in paragraph (h) shall be integrated with offers and sales according to other paragraphs of this subdivision shall be made according to the integration standard set forth in Rule 502 of Regulation D promulgated by the Securities and Exchange Commission, Code of Federal Regulations, title 17, section 230.502. If not subject to integration according to that rule, offers and sales according to paragraph (h) shall not otherwise be integrated with offers and sales according to other exemptions set forth in this subdivision.

(i) Any offer (but not a sale) of a security for which a registration statement has been filed under sections 80A.01 to 80A.31, if no stop order or refusal order is in effect and no public proceeding or examination looking toward an order is pending; and any offer of a security if the sale of the security is or would be exempt under this section. The commissioner may by rule exempt offers (but not sales) of securities for which a registration statement has been filed as the commissioner deems appropriate, consistent with the purposes of sections 80A.01 to 80A.31.

(j) The offer and sale by a cooperative organized under chapter 308A or under the laws of another state, of its securities when the securities are offered and sold only to its members, or when the purchase of the securities is necessary or incidental to establishing membership in the cooperative, or when such securities are issued as patronage dividends. This paragraph applies to a cooperative organized under the laws of another state only if the cooperative has filed with the commissioner a consent to service of process under section 80A.27, subdivision 7, and has, not less than ten days prior to the issuance or delivery, furnished the commissioner with a written general description of the transaction and any other information that the commissioner requires by rule or otherwise. This exemption only applies when the issuing cooperative is seeking to raise up to \$1,000,000.

(l) The issuance and delivery of any securities of one corporation to another corporation or its security holders in connection with a merger, exchange of shares, or transfer of assets whereby the approval of stockholders of the other corporation is required to be obtained, provided, that the commissioner has been furnished with a general description of the transaction and with other information as the commissioner by rule prescribes not less than ten days prior to the issuance and delivery.

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(m) Any transaction between the issuer or other person on whose behalf the offering is made and an underwriter or among underwriters.

(n) The distribution by a corporation of its or other securities to its own security holders as a stock dividend or as a dividend from earnings or surplus or as a liquidating distribution; or upon conversion of an outstanding convertible security; or pursuant to a stock split or reverse stock split.

(o) Any offer or sale of securities by an affiliate of the issuer thereof if: (1) a registration statement is in effect with respect to securities of the same class of the issuer and (2) the offer or sale has been exempted from registration by rule or order of the commissioner.

(p) Any transaction pursuant to an offer to existing security holders of the issuer, including persons who at the time of the transaction are holders of convertible securities, nontransferable warrants, or transferable warrants exercisable within not more than 90 days of their issuance, if: (1) no commission or other remuneration (other than a standby commission) is paid or given directly or indirectly for soliciting any security holder in this state; and (2) the commissioner has been furnished with a general description of the transaction and with other information as the commissioner may by rule prescribe no less than ten days prior to the transaction.

(q) Any nonissuer sales of any security, including a revenue obligation, issued by the state of Minnesota or any of its political or governmental subdivisions, municipalities, governmental agencies, or instrumentalities.

(r) Any transaction as to which the commissioner by rule or order finds that registration is not necessary in the public interest and for the protection of investors.

(s) An offer or sale of a security issued in connection with an employee's stock purchase, savings, option, profit sharing, pension, or similar employee benefit plan, if the following conditions are met:

(1) the issuer, its parent corporation or any of its majority-owned subsidiaries offers or sells the security according to a written benefit plan or written contract relating to the compensation of the purchaser; and

(2) the class of securities offered according to the plan or contract, or if an option or right to purchase a security, the class of securities to be issued upon the exercise of the option or right, is registered under section 12 of the Securities Exchange Act of 1934, or is a class of securities with respect to which the issuer files reports according to section 15(d) of the Securities Exchange Act of 1934; or

(3) the issuer fully complies with the provisions of Rule 701 as adopted by the Securities and Exchange Commission, Code of Federal Regulations, title 12, section 230.701.

The issuer shall file not less than ten days before the transaction, a general description of the transaction and any other information that the commissioner requires by rule or otherwise or, if applicable, a Securities and Exchange Form S-8. Annually,

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within 90 days after the end of the issuer's fiscal year, the issuer shall file a notice as provided with the commissioner.

(t) Any sale of a security of an issuer that is a pooled income fund, a charitable remainder trust, or a charitable lead trust that has a qualified charity as the only charitable beneficiary.

(u) Any sale by a qualified charity of a security that is a charitable gift annuity if the issuer has a net worth, otherwise defined as unrestricted fund balance, of not less than \$300,000 and either: (1) has been in continuous operation for not less than three years; or (2) is a successor or affiliate of a qualified charity that has been in continuous operation for not less than three years.

Sec. 42. Minnesota Statutes 1998, section 80C.05, subdivision 4, is amended to read:

Subd. 4. ~~An application for registration that has not become effective will be considered withdrawn~~ If no activity occurs with respect to the an application for registration for a period of 120 days, the commissioner may by order declare the application withdrawn.

Sec. 43. Minnesota Statutes 1998, section 80C.07, is amended to read:

80C.07 AMENDMENT OF REGISTRATION.

A person with a registration in effect shall, within 30 days after the occurrence of any material change in the information on file with the commissioner, notify the commissioner in writing of the change by an application to amend the registration accompanied by a fee of \$100. The commissioner may by rule define what shall be considered a material change for such purposes, and may determine the circumstances under which a revised public offering statement must accompany the application. If the amendment is approved by the commissioner, it shall become effective upon the issuance by the commissioner of an order amending the registration.

The commissioner may withdraw an amendment application that has not become effective. If no activity occurs with respect to the application for a period of 120 days, the commissioner may by order declare the application withdrawn.

Sec. 44. Minnesota Statutes 1998, section 82.22, subdivision 13, is amended to read:

Subd. 13. **CONTINUING EDUCATION.** (a) After their first renewal date, all real estate salespersons and all real estate brokers shall be required to successfully complete 30 hours of real estate continuing education, either as a student or a lecturer, in courses of study approved by the commissioner, during each 24-month license period. At least 15 of the 30 credit hours must be completed during the first 12 months of the 24-month licensing period. Salespersons and brokers whose initial license period extends more than 12 months are required to complete 15 hours of real estate continuing education during the initial license period. Those licensees who will receive a 12-month license on July 1, 1995, because of the staggered implementation schedule must complete 15 hours of real estate continuing education as a requirement for

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renewal on July 1, 1996. Licensees may not claim credit for continuing education not actually completed as of the date their report of continuing education compliance is filed.

(b) The commissioner shall adopt rules defining the standards for course and instructor approval, and may adopt rules for the proper administration of this subdivision. The commissioner may not approve a course 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. The commissioner has discretion to establish a pilot program to explore delivery of accredited courses using new delivery technology, including interactive technology. This pilot program expires on August 1, ~~2000~~ 2001.

(c) Any program approved by Minnesota continuing legal education shall be approved by the commissioner of commerce for continuing education for real estate brokers and salespeople if the program or any part thereof relates to real estate.

(d) As part of the continuing education requirements of this section, the commissioner shall require that all real estate brokers and salespersons receive:

(1) at least two hours of training during each license period in courses in laws or regulations on agency representation and disclosure; and

(2) at least two hours of training during each license period in courses in state and federal fair housing laws, regulations, and rules, or other antidiscrimination laws.

Clause (1) does not apply to real estate salespersons and real estate brokers engaged solely in the commercial real estate business who file with the commissioner a verification of this status along with the continuing education report required under paragraph (a).

(e) The commissioner is authorized to establish a procedure for renewal of course accreditation.

Sec. 45. Minnesota Statutes 1998, section 82A.04, subdivision 4, is amended to read:

Subd. 4. **EFFECTIVE DATE.** ~~Unless an order denying registration under section 82A.12 is in effect, or unless declared effective by order of the commissioner prior thereto, the application for registration shall automatically become effective upon the expiration of 15 business days following filing with the commissioner, but an applicant may consent in writing to the delay of registration until the time the commissioner may issue an order of registration. If the commissioner requests additional information with respect to the application, the application shall become effective upon the expiration of 15 business days following the filing with the commissioner of the additional information unless an order denying registration under section 82A.12 is in effect or unless declared effective by order of the commissioner prior thereto. The registration is effective on the date the commissioner declares by order.~~

Sec. 46. Minnesota Statutes 1998, section 82A.04, is amended by adding a subdivision to read:

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Subd. 5. WITHDRAWAL OF APPLICATION. If no activity occurs with respect to an application for a period of 120 days, the commissioner may by order declare the application withdrawn. No part of the filing fee will be returned by the commissioner if a registration application is withdrawn according to this subdivision.

Sec. 47. Minnesota Statutes 1998, section 82B.14, is amended to read:

82B.14 EXPERIENCE REQUIREMENT.

(a) As a prerequisite for licensing as a registered real property appraiser or licensed real property appraiser, an applicant must present evidence satisfactory to the commissioner that the person has obtained 2,000 hours of experience in real property appraisal.

As a prerequisite for licensing as a certified residential real property appraiser, an applicant must present evidence satisfactory to the commissioner that the person has obtained 2,500 hours of experience in real property appraisal.

As a prerequisite for licensing as a certified general real property appraiser, an applicant must present evidence satisfactory to the commissioner that the person has obtained 3,000 hours of experience in real property appraisal. At least 50 percent, or 1,500 hours, must be in nonresidential appraisal work.

(b) Each applicant for license under section 82B.11, subdivision 3, 4, or 5, shall give under oath a detailed listing of the real estate appraisal reports or file memoranda for which experience is claimed by the applicant. Upon request, the applicant shall make available to the commissioner for examination, a sample of appraisal reports that the applicant has prepared in the course of appraisal practice.

(c) Applicants may not receive credit for experience accumulated while unlicensed, if the experience is based on activities which required a license under this section.

Sec. 48. Minnesota Statutes 1998, section 83.23, is amended by adding a subdivision to read:

Subd. 5. WITHDRAWAL OF APPLICATION. If no activity occurs with respect to an application for a period of 120 days, the commissioner may by order declare the application withdrawn. No part of the filing fee will be returned by the commissioner if a registration application is withdrawn according to this subdivision.

Sec. 49. Minnesota Statutes 1998, section 308A.711, subdivision 1, is amended to read:

Subdivision 1. **ALTERNATE PROCEDURE TO DISBURSE PROPERTY.** Notwithstanding the provisions of section 345.43, a cooperative may, in lieu of paying or delivering to the commissioner of commerce the unclaimed property specified in its report of unclaimed property, distribute the unclaimed property to a corporation or organization that is exempt from taxation under section 290.05, subdivision 1, paragraph (b), or 2. A cooperative making the election to distribute unclaimed property shall, within 20 days after the time specified in section 345.42 for claiming the property

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from the holder, 85 days following the publication of lists of abandoned property file with the commissioner of commerce:

- (1) a verified written explanation of the proof of claim of an owner establishing a right to receive the abandoned property;
- (2) any errors in the presumption of abandonment;
- (3) the name, address, and exemption number of the corporation or organization to which the property was or is to be distributed; and
- (4) the approximate date of distribution.

Sec. 50. Minnesota Statutes 1998, section 326.975, subdivision 1, is amended to read:

Subdivision 1. **GENERALLY.** (a) In addition to any other fees, each applicant for a license under sections 326.83 to 326.98 shall pay a fee to the contractor's recovery fund. The contractor's recovery fund is created in the state treasury and must be administered by the commissioner in the manner and subject to all the requirements and limitations provided by section 82.34 with the following exceptions:

(1) each licensee who renews a license shall pay in addition to the appropriate renewal fee an additional fee which shall be credited to the contractor's recovery fund. The amount of the fee shall be based on the licensee's gross annual receipts for the licensee's most recent fiscal year preceding the renewal, on the following scale:

Fee	Gross Receipts
\$100	under \$1,000,000
\$150	\$1,000,000 to \$5,000,000
\$200	over \$5,000,000

Any person who receives a new license shall pay a fee based on the same scale;

(2) the sole purpose of this fund is to compensate any aggrieved owner or lessee of residential property located within this state who obtains a final judgment in any court of competent jurisdiction against a licensee licensed under section 326.84, on grounds of fraudulent, deceptive, or dishonest practices, conversion of funds, or failure of performance arising directly out of any transaction when the judgment debtor was licensed and performed any of the activities enumerated under section 326.83, subdivision 19, on the owner's residential property or on residential property rented by the lessee, or on new residential construction which was never occupied prior to purchase by the owner, or which was occupied by the licensee for less than one year prior to purchase by the owner, and which cause of action arose on or after April 1, 1994;

(3) nothing may obligate the fund for more than \$50,000 per claimant, nor more than \$50,000 per licensee; and

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(4) nothing may obligate the fund for claims based on a cause of action that arose before the licensee paid the recovery fund fee set in clause (1), or as provided in section 326.945, subdivision 3.

(b) Should the commissioner pay from the contractor's recovery fund any amount in settlement of a claim or toward satisfaction of a judgment against a licensee, the license shall be automatically suspended upon the effective date of an order by the court authorizing payment from the fund. No licensee shall be granted reinstatement until the licensee has repaid in full, plus interest at the rate of 12 percent a year, twice the amount paid from the fund on the licensee's account, and has obtained a surety bond issued by an insurer authorized to transact business in this state in the amount of at least \$40,000.

Sec. 51. [332.355] AGENCY RESPONSIBILITY FOR COLLECTORS.

The commissioner may take action against a collection agency for any violations of debt collection laws by its debt collectors. The commissioner may also take action against the debt collectors themselves for these same violations.

Sec. 52. Minnesota Statutes 1998, section 345.515, is amended to read:

345.515 AGREEMENTS TO LOCATE REPORTED PROPERTY.

It is unlawful for a person to seek or receive from another person or contract with a person for a fee or compensation for locating property, knowing it to have been reported or paid or delivered to the commissioner pursuant to chapter 345 prior to ~~seven months after the date of published notice by the commissioner as required by section 345.42~~ 24 months after the date the property is paid or delivered to the commissioner.

No agreement entered into after ~~seven months from the date of published notice by the~~ 24 months after the date the property is paid or delivered to the commissioner is valid if a person thereby undertakes to locate property included in a report for a fee or other compensation exceeding ten percent of the value of the recoverable property unless the agreement is in writing and signed by the owner and discloses the nature and value of the property and the name and address of the holder thereof as such facts have been reported. Nothing in this section shall be construed to prevent an owner from asserting at any time that an agreement to locate property is based upon an excessive or unjust consideration.

Sec. 53. [359.085] STANDARDS OF CONDUCT FOR NOTARIAL ACTS.

Subdivision 1. ACKNOWLEDGMENTS. In taking an acknowledgment, the notarial officer must determine, either from personal knowledge or from satisfactory evidence, that the person appearing before the officer and making the acknowledgment is the person whose true signature is on the instrument.

Subd. 2. VERIFICATIONS. In taking a verification upon oath or affirmation, the notarial officer must determine, either from personal knowledge or from satisfactory evidence, that the person appearing before the officer and making the verification is the person whose true signature is on the statement verified.

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Subd. 3. WITNESSING OR ATTESTING SIGNATURES. In witnessing or attesting a signature the notarial officer must determine, either from personal knowledge or from satisfactory evidence, that the signature is that of the person appearing before the officer and named in the document.

Subd. 4. CERTIFYING OR ATTESTING DOCUMENTS. In certifying or attesting a copy of a document or other item, the notarial officer must determine that the proffered copy is a full, true, and accurate transcription or reproduction of that which was copied.

Subd. 5. MAKING OR NOTING PROTESTS OF NEGOTIABLE INSTRUMENTS. In making or noting a protest of a negotiable instrument the notarial officer must determine the matters set forth in section 336.3-505.

Subd. 6. SATISFACTORY EVIDENCE. A notarial officer has satisfactory evidence that a person is the person whose true signature is on a document if that person (i) is personally known to the notarial officer, (ii) is identified upon the oath or affirmation of a credible witness personally known to the notarial officer, or (iii) is identified on the basis of identification documents.

Subd. 7. PROHIBITED ACTS. A notarial officer may not acknowledge, witness or attest to the officer's own signature, or take a verification of the officer's own oath or affirmation.

Sec. 54. Laws 1999, chapter 177, section 89, is amended to read:

Sec. 89. EFFECTIVE DATES.

(a) Sections 1, 3, 5 to 8, 20, 22 to 28, 31, 34, 35, 38, 39, 44 to 51, 54 to 56, 58 to 60, 66, 67, 69 to 87, and 88, paragraph (b), are effective the day following final enactment.

(b) Sections 13 to 15 are effective the day following final enactment and apply to plans of merger approved on or after that date by the board of directors of the first of the constituent corporations to grant such approval. Merging or consolidating insurance corporations may, however, elect to have the changes made by sections 13 to 15 not apply to a merger or consolidation arising out of a joint agreement entered into prior to January 1, 2000.

(c) Section 32 is effective July 1, ~~2000~~ 2001.

(d) Section 33 is effective December 1, 1999, and applies to all license renewals on or after that date.

(e) Section 30 is effective as follows:

(1) The amendment to Minnesota Statutes, section 60K.03, subdivision 2, paragraph (d), is effective January 1, 2000.

(2) The amendment to Minnesota Statutes, section 60K.03, subdivision 2, paragraph (e), is effective the day following final enactment.

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Sec. 55. REPEALER.

Minnesota Statutes 1998, sections 62A.285, subdivision 4; 62A.651; and 65B.13, are repealed.

Sec. 56. EFFECTIVE DATE.

Sections 1, 2, 3, 5, 7 to 9, 11 to 13, 15 to 18, 22, 24, 36, 37, 38, 40 to 44, 47, and 50 to 55 are effective the day following enactment. Section 19 is effective January 1, 2001.

Presented to the governor May 11, 2000

Signed by the governor May 15, 2000, 10:47 a.m.

CHAPTER 484—H.F.No. 2591

An act relating to government; creating the Koochiching county economic development commission and changing the allocation of certain money to go to it; authorizing Yellow Medicine county to establish an economic development authority; changing economic development authority of certain nonmetropolitan counties; establishing a legislative commission on Minnesota-Ontario matters; appropriating money; amending Minnesota Statutes 1998, section 298.17; proposing coding for new law in Minnesota Statutes, chapters 3; and 469.

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

ARTICLE 1

Section 1. Minnesota Statutes 1998, section 298.17, is amended to read:

298.17 OCCUPATION TAXES TO BE APPORTIONED.

All occupation taxes paid by persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore or other ores, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of the proceeds of the tax imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university. Of the moneys apportioned to the general fund by this section there is annually appropriated and credited to the iron range resources and rehabilitation board account in the special revenue fund an amount equal to that which would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22. The money appropriated pursuant to this section shall be used (1) to provide environmental development grants

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