

Sec. 3. APPROPRIATION.

\$30,000 in fiscal year 1994 and \$30,000 in fiscal year 1995 is appropriated from the special revenue fund to the commissioner of agriculture for administrative expenses for the agricultural improvement loan program.

Sec. 4. APPROPRIATION; DAIRY LEADERS ROUNDTABLE.

Notwithstanding any rules adopted under Minnesota Statutes, section 32A.071, a total of not more than \$100,000 in fiscal year 1993 and a total of not more than \$100,000 in fiscal year 1994 are appropriated on June 30, 1993, and June 30, 1994, from the balance remaining in the Minnesota milk over-order premium account after all payments have been made at the discretion of the commissioner of agriculture to the Minnesota dairy leaders roundtable for programs and activities of the roundtable.

Presented to the governor May 17, 1993

Signed by the governor May 20, 1993, 2:17 p.m.

CHAPTER 299—H.F.No. 1095

An act relating to insurance; regulating investments, assets and liabilities, and annual statements of companies; providing for continuance of coverage upon liquidation; modifying the definition of resident for purposes of the Minnesota insurance guaranty association; regulating dividends and other distributions of insurance holding company systems; regulating risk retention groups; enacting the NAIC model legislation; amending Minnesota Statutes 1992, sections 60A.11, subdivision 9; 60A.12, subdivision 3; 60A.13, subdivisions 1 and 6; 60A.23, subdivision 4; 60B.22, subdivision 1; 60C.03, subdivision 7; 60D.20, subdivisions 2 and 4; 60E.01; 60E.02, subdivisions 9 and 12; 60E.03; 60E.04, subdivisions 1, 2, 3, 4, 7, 8, 11, and by adding a subdivision; 60E.05; 60E.07; 60E.08; 60E.09; 60E.10; 60E.12; 60E.13; and 79.252, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 60A; and 60E; repealing Minnesota Statutes 1992, sections 60A.07, subdivision 5d; 60A.12, subdivision 10; 60A.13, subdivision 3a; 60B.24; 60E.11; Minnesota Rules, parts 2710.0100; 2710.0200; 2710.0300; 2710.1100; 2710.1200; 2710.1300; 2710.1400; 2710.1500; 2710.1600; 2710.1700; 2710.1800; 2710.1900; 2710.2000; 2710.2100; 2710.3100; 2710.3200; and 2710.3300.

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

Section 1. Minnesota Statutes 1992, section 60A.11, subdivision 9, is amended to read:

Subd. 9. **GENERAL CONSIDERATIONS.** The following considerations apply in the interpretation of this section:

(a) This section applies to the investments of insurance companies other than life insurance companies;

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(b) The purpose of this section is to protect and further the interests of policyholders, claimants, creditors and the public by providing standards for the development and administration of programs for the investment of the assets of domestic companies. These standards and the investment programs developed by companies must take into account the safety of company's principal, investment yield and growth, stability in the value of the investment, the liquidity necessary to meet the company's expected business needs, and investment diversification;

(c) All financial terms relating to insurance companies have the meanings assigned to them under statutory accounting methods. All financial terms relating to noninsurance companies have the meanings assigned to them under generally accepted accounting principles;

(d) Investments must be valued in accordance with the valuation procedures established by the National Association of Insurance Commissioners, unless the commissioner requires or finds another method of valuation reasonable under the circumstances. Another method of valuation permitted by the commissioner must be at least as conservative as those prescribed in the association's manual. Other invested assets must be valued according to the procedures promulgated by the National Association of Insurance Commissioners', if not addressed in another section, unless the commissioner requires or finds another method of valuation reasonable under the circumstances;

(e) A company may elect to hold an investment which qualifies under more than one subdivision, under the subdivision of its choice. Nothing herein prevents a company from electing to hold an investment under a subdivision different from the one in which it previously held the investment; and

(f) An investment which qualifies under any provision of the law governing investments of insurance companies when acquired will continue to be a qualified investment for as long as it is held by the insurance company.

Sec. 2. Minnesota Statutes 1992, section 60A.12, subdivision 3, is amended to read:

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

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chased above par, they may, if not in default as to principal and interest, be valued during the first five years after purchase on the basis of the purchase price adjusted in equal annual installments to bring the value to par at the end of five years.

Sec. 3. [60A.129] LOSS RESERVE CERTIFICATION AND ANNUAL AUDIT.

Subdivision 1. DEFINITIONS. The definitions in this subdivision apply to this section.

(a) "Qualified actuary," except as it relates to subdivision 2, paragraph (c), for companies authorized to provide life insurance coverage under section 60A.06, subdivision 1, clause (4), is a person who is either:

(1) a member in good standing of the Casualty Actuarial Society; or

(2) a member in good standing of the American Academy of Actuaries who has been approved as qualified for signing casualty loss reserve opinions by the Casualty Practice Council of the American Academy of Actuaries; or

(3) a person who otherwise has competency in loss reserve evaluation as demonstrated to the satisfaction of the insurance regulatory official of the domiciliary state. In such case, at least 90 days prior to the filing of its annual statement, the insurer must request approval that the person be deemed qualified and that request must be approved or denied. The request must include the NAIC Biographical form and a list of all loss reserve opinions issued in the last three years by this person.

(b) For purposes of subdivision 2, paragraph (c), a qualified actuary for companies authorized to write life insurance coverage under section 60A.06, subdivision 1, clause (4), shall be:

(1) a member in good standing of the American Academy of Actuaries;

(2) qualified to sign statements of actuarial opinion for life and health insurance company annual statements in accordance with the American Academy of Actuaries qualification standards for actuaries signing these statements;

(3) familiar with the valuation requirements applicable to life and health insurance companies.

(c) A qualified actuary as defined by this subdivision is an individual who:

(1) has not been found by the commissioner, or if so found has subsequently been reinstated as a qualified actuary, following appropriate notice and hearing to have:

(i) violated any provision of, or any obligation imposed by, the state insurance law or other law in the course of the actuary's dealings as a qualified actuary;

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(ii) been found guilty of fraudulent or dishonest practices;

(iii) demonstrated incompetency, lack of cooperation, or untrustworthiness to act as a qualified actuary; or

(iv) submitted to the commissioner during the past five years, pursuant to this chapter, an actuarial opinion that the commissioner rejected because it did not meet the provisions of this chapter including standards set by the actuarial standards board;

(2) has resigned or been removed as an actuary within the past five years as a result of acts or omissions indicated in any adverse report on examination or as a result of failure to adhere to generally acceptable actuarial standards of the American Academy of Actuaries; and

(3) has not failed to notify the commissioner of any action taken by any commissioner of any other state similar to that under clause (1).

(d) "Accountant" and "independent public accountant" mean an independent certified public accountant or accounting firm in good standing with the American Institute of Certified Public Accountants and in all states in which the accountant or firm is licensed to practice. For Canadian and British companies, the term means a Canadian-chartered or British-chartered accountant.

Subd. 2. LOSS RESERVE CERTIFICATION. (a) Each domestic company engaged in providing the types of coverage described in section 60A.06, subdivision 1, clause (1), (2), (3), (5)(b), (6), (8), (9), (10), (11), (12), (13), or (14), must have its loss reserves certified by a qualified actuary. The company must file the certification with the commissioner within 30 days of completion of the certification, but not later than June 1. The actuary providing the certification must not be an employee of the company. This subdivision does not apply to township mutual companies, or to other domestic insurers having less than \$1,000,000 of premiums written in any year and fewer than 1,000 policyholders. The commissioner may allow an exception to the stand alone certification where it can be demonstrated that a company in a group has a pooling or 100 percent reinsurance agreement used in a group which substantially affects the solvency and integrity of the reserves of the company, or where it is only the parent company of a group which is licensed to do business in Minnesota. If these circumstances exist, the company may file a written request with the commissioner for an exception. Companies writing reinsurance alone are not exempt from this requirement. The certification must contain the following statement: "The loss reserves and loss expense reserves have been examined and found to be calculated in accordance with generally accepted actuarial principles and practices and are fairly stated."

(b) Each foreign company engaged in providing the types of coverage described in section 60A.06, subdivision 1, clause (1), (2), (3), (5)(b), (6), (8), (9), (10), (11), (12), (13), or (14), required by this section to file an annual audited financial report, whose total net earned premium for Schedule P, Part 1A to Part

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1H plus Part 1R, (Schedule P, Part 1A to Part 1H plus Part 1R, Column 4, current year premiums earned, from the company's most currently filed annual statement) is equal to one-third or more of the company's total net earned premium (Underwriting and Investment Exhibit, Part 2, Column 4, total line, of the annual statement) must have a reserve certification by a qualified actuary at least every three years. In the year that the certification is due, the company must file the certification with the commissioner within 30 days of completion of the certification, but not later than June 1. The actuary providing the certification must not be an employee of the company. Companies writing reinsurance alone are not exempt from this requirement. The certification must contain the following statement: "The loss reserves and loss expense reserves have been examined and found to be calculated in accordance with generally accepted actuarial principles and practices and are fairly stated."

(c) Each company providing life and/or health insurance coverages described in section 60A.06, subdivision 1, clause (4) or (5)(a), required by this section to file an audited annual financial report, whose premiums and annuity considerations (net of reinsurance) from Accident and Health equal one-third or more of the company's total premiums and annuity considerations (net of reinsurance), as reported in the summary of operations, must have its aggregate reserve for accident and health policies and liability for policy and contract claims for Accident and Health certified by a qualified actuary at least once every three years. The actuary providing the certification must not be an employee of the company. Companies writing reinsurance alone are not exempt from this requirement. The certification must contain the following statement: "The policy and contract claims reserves for Accident and Health have been examined and found to be calculated in accordance with generally accepted actuarial principles and practices and are fairly stated."

Subd. 3. ANNUAL AUDIT. (a) Every insurance company doing business in this state, including fraternal benefit societies, reciprocal exchanges, service plan corporations licensed pursuant to chapter 62C, and legal service plans licensed pursuant to chapter 62G, unless exempted by the commissioner pursuant to subdivision 4, paragraph (a), or by subdivision 7, shall have an annual audit of the financial activities of the most recently completed fiscal year performed by an independent certified public accountant as prescribed by the commissioner, and shall file the report of this audit with the commissioner on or before June 30 for the year ending December 31.

Extensions of the June 30 filing date may be granted by the commissioner for 30-day periods upon a showing by the insurer and its independent certified public accountant of the reasons for requesting the extension and a determination by the commissioner of good cause for the extension.

The request for extension must be submitted in writing not less than ten days before the due date in sufficient detail to permit the commissioner to make an informed decision with respect to the requested extension.

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(b) Insurers filing audited financial reports in another state under the other state's requirements of audited financial reports which have been found by the commissioner to be substantially similar to these requirements are exempt from this subdivision if a copy of the audited financial report, the evaluation of accounting procedures, and systems of internal control report, which are filed with the other state, are filed with the commissioner in accordance with the filing dates specified in paragraphs (a) and (i), (Canadian insurers may submit accountants' reports as filed with the Canadian Dominion Department of Insurance); and a copy of any notification of adverse financial condition report filed with the other state is filed with the commissioner within the time specified in paragraph (h).

(c)(i) The annual audited financial report shall report, in conformity with statutory accounting practices required or permitted by the commissioner of insurance of the state of domicile, the financial condition of the insurer as of the end of the most recent calendar year and the results of its operations, changes in financial position, and changes in capital and surplus for the year ended. The annual audited financial report shall include a report of an independent certified public accountant; a balance sheet reporting admitted assets, liabilities, capital, and surplus; a statement of gain or loss from operations; a statement of cash flows; a statement of changes in capital and surplus; any notes to financial statements; and any additional information that the commissioner may from time to time require to be disclosed.

(ii) The notes required under item (i), shall be those required by generally accepted accounting principles and shall include reconciliation of differences, if any, between the audited statutory financial statements and the annual statement filed under section 60A.13, subdivision 1, with a written description of the nature of these differences; and a narrative explanation of all significant inter-company transactions and balances.

(iii) The financial statements included in the audited financial report shall be prepared in a form and using language and groupings substantially the same as the relevant sections of the annual statement of the insurer filed with the commissioner. The financial statement shall be comparative, presenting the amounts as of December 31 of the current year and the amounts as of the immediately preceding December 31. In the first year in which an insurer is required to file an audited financial report, the comparative data may be omitted. The amounts may be rounded to the nearest \$1,000, and all insignificant amounts may be combined.

(d) Each insurer required by this section to file an annual audited financial report must notify the commissioner in writing of the name and address of the certified public accountant or accounting firm retained to conduct the annual audit within 60 days after becoming subject to the annual audit requirement. The insurer shall obtain from the accountant a letter which states that the accountant is aware of the provisions that relate to accounting and financial matters in the insurance laws and the rules of the insurance regulatory authority

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of the state of domicile. The letter shall affirm that the opinions on the financial statements will be expressed in terms of their conformity to the statutory accounting practices prescribed or other permitted by that insurance regulatory authority, unless exceptions to these practices are appropriate. The letter shall specify all exceptions believed to be appropriate. A copy of this letter shall be filed with the commissioner.

(e) If an accountant who was not the accountant for the immediately preceding filed audited financial report is engaged to audit the insurer's financial statements, the insurer shall notify the commissioner of this event within 30 days of the date the accountant is engaged. The insurer shall also furnish the commissioner with a separate letter stating whether in the 24 months preceding this engagement there were any disagreements with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of the former accountant, would have caused that person to make reference to the subject matter of the disagreement in connection with the opinion. The insurer shall also in writing request the former accountant to furnish a letter addressed to the insurer stating whether the accountant agrees with the statements contained in the insurer's letter and, if not, stating the reasons for any disagreement. The insurer shall furnish this responsive letter from the former accountant to the commissioner together with its own.

(f) The commissioner shall not recognize any person or firm as an independent certified public accountant that is not in good standing with the American Institute of Certified Public Accountants and in all states in which the accountant is licensed to practice, or for a Canadian or British company, that is not a chartered accountant. Except as otherwise provided, a certified public accountant shall be recognized as independent as long as the person conforms to the standards of the person's profession. The commissioner, after notice and hearing under chapter 14, may find that the accountant is not independent for purposes of expressing an opinion on the financial statements in the annual audited financial report. The commissioner may require the insurer to replace the accountant with another whose relationship with the insurer is independent.

(g) Financial statements furnished under paragraph (a), shall be examined by an independent certified public accountant. The examination of the insurer's financial statements shall be conducted in accordance with generally accepted auditing standards and consideration should be given to other procedures illustrated in the Financial Condition Examiners Handbook, issued by the National Association of Insurance Commissioners as the independent certified public accountant considers necessary.

(h) The insurer required to furnish the annual audited financial report shall require the independent certified public accountant to immediately notify in writing an executive officer and all directors of the insurer of the final determination by that independent certified public accountant that the insurer has materially misstated its financial condition as reported to the commissioner as of the balance sheet date currently under examination or that the insurer does not

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meet the minimum capital and surplus requirement of section 60A.07 as of that date. An executive officer or director of an insurer required to file an annual audited financial report who received a notification of adverse financial condition from the accountant shall make a written report to the commissioner of the existence of the materially misstated financial condition or the failure to meet the minimum capital and surplus requirements of the commissioner within three business days of the notification. If the accountant becomes aware of facts which might have affected this report after the date of the audited financial report filed under this section, the accountant shall take the action prescribed by Professional Standards issued by the American Institute of Certified Public Accountants.

(i) In addition to the annual audited financial report, each insurer shall furnish the commissioner with a report of the evaluation performed by the accountant, in connection with the examination, of the accounting procedures of the insurer and its system of internal control. A report of the evaluation by the accountant of the accounting procedures of the insurer and its system of internal control, including any remedial action taken or proposed, shall be filed annually by the insurer with the division within 60 days after the filing of the annual audited financial report. This report on internal control shall be in the form prescribed by generally accepted auditing standards.

(j) Workpapers are the records kept by the independent certified public accountant of the procedures followed, tests performed, information obtained, and conclusions reached pertinent to the examination of the financial statements of an insurer. Workpapers may include work programs, analyses, memoranda, letters of confirmation and representation, management letters, abstracts of company documents, and schedules or commentaries prepared or obtained by the independent certified public accountant in the course of the examination of the financial statements of an insurer and that support the accountant's opinion. Every insurer required to file an audited financial report shall require the accountant, through the insurer, to make available for review by the examiners the workpapers prepared in the conduct of the examination. The insurer shall require that the accountant retain the audit workpapers for a period of not less than five years after the period reported upon. In the conduct of the periodic review by the examiners, it shall be agreed that photocopies of pertinent audit workpapers may be made and retained by the department of commerce. These copies shall be part of the commissioner's workpapers.

(k) With the commissioner's approval, an insurer may comply with this section by filing the requisite reports that have been prepared in accordance with generally accepted accounting principles if the notes to the financial statements include a reconciliation of differences between net income and capital and surplus on the annual statement filed pursuant to section 60A.13, subdivision 1, and comparable totals on the audited financial statements, and a written description of the nature of these differences.

(l)(i) In the case of Canadian and British insurers, the annual audited financial report means the annual statement of total business on the form filed by these companies with their domiciliary supervision authority and duly audited by an independent chartered accountant.

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(ii) For these insurers, the letter required in paragraph (d), shall state that the accountant is aware of the requirements relating to the annual audited statement filed with the commissioner under paragraph (a), and shall affirm that the opinion expressed is in conformity with those requirements.

(m) The audit report of the independent certified public accountant that performs the audit of an insurer's annual statement as required under paragraph (a), shall contain a statement as to whether anything, in connection with the audit, came to the accountant's attention that caused the accountant to believe that the insurer failed to adopt and consistently apply the valuation procedures as required by sections 60A.122 and 60A.123.

Subd. 4. EXAMINATIONS. (a) The commissioner or a designated representative shall determine the nature, scope, and frequency of examinations under this section conducted by examiners under section 60A.031. These examinations may cover all aspects of the insurer's assets, condition, affairs, and operations and may include and be supplemented by audit procedures performed by independent certified public accountants. Scheduling of examinations will take into account all relevant matters with respect to the insurer's condition, including results of the National Association of Insurance Commissioner, Insurance Regulatory Information Systems, changes in management, results of market conduct examinations, and audited financial reports. The type of examinations performed by examiners under this section shall be compliance examinations, targeted examinations, and comprehensive examinations.

(b) Compliance examinations will consist of a review of the accountant's workpapers defined under this section and a general review of the insurer's corporate affairs and insurance operations to determine compliance with the Minnesota insurance laws and the rules of the department of commerce. The examiners may perform alternative or additional examination procedures to supplement those performed by the accountant when the examiners determine that the procedures are necessary to verify the financial condition of the insurer.

(c) Targeted examinations may cover limited areas of the insurer's operations as the commissioner may deem appropriate.

(d) Comprehensive examinations will be performed when the report of the accountant as provided for in subdivision 3, paragraph (g), the notification required by subdivision 3, paragraph (h), the results of compliance or targeted examinations, or other circumstances indicate in the judgment of the commissioner or a designated representative that a complete examination of the condition and affairs of the insurer is necessary.

(e) Upon completion of each targeted, compliance, or comprehensive examination, the examiner appointed by the commissioner shall make a full and true report on the results of the examination. Each report shall include a general description of the audit procedures performed by the examiners and the procedures of the accountant that the examiners may have utilized to supplement their examination procedures and the procedures that were performed by the

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registered independent certified public accountant if included as a supplement to the examination.

Subd. 5. CONSOLIDATED FILING. (a) The commissioner may allow an exception to the stand alone loss reserve certification required by subdivision 2, and audited financial statements required by subdivision 3, paragraph (a), where it can be demonstrated that a company in a group has a pooling or 100 percent reinsurance agreement used in a group which substantially affects the solvency and integrity of the reserves of the company or where it is only the parent company of a group which is licensed to do business in Minnesota. If these circumstances exist, then the company may file a written application to file loss reserve certification and a report of an annual audit. This application shall be for a specified period.

(b) A consolidated annual audit filing shall include an organizational chart of the companies together with 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.

Subd. 6. PENALTIES. No annual statement, report, or document related to the business of insurance shall be filed with the commissioner or issued to the public if it is signed by anyone who is represented in the instrument as an "actuary" or "accountant," unless the person is qualified as defined by this section. A violation of this subdivision is a violation of section 72A.19 and punishable in accordance with section 72A.25.

Subd. 7. EXEMPTIONS. (a) Upon written application of any company, the commissioner may grant an exemption from compliance with the provisions of this section. In order to receive an exemption, a company must demonstrate to the satisfaction of the commissioner that compliance would constitute a financial hardship upon the company. An exemption may be granted at any time and from time to time for specified periods. Within ten days from the denial of an insurer's written request for an exemption, the insurer may request in writing a hearing on its application for an exemption. This hearing shall be held in accordance with chapter 14. Upon written application of any insurer, the commissioner may permit an insurer to file annual audited financial reports on some basis other than a calendar year basis for a specified period. No exemption shall be granted until the insurer presents an alternative method satisfying the purposes of this section. Within ten days from a denial of a written request for an exemption, the insurer may request in writing a hearing on its application. The hearing shall be held in accordance with chapter 14.

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(b) This section applies to all insurers, unless otherwise indicated, required to file an annual audit by subdivision 3, paragraph (a), except insurers having less than \$1,000,000 of direct written premiums in any year and fewer than 1,000 policyholders in this state at the end of any year, are exempt from this section for that year.

Sec. 4. Minnesota Statutes 1992, section 60A.13, subdivision 1, is amended to read:

Subdivision 1. **ANNUAL STATEMENTS REQUIRED.** Every insurance company, including fraternal benefit societies, and reciprocal exchanges, doing business in this state, shall transmit to the commissioner, annually, on or before March 1, the appropriate verified National Association of Insurance Commissioners' annual statement blank, prepared in accordance with the association's instructions handbook and following those accounting procedures and practices prescribed by the association's accounting practices and procedures manual, unless the commissioner requires or finds another method of valuation reasonable under the circumstances. Another method of valuation permitted by the commissioner must be at least as conservative as those prescribed in the association's manual. In addition, the commissioner may require the filing of any other information determined to be reasonably necessary for the continual enforcement of these laws. The statement may be limited to the insurer's business and condition in the United States unless the commissioner finds that the business conducted outside the United States may detrimentally affect the interests of policyholders in this state. The statements shall also contain a verified schedule showing all details required by law for assessment and taxation. The statement or schedules shall be in the form and shall contain all matters the commissioner may prescribe, and it may be varied as to different types of insurers so as to elicit a true exhibit of the condition of each insurer.

Sec. 5. Minnesota Statutes 1992, section 60A.13, subdivision 6, is amended to read:

Subd. 6. **COMPANY OR AGENT CANNOT CONTINUE BUSINESS UNLESS STATEMENT IS FILED.** No company shall transact any new business in this state after May thirty-first in any year unless it shall have previously transmitted its annual statement to the commissioner and filed a copy of its statement with the National Association of Insurance Commissioners. The commissioner may by order annually require that each insurer pay the required fee to the National Association of Insurance Commissioners for the filing of annual statements, but the fee shall not be more than 50 percent greater than the fee set by the National Association of Insurance Commissioners ~~on January 1, 1984.~~ Failure to file the annual statement with the commissioner or the National Association of Insurance Commissioners is a violation of section 72A.061, subdivision 1. The fee shall be based on the relative premium volume of each insurer. The commissioner's order shall not be subject to chapter 14.

Sec. 6. Minnesota Statutes 1992, section 60A.23, subdivision 4, is amended to read:

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Subd. 4. **DIVIDENDS; LIMITATIONS.** No domestic stock company shall declare a dividend either in cash or stock, except from its actual net surplus computed as required by law in its annual statement; nor shall any such company which has ceased to do new business divide any portion of its assets, except surplus, until it shall have performed or canceled its policy obligations. It may declare and pay, annually, semiannually or quarterly from its surplus, cash dividends of not more than ten percent of its capital stock and surplus in any year and; if the dividends in any one year are less than ten percent, the difference may be made up in any subsequent year or years from surplus accumulations. It may pay such dividend as the directors deem prudent out of any surplus remaining after charging, in addition to all liabilities except unearned premiums, an amount equal to the whole amount of premiums on unexpired risks and deducting from the assets all securities and accounts receivable on which no part of the principal or interest has been paid within the preceding year, or for which foreclosure or suit has been commenced, or upon which judgment obtained has remained more than two years unsatisfied and on which interest has not been paid; and also deducting all liens due and unpaid on any of its property. Stock companies shall follow the dividend limitation and reporting requirements set forth in chapter 60D.

Sec. 7. Minnesota Statutes 1992, section 60B.22, subdivision 1, is amended to read:

Subdivision 1. **LENGTH OF CONTINUED COVERAGE.** All insurance policies or similar contracts of coverage issued by the insurer shall continue in force:

- (a) For a period of ~~45~~ 30 days from the date of entry of the liquidation order;
- (b) Until the normal expiration of the policy or contract coverage;
- (c) Until the insured has replaced the coverage with equivalent coverage in another insurer; or
- (d) Until the liquidator has effected a transfer of the policy or contract obligation pursuant to section 60B.25, clause (8), whichever time is less.

Sec. 8. Minnesota Statutes 1992, section 60C.03, subdivision 7, is amended to read:

Subd. 7. **RESIDENT.** "Resident" means:

- (a) An individual person who fixes habitation in this state without any intention of removing therefrom and who, whenever absent therefrom, intends to return; or
- (b) Any other person whose principal place of business is located in this state at the time of the insured event; ~~or~~

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(e) A person whose principal place of business is in Wisconsin, Iowa, North Dakota, or South Dakota, but who maintains substantial business in Minnesota.

Sec. 9. Minnesota Statutes 1992, section 60D.20, subdivision 2, is amended to read:

Subd. 2. **DIVIDENDS AND OTHER DISTRIBUTIONS.** (a) Subject to the limitations and requirements of this subdivision, the board of directors of any domestic insurer within an insurance holding company system may authorize and cause the insurer to declare and pay any dividend or distribution to its shareholders as the directors deem prudent from the earned surplus of the insurer. An insurer's earned surplus, also known as unassigned funds, shall be determined in accordance with the accounting procedures and practices governing preparation of its annual statement, minus 25 percent of earned surplus attributable to unrealized capital gains. Dividends which are paid from sources other than an insurer's earned surplus or are extraordinary dividends or distributions may be paid only as provided in paragraphs (d), (e), and (f).

(b) The insurer shall notify the commissioner within five business days following declaration of a dividend declared pursuant to paragraph (a) and at least ten days prior to its payment. The commissioner shall promptly consider the notification filed pursuant to this paragraph, taking into consideration the factors described in subdivision 4.

(c) The commissioner shall review at least annually the dividends paid by an insurer pursuant to paragraph (a) for the purpose of determining if the dividends are reasonable based upon (1) the adequacy of the level of surplus as regards policyholders remaining after the dividend payments, and (2) the quality of the insurer's earnings and extent to which the reported earnings include extraordinary items, such as surplus relief reinsurance transactions and reserve destrengthening.

(d) No domestic insurer shall pay any extraordinary dividend or make any other extraordinary distribution to its shareholders until: (1) 30 days after the commissioner has received notice of the declaration of it and has not within the period disapproved the payment; or (2) the commissioner has approved the payment within the 30-day period.

(b) (e) For purposes of this section, an extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding 12 months exceeds the greater of (1) ten percent of the insurer's surplus as regards policyholders as of the 31st day of December next preceding; or (2) the net gain from operations of the insurer, if the insurer is a life insurer, or the net income, if the insurer is not a life insurer, not including realized capital gains, for the 12-month period ending the 31st day of December next preceding, but does not include pro rata distributions of any class of the insurer's own securities. ~~In determining whether a dividend or distribution is extraordinary, an insurer other than a life insurer may carry forward net income from the previous two calendar years that has not already been paid out as dividends. This~~

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carry-forward is computed by taking the net income from the second and third preceding calendar years, not including realized capital gains, less dividends paid in the second and immediate preceding calendar years.

(e) (f) Notwithstanding any other provision of law, an insurer may declare an extraordinary dividend or distribution that is conditional upon the commissioner's approval, and the declaration shall confer no rights upon shareholders until: (1) the commissioner has approved the payment of such a dividend or distribution; or (2) the commissioner has not disapproved the payment within the 30-day period referred to above.

Sec. 10. Minnesota Statutes 1992, section 60D.20, subdivision 4, is amended to read:

Subd. 4. **ADEQUACY OF SURPLUS.** For purposes of this chapter, in determining whether an insurer's surplus as regards policyholders is reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs, the following factors, among others, must be considered:

(1) the size of the insurer as measured by its assets, capital and surplus, reserves, premium writings, insurance in force and other appropriate criteria;

(2) the extent to which the insurer's business is diversified among the several lines of insurance;

(3) the number and size of risks insured in each line of business;

(4) the extent of the geographical dispersion of the insurer's insured risks;

(5) the nature and extent of the insurer's reinsurance program;

(6) the quality, diversification and liquidity of the insurer's investment portfolio;

(7) the recent past and projected future trend in the size of the insurer's investment portfolio;

(8) the surplus as regards policyholders maintained by other comparable insurers;

(9) the adequacy of the insurer's reserves; ~~and~~

(10) the quality and liquidity of investments in affiliates. The commissioner may treat any such investment as a disallowed asset for purposes of determining the adequacy of surplus as regards policyholders whenever in the commissioner's judgment the investment so warrants; and

(11) the quality of the insurer's earnings and the extent to which the reported earnings include extraordinary items, such as surplus relief reinsurance transactions and reserve destrengthening.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 11. Minnesota Statutes 1992, section 60E.01, is amended to read:

60E.01 PURPOSE.

The purpose of sections 60E.01 to 60E.14 is to regulate the formation and operation of risk retention groups and purchasing groups in this state formed under the federal Liability Risk Retention Act of 1986, to the extent permitted by that law.

Sec. 12. Minnesota Statutes 1992, section 60E.02, subdivision 9, is amended to read:

Subd. 9. **PLAN OF OPERATION OR FEASIBILITY STUDY.** "Plan of operation" or "feasibility study" means an analysis that presents the expected activities and results of a risk retention group including, at a minimum:

(1) information sufficient to verify that its members are engaged in business or activities similar or related with respect to the liability to which the members are exposed by virtue of any related, similar or common business, trade, product, services, premises, or operations;

(2) for each state in which it intends to operate, the coverages, deductibles, coverage limits, rates, and rating classification systems for each line of insurance the group intends to offer;

~~(2)~~ (3) historical and expected loss experience of the proposed members and national experience of similar exposures to the extent that this experience is reasonably available;

~~(3)~~ (4) pro forma financial statements and projections;

(4) (5) appropriate opinions by a qualified, independent casualty actuary, including a determination of minimum premium or participation levels required to commence operations and to prevent a hazardous financial condition;

(5) (6) identification of management, underwriting and claims procedures, marketing methods, managerial oversight methods, investment policies, and reinsurance agreements; and

~~(6)~~ (7) identification of each state in which the risk retention group has obtained, or sought to obtain, a charter and license, and a description of its status in each state; and

(8) other matters prescribed by the commissioner for liability insurance companies authorized by the insurance laws of the state.

Sec. 13. Minnesota Statutes 1992, section 60E.02, subdivision 12, is amended to read:

Subd. 12. **RISK RETENTION GROUP.** "Risk retention group" means a corporation or other limited liability association ~~formed under the laws of a state, Bermuda, or the Cayman Islands:~~

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(1) whose primary activity consists of assuming and spreading all, or a portion, of the liability exposure of its group members;

(2) which is organized for the primary purpose of conducting the activity described under clause (1);

(3) which:

(a) is chartered and licensed as a liability insurance company and authorized to engage in the business of insurance under the laws of a state; or

(b) before January 1, 1985, was chartered or licensed and authorized to engage in the business of insurance under the laws of Bermuda or the Cayman Islands and, before that date, had certified to the insurance commissioner of at least one state that it satisfied the capitalization requirements of the state, except that the group shall be considered to be a risk retention group only if it has been engaged in business continuously since that date and only for the purpose of continuing to provide insurance to cover product liability or completed operations liability, as such terms were defined in the Product Liability Risk Retention Act of 1981 before the date of the enactment of the Risk Retention Act of 1986;

(4) which does not exclude a person from membership in the group solely to provide for members of the group a competitive advantage over that person;

(5) which:

(a) has as its members only persons who have an ownership interest in the group and which has as its owners only persons who are members who are provided insurance by the risk retention group; or

(b) has as its ~~sole member and sole owner~~ an organization which is ~~owned by persons who are provided insurance by the risk retention group~~ has as its members only persons who comprise the membership of the risk retention group and which has as its owners only persons who comprise the membership of the risk retention group and who are provided insurance by that group;

(6) whose members are engaged in businesses or activities similar or related with respect to the liability of which the members are exposed by virtue of any related, similar, or common business trade, product, services, premises, or operations;

(7) whose activities do not include the provision of insurance other than:

(a) liability insurance for assuming and spreading all or a portion of the liability of its group members; and

(b) reinsurance with respect to the liability of any other risk retention group, or any members of the other group, which is engaged in businesses or activities so that the group or member meets the requirement described in clause (6) from membership in the risk retention group which provides the reinsurance; and

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(8) the name of which includes the phrase "risk retention group."

Sec. 14. Minnesota Statutes 1992, section 60E.03, is amended to read:

60E.03 RISK RETENTION GROUPS CHARTERED IN THIS STATE.

A risk retention group seeking to be chartered in this state ~~must shall~~ be chartered and licensed as a ~~to write~~ only liability insurance company ~~authorized by the insurance laws of this state pursuant to sections 60E.01 to 60E.14 and,~~ except as provided elsewhere in sections 60E.01 to 60E.14, must comply with all of the laws, rules, and requirements applicable to insurers chartered and licensed in this state and with section 60E.04 to the extent those requirements are not a limitation on laws, rules, or requirements of this state. ~~Before it may offer insurance in a state, a risk retention group shall also submit for approval to the commissioner of commerce a plan of operation or a feasibility study and revisions of the plan or study if the group intends to offer additional lines of liability insurance.~~

Notwithstanding any other provision to the contrary, all risk retention groups chartered in this state shall file with the department and the National Association of Insurance Commissioners (NAIC), an annual statement in a form prescribed by the NAIC, and in diskette form if required by the commissioner, and completed in accordance with its instructions and the NAIC accounting practices and procedures manual.

Before it may offer insurance in a state, each risk retention group shall also submit for approval to the commissioner of commerce a plan of operation or feasibility study. The risk retention group shall submit an appropriate revision in the event of any subsequent material change in any item of the plan of operation or feasibility study, within ten days of a change. The group shall not offer any additional kinds of liability insurance, in this state or in any other state, until a revision of the plan or study is approved by the commissioner.

At the time of filing its application for charter, the risk retention group shall provide to the commissioner in summary form the following information: the identity of the initial members of the group, the identity of those individuals who organized the group or who will provide administrative services or otherwise influence or control the activities of the group, the amount and nature of initial capitalization, the coverages to be afforded, and the states in which the group intends to operate. Upon receipt of this information, the commissioner shall forward the information to the National Association of Insurance Commissioners.

Providing notification to the NAIC is in addition to and shall not be sufficient to satisfy the requirements of section 60E.04 or any other sections of this chapter.

Sec. 15. Minnesota Statutes 1992, section 60E.04, subdivision 1, is amended to read:

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Subdivision 1. **REGULATION.** Risk retention groups chartered and licensed in states other than this state and seeking to do business as a risk retention group in this state must observe and abide by the laws of this state as set forth in subdivisions 2 to 12.

Sec. 16. Minnesota Statutes 1992, section 60E.04, subdivision 2, is amended to read:

Subd. 2. **NOTICE OF OPERATIONS AND DESIGNATION OF COMMISSIONER AS AGENT.** (a) Before offering insurance in this state, a risk retention group shall submit to the commissioner on a form prescribed by the NAIC:

(1) a statement identifying the state or states in which the risk retention group is chartered and licensed as a liability insurance company, date of chartering, its principal place of business, and other information including information on its membership, the commissioner may require to verify that the risk retention group is qualified under section 60E.02, subdivision 12;

(2) a copy of its plan of operations or a feasibility study and revisions of the plan or study submitted to ~~its~~ the state of domicile in which the risk retention group is chartered and licensed; provided, however, that the provision relating to the submission of a plan of operation or a feasibility study shall not apply with respect to a line or classification of liability insurance that was defined in the Product Liability Risk Retention Act of 1981 before October 27, 1986, and was offered before that date by a risk retention group that had been chartered and operating for not less than three years before that date; ~~and.~~

~~(3)~~ (b) The risk retention group shall submit a copy of any revision to its plan of operation or feasibility study required by section 60E.03 at the same time that the revision is submitted to the commissioner of its chartering state.

(c) The risk retention group shall submit a statement of registration, for which a filing fee shall be determined by the commissioner, that designates the commissioner as its agent for the purpose of receiving service of legal documents or process.

Sec. 17. Minnesota Statutes 1992, section 60E.04, subdivision 3, is amended to read:

Subd. 3. **FINANCIAL CONDITION.** A risk retention group doing business in this state shall submit to the commissioner:

(1) a copy of the group's financial statement submitted to ~~its~~ the state of domicile in which the risk retention group is chartered and licensed, which shall be certified by an independent public accountant and contain a statement of opinion on loss and loss adjustment expense reserves made by a member of the American Academy of Actuaries or a qualified loss reserve specialist, under criteria established by the National Association of Insurance Commissioners;

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(2) a copy of each examination of the risk retention group as certified by the commissioner or public official conducting the examination;

(3) upon request by the commissioner, a copy of ~~an~~ any information or document pertaining to any outside audit performed with respect to the risk retention group; and

(4) the information required to verify its continuing qualification as a risk retention group under section 60E.02, subdivision 12.

Sec. 18. Minnesota Statutes 1992, section 60E.04, subdivision 4, is amended to read:

Subd. 4. **TAXATION.** (a) ~~All premiums paid for coverages within this state to risk retention groups are subject to taxation at the same rate and subject to the same interest, fines, and penalties for nonpayment as that applicable to other insurers. Each risk retention group is liable for the payment of premium taxes and taxes on premiums of direct business for risks resident or located within this state, and shall report to the commissioner the net premiums written for risks resident or located within this state. The risk retention group shall be subject to taxation, and any applicable taxation-related fines and penalties, on the same basis as a foreign admitted insurer.~~

(b) ~~To the extent agents or brokers are utilized, they shall report and pay the taxes for the premiums for risks which they have placed with or on behalf of a risk retention group not chartered in this state. The agents or brokers are subject to the provisions of sections 60A.195 to 60A.209. To the extent licensed agents or brokers are utilized pursuant to section 60E.12, they shall report to the commissioner the premiums for direct business for risks resident or located within this state which the licensees have placed with or on behalf of a risk retention group not chartered in this state.~~

(c) ~~To the extent agents or brokers are not utilized or fail to pay the tax, each risk retention group shall pay the tax for risks insured within the state. Each risk retention group shall report all premiums paid to it for risks insured within the state and shall be subject to the same interest, fines, and penalties for nonpayment as that applicable to foreign admitted insurers. To the extent that insurance agents or brokers are utilized pursuant to section 60E.12, each agent or broker shall keep a complete and separate record of all policies procured from each risk retention group, which shall be open to examination by the commissioner, as provided in section 60A.031. These records shall, for each policy and each kind of insurance provided, include the following:~~

- (1) the limit of liability;
- (2) the time period covered;
- (3) the effective date;
- (4) the name of the risk retention group which issued the policy;

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(5) the gross premium charged; and

(6) the amount of return premiums, if any.

Sec. 19. Minnesota Statutes 1992, section 60E.04, subdivision 7, is amended to read:

Subd. 7. **EXAMINATION REGARDING FINANCIAL CONDITION.** A risk retention group must submit to an examination by the commissioner to determine its financial condition if the commissioner of the jurisdiction in which the group is chartered and licensed has not initiated an examination or does not initiate an examination within ~~ten business~~ 60 days after a request by the commissioner of commerce. The examination must be coordinated to avoid unjustified repetition and conducted in an expeditious manner and in accordance with the National Association of Insurance Commissioner's Examiner Handbook.

Sec. 20. Minnesota Statutes 1992, section 60E.04, subdivision 8, is amended to read:

Subd. 8. **NOTICE TO PURCHASERS.** An application form for insurance from a risk retention group and the front and declaration pages of a policy issued by a risk retention group must contain in 10 point type on the front page and the declaration page, the following notice:

NOTICE

This policy is issued by your risk retention group. Your risk retention group may not be subject to all of the insurance laws and rules of your state. State insurance insolvency guaranty funds are not available for your risk retention group.

Sec. 21. Minnesota Statutes 1992, section 60E.04, subdivision 11, is amended to read:

Subd. 11. **PROHIBITED COVERAGE.** ~~No risk retention group may offer~~ The terms of an insurance policy issued by a risk retention group shall not provide, or be construed to provide, coverage prohibited by ~~the insurance laws or rules of this state statute~~ or declared unlawful by the highest court of ~~this the~~ state whose law applies to the policy.

Sec. 22. Minnesota Statutes 1992, section 60E.04, is amended by adding a subdivision to read:

Subd. 13. PENALTIES. A risk retention group that violates any provision of this chapter is subject to fines and penalties including revocation of its right to do business in this state, applicable to licensed insurers generally.

Sec. 23. Minnesota Statutes 1992, section 60E.05, is amended to read:

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60E.05 COMPULSORY ASSOCIATIONS.

No risk retention group shall be required or permitted to join or contribute financially to an insurance insolvency guaranty fund, or similar mechanism, in this state, nor shall any risk retention group, or its insureds, or claimants against its insureds receive a benefit from the fund for claims arising out of the operations of the risk retention group.

A risk retention group shall participate in this state's joint underwriting associations and mandatory liability pools as provided by chapters 60A to 72A and 340A. When a purchasing group obtains insurance covering its members' risks from an insurer not authorized in this state or a risk retention group, no such risks, wherever resident or located, shall be covered by any insurance guaranty fund or similar mechanism in this state.

When a purchasing group obtains insurance covering its members' risks from an authorized insurer, only risks resident or located in this state shall be covered by the Minnesota guaranty association under chapter 60C.

Notwithstanding chapter 62I, the commissioner may require or exempt a risk retention group from participation in any mechanism established or authorized under the law of this state for the equitable apportionment among insurers of liability insurance losses and expenses incurred on policies written through this mechanism, and the risk retention group shall submit sufficient information to the commissioner to enable the commissioner to apportion on a nondiscriminatory basis the risk retention group's proportionate share of these losses and expenses.

Sec. 24. Minnesota Statutes 1992, section 60E.07, is amended to read:

60E.07 PURCHASING GROUPS; EXEMPTION FROM CERTAIN LAWS RELATING TO THE GROUP PURCHASE OF INSURANCE.

A purchasing group meeting the criteria established under the Federal Liability Risk Retention Act of 1986 is exempt from any law of this state relating to the creation of groups for the purchase of insurance, prohibition of group purchasing or any law that would discriminate against a purchasing group or its members. In addition, an insurer is exempt from any law of this state that prohibits providing, or offering to provide, to a purchasing group or its members advantages based on their loss and expense experience not afforded to other persons with respect to rates, policy forms, coverages, or other matters. A purchasing group is subject to all other applicable laws of this state, and its insurer or insurers are subject to all applicable laws of this state, except that a purchasing group and its insurer or insurers are exempt, in regard to liability insurance for the purchasing group, from any law that would:

- (1) prohibit the establishment of a purchasing group;
- (2) make it unlawful for an insurer to provide or offer to provide insurance

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on a basis providing, to a purchasing group or its members, advantages based on their loss and expense experience not afforded to other persons with respect to rates, policy forms, coverages, or other matters;

(3) prohibit a purchasing group or its members from purchasing insurance on a group basis described in clause (2);

(4) prohibit a purchasing group from obtaining insurance on a group basis because the group has not been in existence for a minimum period of time or because any member has not belonged to the group for a minimum period of time;

(5) require that a purchasing group must have a minimum number of members, common ownership or affiliation, or certain legal form;

(6) require that a certain percentage of a purchasing group must obtain insurance on a group basis;

(7) otherwise discriminate against a purchasing group or any of its members; or

(8) require that any insurance policy issued to a purchasing group or any of its members be countersigned by an insurance agent or broker residing in this state.

Sec. 25. Minnesota Statutes 1992, section 60E.08, is amended to read:

60E.08 NOTICE AND REGISTRATION REQUIREMENTS OF PURCHASING GROUPS.

Subdivision 1. **NOTICE TO COMMISSIONER.** A purchasing group that intends to do business in this state shall, prior to doing business, furnish notice to the commissioner on forms prescribed by the NAIC which shall:

(1) identify the state in which the group is domiciled;

(2) identify all other states in which the group intends to do business;

(3) specify the lines and classifications of liability insurance which the purchasing group intends to purchase;

~~(3)~~ (4) identify the insurance company or companies from which the group intends to purchase its insurance and the domicile of the company;

(4) (5) specify the method by which, and the person or persons, if any, through whom insurance will be offered to its members whose risks are resident or located in this state;

(6) identify the principal place of business of the group; and

~~(5)~~ (7) provide other information required by the commissioner to verify that the purchasing group is qualified under section 60E.02, subdivision 11.

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Subd. 2. **NOTICE OF CHANGE.** A purchasing group shall, within ten days, notify the commissioner of any changes in any items set forth in subdivision 1.

Subd. 3. SERVICE OF PROCESS. The purchasing group shall register with and designate the commissioner or other appropriate authority as its agent solely for the purpose of receiving service of legal documents or process for which a filing fee shall be determined by the commissioner. These requirements do not apply to a purchasing group that only purchases insurance that was authorized under the federal Product Liability Risk Retention Act of 1981, and that in any state of the United States:

(1) was domiciled before April 2, 1986, and is domiciled on and after October 27, 1986, in any state of the United States;

(2) before October 27, 1986, purchased insurance from an insurance carrier licensed in any state, and since October 27, 1986, purchased its insurance from an insurance carrier licensed in any state; and

(3) was a purchasing group under the requirements of the federal Product Liability Retention Act of 1981 before October 27, 1986; and

(4) ~~does not purchase insurance that was not authorized for purposes of an exemption under the act referred to in clause (3), as in effect before October 27, 1986.~~

Subd. 4. ADDITIONAL INFORMATION. Each purchasing group that is required to give notice pursuant to subdivision 1 shall also furnish information required by the commissioner to:

(1) verify that the entity qualifies as a purchasing group;

(2) determine where the purchasing group is located; and

(3) determine appropriate tax treatment.

Sec. 26. Minnesota Statutes 1992, section 60E.09, is amended to read:

60E.09 RESTRICTIONS ON INSURANCE PURCHASED BY PURCHASING GROUPS.

A purchasing group may not purchase insurance from a risk retention group that is not chartered in a state or from an insurer not admitted in the state in which the purchasing group is located, unless the purchase is effected through a licensed agent or broker acting pursuant to the surplus lines laws and regulations of the state.

A purchasing group which obtains liability insurance from an insurer not admitted in this state or a risk retention group shall inform each of the members of the group which have a risk resident or located in this state that the risk is not protected by an insurance insolvency guaranty fund in this state, and that the

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risk retention group or insurer may not be subject to all insurance laws and regulations of this state.

No purchasing group may purchase insurance providing for a deductible or self-insured retention applicable to the group as a whole, however, coverage may provide for a deductible or self-insured retention applicable to individual members.

Purchases of insurance by purchasing groups are subject to the same standards regarding aggregate limits which are applicable to all purchases of group insurance.

Sec. 27. [60E.095] PURCHASING GROUP TAXATION.

Premium taxes and taxes on premiums paid for coverage of risks resident or located in this state by a purchasing group or any members of the purchasing groups shall be:

(1) imposed at the same rate and subject to the same interest, fines, and penalties as that applicable to premium taxes and taxes on premiums paid for similar coverage from a similar insurance source by other insureds; and

(2) paid first by the insurance source, and if not by the source by the agent or broker for the purchasing group, and if not by the agent or broker then by the purchasing group, and if not by the purchasing group then by each of its members.

Sec. 28. Minnesota Statutes 1992, section 60E.10, is amended to read:

60E.10 ADMINISTRATIVE AND PROCEDURAL AUTHORITY REGARDING RISK RETENTION GROUPS AND PURCHASING GROUPS.

The commissioner of commerce may use any of the powers established under the insurance laws ~~and rules~~ of this state to enforce the laws ~~and rules~~ of this state ~~so long as these powers are~~ not specifically preempted by the Product Liability Risk Retention Act of 1981, as amended by the Risk Retention Amendments of 1986. This includes, but is not limited to, the commissioner's administrative authority to investigate, issue subpoenas, conduct depositions and hearings, issue orders, ~~and~~ impose penalties, and seek injunctive relief. With regard to an investigation, administrative proceedings, or litigation, the commissioner can rely on the procedural ~~law and rules laws~~ of the state. The injunctive authority of the commissioner in regard to risk retention groups is restricted by the requirement that an injunction be issued by a court of competent jurisdiction.

Sec. 29. Minnesota Statutes 1992, section 60E.12, is amended to read:

60E.12 DUTY ON AGENTS OR BROKERS TO OBTAIN LICENSE.

~~A person acting, or offering to act, as an agent or broker for a risk retention~~

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group or purchasing group; that solicits members, sells insurance coverage, purchases coverage for its members located within the state or otherwise does business in this state shall, before commencing this activity, obtain a license from the commissioner. Subdivision 1. RISK RETENTION GROUPS. No person, firm, association, or corporation shall act or aid in any manner in soliciting, negotiating, or procuring liability insurance in this state from a risk retention group unless the person, firm, association, or corporation is licensed as an insurance agent or broker in accordance with chapter 60K.

Subd. 2. PURCHASING GROUPS. (a) No person, firm, association, or corporation shall act or aid in any manner in soliciting, negotiating, or procuring liability insurance in this state for a purchasing group from an authorized insurer or a risk retention group chartered in a state unless the person, firm, association, or corporation is licensed as an insurance agent or broker in accordance with chapter 60K.

(b) No person, firm, association, or corporation shall act or aid in any manner in soliciting, negotiating, or procuring liability insurance coverage in this state for any member of a purchasing group under a purchasing group's policy unless the person, firm, association, or corporation is licensed as an insurance agent or broker in accordance with chapter 60K.

(c) No person, firm, association, or corporation shall act or aid in any manner in soliciting, negotiating, or procuring liability insurance from an insurer not authorized to do business in this state on behalf of a purchasing group located in this state unless the person, firm, association, or corporation is licensed as a surplus lines agent or excess line broker in accordance with sections 60A.195 to 60A.209.

Subd. 3. AGENT OR BROKER RESIDENCE REQUIREMENT. For purposes of acting as an agent or broker for a risk retention group or purchasing group pursuant to subdivisions 1 and 2, the requirement of residence in this state does not apply.

Subd. 4. NOTICE TO INSURED. Every person, firm, association, or corporation licensed pursuant to chapter 60A, on business placed with risk retention groups or written through a purchasing group, shall inform each prospective insured of the provisions of the notice required by section 60E.04, subdivision 8, in the case of a risk retention group and section 60E.09 in the case of a purchasing group.

Sec. 30. Minnesota Statutes 1992, section 60E.13, is amended to read:

60E.13 BINDING EFFECT OF ORDERS ISSUED IN UNITED STATES DISTRICT COURT.

An order issued by any district court of the United States enjoining a risk retention group from soliciting or selling insurance, or operating, in a state, or in all states or in a territory or possession of the United States, upon a finding that

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the group is in a hazardous financial condition or financially impaired condition shall be enforceable in the courts of the state.

Sec. 31. Minnesota Statutes 1992, section 79.252, subdivision 1, is amended to read:

Subdivision 1. **PURPOSE.** The purpose of the assigned risk plan is to provide workers' compensation coverage to employers rejected by ~~two nonaffiliated a licensed insurance companies;~~ company pursuant to subdivision 2. ~~Each rejection must be in writing and must be obtained within 60 days before the date of application to the assigned risk plan. In addition, the rejections must also show the name of the insurance company and the representative contacted.~~

Sec. 32. **TRANSITIONAL PROVISIONS.**

(a) In addition to complying with the requirements of Minnesota Statutes, section 60E.04, a risk retention group operating in this state before the effective date of this act shall, within 30 days after that date, comply with the provisions of Minnesota Statutes, section 60E.04, subdivision 2, paragraph (a).

(b) A purchasing group which was doing business in this state before the enactment of this act shall, within 30 days after the effective date of this act, furnish notice to the commissioner pursuant to Minnesota Statutes, section 60E.08, subdivision 1, and furnish the information required pursuant to Minnesota Statutes, section 60E.08, subdivisions 2 and 3.

Sec. 33. **REPEALER.**

Minnesota Statutes 1992, sections 60A.07, subdivision 5d; 60A.12, subdivision 10; 60A.13, subdivision 3a; 60B.24; and 60E.11, are repealed. Minnesota Rules, parts 2710.0100; 2710.0200; 2710.0300; 2710.1100; 2710.1200; 2710.1300; 2710.1400; 2710.1500; 2710.1600; 2710.1700; 2710.1800; 2710.1900; 2710.2000; 2710.2100; 2710.3100; 2710.3200; and 2710.3300, are repealed.

Presented to the governor May 17, 1993

Signed by the governor May 20, 1993, 2:17 p.m.

CHAPTER 300—S.F.No. 376

An act relating to the state board of investment; management of funds under board control; amending Minnesota Statutes 1992, sections 11A.08, subdivision 4; 11A.14, subdivisions 1, 2, 4, and 5; 11A.24, subdivisions 1 and 4; 69.77, subdivision 2g; 69.775; 116P.11; 352.96, subdivision 3; 356.24, subdivision 1; and 424A.06, subdivision 4.

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

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