Sec. 50. **EFFECTIVE DATE.**

Sections 13 to 42 are effective the day after final enactment except that section 19, paragraph (c), is effective to require submissions by December 31, 2002, and annually thereafter.

Presented to the governor May 25, 2001

Signed by the governor May 29, 2001, 11:30 a.m.

CHAPTER 215—S.F.No. 1054

An act relating to insurance; regulating insurers, agents, coverages and benefits, costs, claims, investments, and notifications and disclosures; prescribing powers and duties of the commissioner; eliminating the regulation of nonprofit legal services plans; amending Minnesota Statutes 2000, sections 60A.06, subdivision 3; 60A.08, subdivision 13; 60A.11, subdivision 10; 60A.129, subdivision 2; 60A.14, subdivision 1; 60A.16, subdivision 1; 60A.23, subdivision 8; 61A.072, by adding a subdivision; 62A.17, subdivision 1; 62A.20, subdivision 1; 62A.21, subdivision 2a; 62A.302; 62A.31, subdivisions 1a, 1i, 3; 62A.65, subdivision 8; 62E.04, subdivision 4; 62E.06, subdivision 1; 62I.07, subdivision 1; 62L.05, subdivisions 1, 2; 62M.03, subdivision 2; 62M.05, subdivision 5; 62Q.01, subdivision 6; 62Q.73, subdivision 3; 65A.29, subdivision 7; 65B.04, subdivision 3; 65B.06, subdivisions 1, 4; 65B.16; 65B.19, subdivision 2; 67A.20, by adding a subdivision; 70A.07; 79A.02, subdivision 1; 79A.03, subdivision 7; 79A.04, subdivision 16; 79A.15; 471.617, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 62A; 62L; repealing Minnesota Statutes 2000, sections 13.7191, subdivision 11; 60A.111; 62G.01; 62G.02; 62G.03; 62G.04; 62G.05; 62G.06; 62G.07; 62G.08; 62G.09; 62G.10; 62G.11; 62G.12; 62G.13; 62G.14; 62G.15; 62G.16; 62G.17; 62G.18; 62G.19; 62G.20; 62G.21; 62G.22; 62G.23; 62G.24; 62G.25.

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

Section 1. Minnesota Statutes 2000, section 60A.06, subdivision 3, is amended to read:

Subd. 3. **LIMITATION ON COMBINATION POLICIES.** (a) Unless specifically authorized by subdivision 1, clause (4), it is unlawful to combine in one policy coverage permitted by subdivision 1, clauses (4) and (5)(a). This subdivision does not prohibit the simultaneous sale of these products, but the sale must involve two separate and distinct policies.

(b) This subdivision does not apply to group policies.

(c) This subdivision does not apply to policies permitted by subdivision 1, clause (4), that contain benefits providing acceleration of life, endowment, or annuity benefits in advance of the time they would otherwise be payable, or to long-term care policies as defined in section 62A.46, subdivision 2, or chapter 62S.

EFFECTIVE DATE. This section is effective the day following final enactment.

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

Sec. 2. Minnesota Statutes 2000, section 60A.08, subdivision 13, is amended to read:

Subd. 13. **REDUCTION OF LIMITS BY COSTS OF DEFENSE PROHIBITED.** (a) No insurer shall issue or renew a policy of liability insurance in this state that reduces the limits of liability stated in the policy by the costs of legal defense.

(b) This subdivision does not apply to:

(1) professional liability insurance with annual aggregate limits of liability ~~greater than~~ of at least $100,000, including directors' and officers' and errors and omissions liability insurance;

(2) environmental impairment liability insurance;

(3) insurance policies issued to large commercial risks; or

(4) coverages that the commissioner determines to be appropriate which will be published in the manner prescribed for surplus lines insurance in section 60A.201, subdivision 4.

(c) For purposes of this subdivision, "large commercial risks" means an insured whose gross annual revenues in the fiscal year preceding issuance of the policy were at least $10,000,000.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2000, section 60A.11, subdivision 10, is amended to read:

Subd. 10. **DEFINITIONS.** The following terms have the meaning assigned in this subdivision for purposes of this section ~~and section 60A.111~~:

(a) "Adequate evidence" means a written confirmation, advice, or other verification issued by a depository, issuer, or custodian bank which shows that the investment is held for the company;

(b) "Adequate security" means a letter of credit qualifying under subdivision 11, paragraph (f), cash, or the pledge of an investment authorized by any subdivision of this section;

(c) "Admitted assets," for purposes of computing percentage limitations on particular types of investments, means the assets as shown by the company's annual statement, required by section 60A.13, as of the December 31 immediately preceding the date the company acquires the investment;

(d) "Clearing corporation" means The Depository Trust Company or any other clearing agency registered with the securities and exchange commission pursuant to the Securities Exchange Act of 1934, section 17A, Euro-clear Clearance System Limited and CEDEL S.A., and, with the approval of the commissioner, any other clearing corporation as defined in section 336.8-102;

(e) "Control" has the meaning assigned to that term in, and must be determined in accordance with, section 60D.15, subdivision 4;

(f) "Custodian bank" means a bank or trust company or a branch of a bank or trust company that is acting as custodian and is supervised and examined by state or federal authority having supervision over the bank or trust company or with respect to a company's foreign investments only by the regulatory authority having supervision over banks or trust companies in the jurisdiction in which the bank, trust company, or branch is located, and any banking institutions qualifying as an "Eligible Foreign Custodian" under the Code of Federal Regulations, section 270.17f-5, adopted under section 17(f) of the Investment Company Act of 1940, and specifically including Euro-clear Clearance System Limited and CEDEL S.A., acting as custodians;

(g) "Evergreen clause" means a provision that automatically renews a letter of credit for a time certain if the issuer of the letter of credit fails to affirmatively signify its intention to nonrenew upon expiration;

(h) "Government obligations" means direct obligations for the payment of money, or obligations for the payment of money to the extent guaranteed as to the payment of principal and interest by any governmental issuer where the obligations are payable from ad valorem taxes or guaranteed by the full faith, credit, and taxing power of the issuer and are not secured solely by special assessments for local improvements;

(i) "Noninvestment grade obligations" means obligations which, at the time of acquisition, were rated below Baa/BBB or the equivalent by a securities rating agency or which, at the time of acquisition, were not in one of the two highest categories established by the securities valuation office of the National Association of Insurance Commissioners;

(j) "Issuer" means the corporation, business trust, governmental unit, partnership, association, individual, or other entity which issues or on behalf of which is issued any form of obligation;

(k) "Licensed real estate appraiser" means a person who develops and communicates real estate appraisals and who holds a current, valid license under chapter 82B or a substantially similar licensing requirement in another jurisdiction;

(l) "Member bank" means a national bank, state bank or trust company which is a member of the Federal Reserve System;

(m) "National securities exchange" means an exchange registered under section 6 of the Securities Exchange Act of 1934 or an exchange regulated under the laws of the Dominion of Canada;

(n) "NASDAQ" means the reporting system for securities meeting the definition of National Market System security as provided under Part I to Schedule D of the National Association of Securities Dealers Incorporated bylaws;

(o) "Obligations" include bonds, notes, debentures, transportation equipment certificates, repurchase agreements, bank certificates of deposit, time deposits, bankers' acceptances, and other obligations for the payment of money not in default as to

payments of principal and interest on the date of investment, whether constituting general obligations of the issuer or payable only out of certain revenues or certain funds pledged or otherwise dedicated for payment. Leases are considered obligations if the lease is assigned for the benefit of the company and is nonterminable by the lessee or lessees thereunder upon foreclosure of any lien upon the leased property, and rental payments are sufficient to amortize the investment over the primary lease term;

(p) "Qualified assets" means the sum of (1) all investments qualified in accordance with this section other than investments in affiliates and subsidiaries, (2) investments in obligations of affiliates as defined in section 60D.15, subdivision 2, secured by real or personal property sufficient to qualify the investment under subdivision 19 or 23, (3) qualified investments in subsidiaries, as defined in section 60D.15, subdivision 9, on a consolidated basis with the insurance company without allowance for goodwill or other intangible value, and (4) cash on hand and on deposit, agent's balances or uncollected premiums not due more than 90 days, assets held pursuant to section 60A.12, subdivision 2, investment income due and accrued, funds due or on deposit or recoverable on loss payments under contracts of reinsurance entered into pursuant to section 60A.09, premium bills and notes receivable, federal income taxes recoverable, and equities and deposits in pools and associations;

(q) "Qualified net earnings" means that the net earnings of the issuer after elimination of extraordinary nonrecurring items of income and expense and before income taxes and fixed charges over the five immediately preceding completed fiscal years, or its period of existence if less than five years, has averaged not less than 1-1/4 times its average annual fixed charges applicable to the period;

(r) "Required liabilities" means the sum of (1) total liabilities as required to be reported in the company's most recent annual report to the commissioner of commerce of this state, (2) for companies operating under the stock plan, the minimum paid-up capital and surplus required to be maintained pursuant to section 60A.07, subdivision 5a, (3) for companies operating under the mutual or reciprocal plan, the minimum amount of surplus required to be maintained pursuant to section 60A.07, subdivision 5b, and (4) the amount, if any, by which the company's loss and loss adjustment expense reserves exceed 350 percent of its surplus as it pertains to policyholders as of the same date. The commissioner may waive the requirement in clause (4) unless the company's written premiums exceed 300 percent of its surplus as it pertains to policyholders as of the same date. In addition to the required amounts pursuant to clauses (1) to (4), the commissioner may require that the amount of any apparent reserve deficiency that may be revealed by one to five year loss and loss adjustment expense development analysis for the five years reported in the company's most recent annual statement to the commissioner be added to required liabilities;

(s) "Revenue obligations" means obligations for the payment of money by a governmental issuer where the obligations are payable from revenues, earnings, or special assessments on properties benefited by local improvements of the issuer which are specifically pledged therefor;

(t) "Security" has the meaning given in section 5 of the Security Act of 1933 and specifically includes, but is not limited to, stocks, stock equivalents, warrants, rights,

options, obligations, American Depository Receipts (ADR's), repurchase agreements, and reverse repurchase agreements; and

(u) "Unrestricted surplus" means the amount by which qualified assets exceed 110 percent of required liabilities.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2000, section 60A.129, subdivision 2, is amended to read:

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~~ may be an employee of the company but the commissioner may still require an independent actuarial certification as described in subdivision 1. 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~~ In my opinion, the reserves described in this certification are consistent with reserves computed in accordance with standards and principles established by the Actuarial Standards Board 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 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."

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2000, section 60A.14, subdivision 1, is amended to read:

Subdivision 1. **FEES OTHER THAN EXAMINATION FEES.** In addition to the fees and charges provided for examinations, the following fees must be paid to the commissioner for deposit in the general fund:

(a) by township mutual fire insurance companies:

(1) for filing certificate of incorporation $25 and amendments thereto, $10;

(2) for filing annual statements, $15;

(3) for each annual certificate of authority, $15;

(4) for filing bylaws $25 and amendments thereto, $10.

(b) by other domestic and foreign companies including fraternals and reciprocal exchanges:

(1) for filing certified copy of certificate of articles of incorporation, $100;

(2) for filing annual statement, $225;

(3) for filing certified copy of amendment to certificate or articles of incorporation, $100;

(4) for filing bylaws, $75 or amendments thereto, $75;

(5) for each company's certificate of authority, $575, annually.

(c) the following general fees apply:

(1) for each certificate, including certified copy of certificate of authority, renewal, valuation of life policies, corporate condition or qualification, $25;

(2) for each copy of paper on file in the commissioner's office 50 cents per page, and $2.50 for certifying the same;

(3) for license to procure insurance in unadmitted foreign companies, $575;

(4) for valuing the policies of life insurance companies, one cent per $1,000 of insurance so valued, provided that the fee shall not exceed $13,000 per year for any company. The commissioner may, in lieu of a valuation of the policies of any foreign life insurance company admitted, or applying for admission, to do business in this state, accept a certificate of valuation from the company's own actuary or from the commissioner of insurance of the state or territory in which the company is domiciled;

(5) for receiving and filing certificates of policies by the company's actuary, or by the commissioner of insurance of any other state or territory, $50;

(6) for each appointment of an agent filed with the commissioner, a domestic insurer shall remit $5 and all other insurers shall remit $3;

(7) for filing forms and rates, $75 per filing, to be paid on a quarterly basis in response to an invoice. Billing and payment may be made electronically;

(8) for annual renewal of surplus lines insurer license, $300.

The commissioner shall adopt rules to define filings that are subject to a fee.

EFFECTIVE DATE. This section is effective July 1, 2001.

Sec. 6. Minnesota Statutes 2000, section 60A.16, subdivision 1, is amended to read:

Subdivision 1. **SCOPE.** (1) **DOMESTIC INSURANCE CORPORATIONS.** Any two or more domestic insurance corporations, formed for any of the purposes for which stock, mutual, or stock and mutual insurance corporations, or reciprocal or interinsurance contract exchanges might be formed under the laws of this state, may be

(a) merged into one of such domestic insurance corporations, or

(b) consolidated into a new insurance corporation to be formed under the laws of this state.

(2) **DOMESTIC AND FOREIGN INSURANCE CORPORATIONS.** Any such domestic insurance corporations and any foreign insurance corporations formed to carry on any insurance business for the conduct of which an insurance corporation might be organized under the laws of this state, may be

(a) merged into one of such domestic insurance corporations, or

(b) merged into one of such foreign insurance corporations, or

(c) consolidated into a new insurance corporation to be formed under the laws of this state, or

(d) consolidated into a new insurance corporation to be formed under the laws of the government under which one of such foreign insurance corporations was formed, provided that each of such foreign insurance corporations is authorized by the laws of

the government under which it was formed to effect such merger or consolidation.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2000, section 60A.23, subdivision 8, is amended to read:

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

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

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

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

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

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

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

(3) **LICENSE.** No vendor of risk management services or entity administering a self-insurance or insurance plan may transact this business in this state unless it is licensed to do so by the commissioner. An applicant for a license shall state in writing the type of activities it seeks authorization to engage in and the type of services it seeks

authorization to provide. The license may be granted only when the commissioner is satisfied that the entity possesses the necessary organization, background, expertise, and financial integrity to supply the services sought to be offered. The commissioner may issue a license subject to restrictions or limitations upon the authorization, including the type of services which may be supplied or the activities which may be engaged in. The license fee is $1,000 for the initial application and $1,000 for each two-year renewal. All licenses are for a period of two years.

(4) **REGULATORY RESTRICTIONS; POWERS OF THE COMMISSIONER.** To assure that self-insurance or insurance plans are financially solvent, are administered in a fair and equitable fashion, and are processing claims and paying benefits in a prompt, fair, and honest manner, vendors of risk management services and entities administering insurance or self-insurance plans are subject to the supervision and examination by the commissioner. Vendors of risk management services, entities administering insurance or self-insurance plans, and insurance or self-insurance plans established or operated by them are subject to the trade practice requirements of sections 72A.19 to 72A.30. In lieu of an unlimited guarantee from a parent corporation for a vendor of risk management services or an entity administering insurance or self-insurance plans, the commissioner may accept a surety bond in a form satisfactory to the commissioner in an amount equal to 120 percent of the total amount of claims handled by the applicant in the prior year. If at any time the total amount of claims handled during a year exceeds the amount upon which the bond was calculated, the administrator shall immediately notify the commissioner. The commissioner may require that the bond be increased accordingly.

No contract entered into after July 1, 2001, between a licensed vendor of risk management services and a group authorized to self-insure for workers' compensation liabilities under section 79A.03, subdivision 6, may take effect until it has been filed with the commissioner, and either (1) the commissioner has approved it or (2) 60 days have elapsed and the commissioner has not disapproved it as misleading or violative of public policy.

(5) **RULEMAKING AUTHORITY.** To carry out the purposes of this subdivision, the commissioner may adopt rules pursuant to sections 14.001 to 14.69. These rules may:

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

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

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

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

EFFECTIVE DATE. This section is effective July 1, 2001.

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

Sec. 8. Minnesota Statutes 2000, section 61A.072, is amended by adding a subdivision to read:

Subd. 6. **ACCELERATED BENEFITS.** (a) "Accelerated benefits" covered under this section are benefits payable under the life insurance contract:

(1) to a policyholder or certificate holder, during the lifetime of the insured, in anticipation of death upon the occurrence of a specified life-threatening or catastrophic condition as defined by the policy or rider;

(2) that reduce the death benefit otherwise payable under the life insurance contract; and

(3) that are payable upon the occurrence of a single qualifying event that results in the payment of a benefit amount fixed at the time of acceleration.

(b) "Qualifying event" means one or more of the following:

(1) a medical condition that would result in a drastically limited life span as specified in the contract;

(2) a medical condition that has required or requires extraordinary medical intervention, such as, but not limited to, major organ transplant or continuous artificial life support without which the insured would die; or

(3) a condition that requires continuous confinement in an eligible institution as defined in the contract if the insured is expected to remain there for the rest of the insured's life.

EFFECTIVE DATE. This section is effective July 1, 2001.

Sec. 9. Minnesota Statutes 2000, section 62A.17, subdivision 1, is amended to read:

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

An employee shall be considered to be laid off from employment if there is a reduction in hours to the point where the employee is no longer eligible under the policy, contract, or health care plan. Termination shall not include discharge for gross misconduct.

Upon request by the terminated or laid off employee, a health carrier must provide the instructions necessary to enable the employee to elect continuation of coverage.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2000, section 62A.20, subdivision 1, is amended to read:

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

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

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

Upon request by the insured or the insured's spouse or dependent child, a health carrier must provide the instructions necessary to enable the spouse or child to elect continuation of coverage.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2000, section 62A.21, subdivision 2a, is amended to read:

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

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

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

If the coverage is provided under a group policy, any required premium contributions for the coverage shall be paid by the insured on a monthly basis to the group policyholder for remittance to the insurer. The policy must require the group policyholder 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.

Upon request by the insured's former spouse or dependent child, a health carrier must provide the instructions necessary to enable the child or former spouse to elect continuation of coverage.

EFFECTIVE DATE. This section is effective the day following final enactment.

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

Sec. 12. Minnesota Statutes 2000, section 62A.302, is amended to read:

62A.302 **COVERAGE OF DEPENDENTS.**

Subdivision 1. **SCOPE OF COVERAGE.** This section applies to ~~all health plans as defined in section 62A.011~~:

(1) a health plan as defined in section 62A.011;

(2) coverage described in section 62A.011, subdivision 3, clauses (4), (6), (7), (8), (9), and (10); and

(3) a policy, contract, or certificate issued by a community integrated service network licensed under chapter 62N.

Subd. 2. **REQUIRED COVERAGE.** Every health plan included in subdivision 1 that provides dependent coverage must define "dependent" no more restrictively than the definition provided in section 62L.02.

Sec. 13. Minnesota Statutes 2000, section 62A.31, subdivision 1a, is amended to read:

Subd. 1a. **MINIMUM COVERAGE.** The policy must provide a minimum of the coverage set out in subdivision 2 and for an extended basic plan, the additional requirements of section 62E.07.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 2000, section 62A.31, subdivision 1i, is amended to read:

Subd. 1i. **REPLACEMENT COVERAGE.** If a Medicare supplement policy or certificate replaces another Medicare supplement policy or certificate, the issuer of the replacing policy or certificate shall waive any time periods applicable to preexisting conditions, waiting periods, elimination periods, and probationary periods in the new Medicare supplement policy or certificate for benefits to the extent the time was spent under the original policy or certificate. For purposes of this subdivision, "Medicare supplement policy or certificate" means all coverage described in section 62A.011, subdivision 4 3, clause (10).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2000, section 62A.31, subdivision 3, is amended to read:

Subd. 3. **DEFINITIONS.** (a) The definitions provided in this subdivision apply to sections 62A.31 to 62A.44.

(b) "Accident," "accidental injury," or "accidental means" means to employ "result" language and does not include words that establish an accidental means test or use words such as "external," "violent," "visible wounds," or similar words of description or characterization.

(1) The definition shall not be more restrictive than the following: "Injury or injuries for which benefits are provided means accidental bodily injury sustained by the insured person which is the direct result of an accident, independent of disease or bodily infirmity or any other cause, and occurs while insurance coverage is in force."

(2) The definition may provide that injuries shall not include injuries for which benefits are provided or available under a workers' compensation, employer's liability or similar law, or motor vehicle no-fault plan, unless prohibited by law.

(c) "Applicant" means:

(1) in the case of an individual Medicare supplement policy or certificate, the person who seeks to contract for insurance benefits; and

(2) in the case of a group Medicare supplement policy or certificate, the proposed certificate holder.

(d) "Bankruptcy" means a situation in which a Medicare+Choice organization that is not an issuer has filed, or has had filed against it, a petition for declaration of bankruptcy and has ceased doing business in the state.

(e) "Benefit period" or "Medicare benefit period" shall not be defined more restrictively than as defined in the Medicare program.

(f) "Certificate" means a certificate delivered or issued for delivery in this state or offered to a resident of this state under a group Medicare supplement policy or certificate.

(g) "Certificate form" means the form on which the certificate is delivered or issued for delivery by the issuer.

(h) "Convalescent nursing home," "extended care facility," or "skilled nursing facility" shall not be defined more restrictively than as defined in the Medicare program.

(i) "Employee welfare benefit plan" means a plan, fund, or program of employee benefits as defined in United States Code, title 29, section 1002 (Employee Retirement Income Security Act).

(j) "Health care expenses" means expenses of health maintenance organizations associated with the delivery of health care services which are analogous to incurred losses of insurers. The expenses shall not include:

(1) home office and overhead costs;

(2) advertising costs;

(3) commissions and other acquisition costs;

(4) taxes;

(5) capital costs;

(6) administrative costs; and

(7) claims processing costs.

(k) "Hospital" may be defined in relation to its status, facilities, and available services or to reflect its accreditation by the joint commission on accreditation of hospitals, but not more restrictively than as defined in the Medicare program.

(l) "Insolvency" means a situation in which an issuer, licensed to transact the business of insurance in this state, including the right to transact business as any type of issuer, has had a final order of liquidation entered against it with a finding of insolvency by a court of competent jurisdiction in the issuer's state of domicile.

(m) "Issuer" includes insurance companies, fraternal benefit societies, health service plan corporations, health maintenance organizations, and any other entity delivering or issuing for delivery Medicare supplement policies or certificates in this state or offering these policies or certificates to residents of this state.

(n) "Medicare" shall be defined in the policy and certificate. Medicare may be defined as the Health Insurance for the Aged Act, title XVIII of the Social Security Amendments of 1965, as amended, or title I, part I, of Public Law Number 89-97, as enacted by the 89th Congress of the United States of America and popularly known as the Health Insurance for the Aged Act, as amended.

(o) "Medicare eligible expenses" means health care expenses covered by Medicare, to the extent recognized as reasonable and medically necessary by Medicare.

(p) "Medicare+Choice plan" means a plan of coverage for health benefits under Medicare part C as defined in section 1859 of the federal Social Security Act, United States Code, title 42, section 1395w-28, and includes:

(1) coordinated care plans which provide health care services, including, but not limited to, health maintenance organization plans, with or without a point-of-service option, plans offered by provider-sponsored organizations, and preferred provider organization plans;

(2) medical savings account plans coupled with a contribution into a Medicare+Choice medical savings account; and

(3) Medicare+Choice private fee-for-service plans.

(q) "Medicare-related coverage" means a policy, contract, or certificate issued as a supplement to Medicare, regulated under sections 62A.31 to 62A.44, including Medicare select coverage; policies, contracts, or certificates that supplement Medicare issued by health maintenance organizations; or policies, contracts, or certificates governed by section 1833 (known as "cost" or "HCPP" contracts) or 1876 (known as "TEFRA" or "risk" contracts) of the federal Social Security Act, United States Code, title 42, section 1395, et seq., as amended~~.~~; or Section 4001 of the Balanced Budget Act of 1997 (BBA)(Public Law 105-33), Sections 1851 to 1859 of the Social Security Act establishing Part C of the Medicare program, known as the "Medicare+Choice program."

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

(r) "Medicare supplement policy or certificate" means a group or individual policy of accident and sickness insurance or a subscriber contract of hospital and medical service associations or health maintenance organizations, or those policies or certificates covered by section 1833 of the federal Social Security Act, United States Code, title 42, section 1395, et seq., or an issued policy under a demonstration project specified under amendments to the federal Social Security Act, which is advertised, marketed, or designed primarily as a supplement to reimbursements under Medicare for the hospital, medical, or surgical expenses of persons eligible for Medicare.

(s) "Physician" shall not be defined more restrictively than as defined in the Medicare program or section 62A.04, subdivision 1, or 62A.15, subdivision 3a.

(t) "Policy form" means the form on which the policy is delivered or issued for delivery by the issuer.

(u) "Secretary" means the Secretary of the United States Department of Health and Human Services.

(v) "Sickness" shall not be defined more restrictively than the following:

"Sickness means illness or disease of an insured person which first manifests itself after the effective date of insurance and while the insurance is in force."

The definition may be further modified to exclude sicknesses or diseases for which benefits are provided under a workers' compensation, occupational disease, employer's liability, or similar law.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 16. **[62A.421] DEMONSTRATION PROJECTS.**

Subdivision 1. **ESTABLISHMENT.** The commissioner may establish demonstration projects to allow an issuer of Medicare supplement policies to extend coverage to individuals enrolled in part A or part B, or both, of the Medicare program, Title XVIII of the Social Security Act, United States Code, title 42, section 1395, et seq. For purposes of this section, the commissioner may waive compliance with the benefits described in sections 62A.315 and 62A.316 and other applicable statutes and rules if there is reasonable evidence that the statutes or rules prohibit the operation of the demonstration project, but may not waive the six-month guaranteed issue provision. The commissioner shall provide for public comment before any statute or rule is waived.

Subd. 2. **BENEFITS.** A demonstration project must provide health benefits equal to or exceeding the level of benefits provided in Title XVIII of the Social Security Act and an out-of-hospital prescription drug benefit. The out-of-hospital prescription drug benefit may be waived by the commissioner if the issuer presents evidence satisfactory to the commissioner that the inclusion of the benefit would restrict the operation of the demonstration project.

Subd. 3. **APPLICATION.** An issuer electing to participate in a demonstration project shall apply to the commissioner for approval on a form developed by the

commissioner. The application shall include at least the following:

(1) a statement identifying the population that the project is designed to serve;

(2) a description of the proposed project including a statement projecting a schedule of costs and benefits for the policyholder;

(3) reference to the sections of Minnesota Statutes and department of commerce rules for which waiver is requested;

(4) evidence that application of the requirements of applicable Minnesota Statutes and department of commerce rules would, unless waived, prohibit the operation of the demonstration project;

(5) an estimate of the number of years needed to adequately demonstrate the project's effects; and

(6) other information the commissioner may reasonably require.

Subd. 4. **TIMELINE.** The commissioner shall approve, deny, or refer back to the issuer for modification, the application for a demonstration project within 60 days of the receipt of a complete application.

Subd. 5. **PERIOD SPECIFIED.** The commissioner may approve an application for a demonstration project for a period of six years, with an option to renew.

Subd. 6. **ANNUAL REPORT.** Each issuer for which a demonstration project is approved shall annually file a report with the commissioner summarizing the project's experience at the same time it files its annual report. The report shall be on a form developed by the commissioner and shall be separate from the annual report.

Subd. 7. **RESCISSION OF APPROVAL.** The commissioner may rescind approval of a demonstration project if the commissioner makes any of the findings listed in section 60A.052 or 62D.15, subdivision 1, with respect to the project for which it has not been granted a specific exemption, or if the commissioner finds that the project's operation is contrary to the information contained in the approved application.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2000, section 62A.65, subdivision 8, is amended to read:

Subd. 8. **CESSATION OF INDIVIDUAL BUSINESS.** Notwithstanding the provisions of subdivisions 1 to 7, a health carrier may elect to cease doing business in the individual health plan market in this state if it complies with the requirements of this subdivision. For purposes of this section, "cease doing business" means to discontinue issuing new individual health plans and to refuse to renew all of the health carrier's existing individual health plans issued in this state whose terms permit refusal to renew under the circumstances specified in this subdivision. This subdivision does not permit cancellation of an individual health plan, unless the terms of the health plan permit cancellation under the circumstances specified in this subdivision. A health

carrier electing to cease doing business in the individual health plan market in this state shall notify the commissioner 180 days prior to the effective date of the cessation. Within 30 days after the termination, the health carrier shall submit to the commissioner a complete list of policyholders that have been terminated. The cessation of business does not include the failure of a health carrier to offer or issue new business in the individual health plan market or continue an existing product line in that market, provided that a health carrier does not terminate, cancel, or fail to renew its current individual health plan business. A health carrier electing to cease doing business in the individual health plan market shall provide 120 days' written notice to each policyholder covered by an individual health plan issued by the health carrier. This notice must also inform each policyholder of the existence of the Minnesota Comprehensive Health Association, the requirements for being accepted, the procedures for applying for coverage, and the telephone numbers at the department of health and the department of commerce for information about private individual or family health coverage. A health carrier that ceases to write new business in the individual health plan market shall continue to be governed by this section with respect to continuing individual health plan business conducted by the health carrier. A health carrier that ceases to do business in the individual health plan market after July 1, 1994, is prohibited from writing new business in the individual health plan market in this state for a period of five years from the date of notice to the commissioner. This subdivision applies to any health maintenance organization that ceases to do business in the individual health plan market in one service area with respect to that service area only. Nothing in this subdivision prohibits an affiliated health maintenance organization from continuing to do business in the individual health plan market in that same service area. The right to refuse to renew an individual health plan under this subdivision does not apply to individual health plans issued on a guaranteed renewable basis that does not permit refusal to renew under the circumstances specified in this subdivision.

Sec. 18. Minnesota Statutes 2000, 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~~ not less than $1,000,000. 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. 19. Minnesota Statutes 2000, section 62E.06, subdivision 1, is amended to read:

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

(a) The minimum benefits for a covered individual shall, subject to the other provisions of this subdivision, be equal to at least 80 percent of the cost of covered services in excess of an annual deductible which does not exceed $150 per person. The coverage shall include a limitation of $3,000 per person on total annual out-of-pocket expenses for services covered under this subdivision. The coverage shall be subject to a maximum lifetime benefit of not less than ~~$500,000~~ $1,000,000.

The $3,000 limitation on total annual out-of-pocket expenses and the ~~$500,000~~ $1,000,000 maximum lifetime benefit shall not be subject to change or substitution by use of an actuarially equivalent benefit.

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

(1) hospital services;

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

(3) drugs requiring a physician's prescription;

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

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

(6) use of radium or other radioactive materials;

(7) oxygen;

(8) anesthetics;

(9) prostheses other than dental but including scalp hair prostheses worn for hair loss suffered as a result of alopecia areata;

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

(11) diagnostic X-rays and laboratory tests;

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

(13) services of a physical therapist;

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

(15) services of an occupational therapist.

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

(1) any charge for care for injury or disease either (i) arising out of an injury in the course of employment and subject to a workers' compensation or similar law, (ii) for which benefits are payable without regard to fault under coverage statutorily required to be contained in any motor vehicle, or other liability insurance policy or equivalent self-insurance, or (iii) for which benefits are payable under another policy of accident and health insurance, Medicare, or any other governmental program except as otherwise provided by section 62A.04, subdivision 3, clause (4);

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

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

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

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

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

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

(e) Effective July 1, 1979, the minimum benefits of a qualified plan shall include, in addition to those benefits specified in clause (a), a second opinion from a physician on all surgical procedures expected to cost a total of $500 or more in physician, laboratory, and hospital fees, provided that the coverage need not include the repetition of any diagnostic tests.

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

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

Sec. 20. Minnesota Statutes 2000, section 62I.07, subdivision 1, is amended to read:

Subdivision 1. **GENERAL ASSESSMENT.** Each member of the association that is authorized to write property and casualty insurance in the state shall participate in its losses and expenses in the proportion that the direct written premiums of the member on the kinds of insurance in that account bears to the total aggregate direct written premiums written in this state by all members on the kinds of insurance in that account. The members' participation in the association shall be determined annually on the direct written premiums written during the preceding calendar year as reported on the annual statements and other reports filed by the member with the commissioner. Direct written premiums mean that amount at page ~~14~~ 15, column (2), lines ~~5.1~~ 5.2, 8, 9, 17, 21.2, 22, 23, 24, 25, 26, and 27 of the annual statement filed annually with the department of commerce under section 60A.13.

Sec. 21. Minnesota Statutes 2000, section 62L.05, subdivision 1, is amended to read:

Subdivision 1. **TWO SMALL EMPLOYER PLANS.** Each health carrier in the small employer market must make available, on a guaranteed issue basis, to any small employer that satisfies the contribution and participation requirements of section 62L.03, subdivision 3, both of the small employer plans described in subdivisions 2 and 3. Under subdivisions 2 and 3, coinsurance and deductibles do not apply to child health supervision services and prenatal services, as defined by section 62A.047. The maximum out-of-pocket costs for covered services must be $3,000 per individual and $6,000 per family per year. The maximum lifetime benefit must be ~~$500,000~~ not less than $1,000,000.

Sec. 22. Minnesota Statutes 2000, section 62L.05, subdivision 2, is amended to read:

Subd. 2. **DEDUCTIBLE-TYPE SMALL EMPLOYER PLAN.** The benefits of the deductible-type small employer plan offered by a health carrier must be equal to 80 percent of the charges, as specified in subdivision 10, for health care services, supplies, or other articles covered under the small employer plan, in excess of an annual deductible which must be ~~$500~~ $2,250 per individual and ~~$1,000~~ $4,500 per family.

Sec. 23. **[62L.23] SUSPENSION OF REINSURANCE OPERATIONS; REACTIVATION.**

Subdivision 1. **SUSPENSION.** The commissioner may, by order, suspend the operation of sections 62L.13 to 62L.22, upon receipt of a recommendation for

suspension from the association board of directors. The order is effective 30 days after publication in the State Register.

Subd. 2. **SUSPENSION OF REINSURANCE OPERATIONS.** Upon the issuance of an order issued pursuant to subdivision 1, the association shall suspend its operations in an orderly manner supervised by the commissioner and shall provide for the proper storage of the association's records. Notwithstanding the provisions of subdivision 1, the association may continue to levy assessments under section 62L.22 for the purpose of satisfying the association's presuspension expenses and the expenses associated with the association's suspension activities pursuant to this subdivision. The assessments must be approved by the commissioner.

Subd. 3. **NO CANCELLATION PERMITTED.** Effective upon the effective date of an order issued pursuant to subdivision 1, reinsurance must be terminated for any person reinsured by the association pursuant to section 62L.18. No health carrier may cancel or fail to renew a health benefit plan for any person whose reinsurance with the association has been terminated subsequently to the issuance of an order pursuant to subdivision 1 solely because of the termination of reinsurance.

Subd. 4. **REACTIVATION OF REINSURANCE OPERATIONS.** The commissioner may, by order, reactivate the operation of sections 62L.13 to 62L.22, on a finding that the private market for reinsurance of health benefit plans has failed and that commercial reinsurance is unavailable to health carriers operating in the small employer market in Minnesota. The commissioner may not make findings or issue an order pursuant to this subdivision until a hearing is held pursuant to chapter 14.

Subd. 5. **TRANSITION.** After issuance of any order pursuant to subdivision 4, the commissioner shall immediately appoint an interim board of directors of the association. The terms of members of this interim board must be for a period not to exceed 18 months. The board shall cause the reinsurance operations of the association to be resumed within 180 days of an order issued pursuant to subdivision 4.

Subd. 6. **MODIFICATION OF FIVE-YEAR RULE.** If the commissioner issues an order pursuant to subdivision 4, any health carrier may elect to participate in the reinsurance association, notwithstanding any departicipation by the health carrier within the preceding five years that, pursuant to section 62L.17, would have otherwise prohibited the health carrier's participation.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 24. Minnesota Statutes 2000, section 62M.03, subdivision 2, is amended to read:

Subd. 2. **NONLICENSED UTILIZATION REVIEW ORGANIZATION.** An organization that meets the definition of a utilization review organization under section 62M.02, subdivision 21, that is not licensed in this state that performs utilization review services for Minnesota residents must register with the commissioner of commerce and must certify compliance with sections 62M.01 to 62M.16.

Initial registration must occur no later than January 1, 1993. The registration is effective for two years and may be renewed for another two years by written request.

Each utilization review organization registered under this chapter shall notify the commissioner of commerce within 30 days of any change in the name, address, or ownership of the organization. The organization shall pay to the commissioner of commerce a fee of $1,000 for the initial registration application and $1,000 for each two-year renewal.

Sec. 25. Minnesota Statutes 2000, section 62M.05, subdivision 5, is amended to read:

Subd. 5. **NOTIFICATION TO CLAIMS ADMINISTRATOR.** If the utilization review organization and the claims administrator are separate entities, the utilization review organization must forward, electronically or in writing, a notification of certification or determination not to certify to the appropriate claims administrator for the health benefit plan. If it is determined by the claims administrator that the certified health care service is not covered by the health benefit plan, the claims administrator must promptly notify the claimant and provider of this information.

Sec. 26. Minnesota Statutes 2000, section 62Q.01, subdivision 6, is amended to read:

Subd. 6. **MEDICARE-RELATED COVERAGE.** "Medicare-related coverage" means a policy, contract, or certificate issued as a supplement to Medicare, regulated under sections 62A.31 to 62A.44, including Medicare select coverage; policies, contracts, or certificates that supplement Medicare issued by health maintenance organizations; or policies, contracts, or certificates governed by section 1833 (known as "cost" or "HCPP" contracts) or 1876 (known as "TEFRA" or "risk" contracts) of the federal Social Security Act, United States Code, title 42, section 1395, et seq., as amended.; or Section 4001 of the Balanced Budget Act of 1997 (BBA)(Public Law 105-33), Sections 1851 to 1859 of the Social Security Act establishing Part C of the Medicare program, known as the "Medicare+Choice program."

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 27. Minnesota Statutes 2000, section 62Q.73, subdivision 3, is amended to read:

Subd. 3. **RIGHT TO EXTERNAL REVIEW.** (a) Any enrollee or anyone acting on behalf of an enrollee who has received an adverse determination may submit a written request for an external review of the adverse determination, if applicable under section 62Q.68, subdivision 1, or 62M.06, to the commissioner of health if the request involves a health plan company regulated by that commissioner or to the commissioner of commerce if the request involves a health plan company regulated by that commissioner. Notification of the enrollee's right to external review must accompany the denial issued by the insurer. The written request must be accompanied by a filing fee of $25. The fee may be waived by the commissioner of health or commerce in cases of financial hardship.

(b) Nothing in this section requires the commissioner of health or commerce to independently investigate an adverse determination referred for independent external review.

(c) If an enrollee requests an external review, the health plan company must participate in the external review. The cost of the external review in excess of the filing fee described in paragraph (a) shall be borne by the health plan company.

Sec. 28. Minnesota Statutes 2000, section 65A.29, subdivision 7, is amended to read:

Subd. 7. **RENEWAL; NOTICE REQUIREMENT.** No insurer shall refuse to renew, or reduce limits of coverage, or eliminate any coverage in a homeowner's insurance policy unless it mails or delivers to the insured, at the address shown in the policy, at least 60 days' advance notice of its intention. The notice must contain the specific underwriting or other reason or reasons for the indicated action and must state the name of the insurer and the date the notice is issued.

Proof of mailing this notice to the insured at the address shown in the policy is sufficient proof that the notice required by this section has been given.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 29. Minnesota Statutes 2000, section 65B.04, subdivision 3, is amended to read:

Subd. 3. **AMENDMENTS.** The plan of operation may be amended by a majority vote of the governing committee, and the approval of the commissioner ~~and ratification by a majority of the members~~. An order by the commissioner disapproving an amendment to the plan of operation must be issued within 30 days of receipt by the commissioner of the proposed amendment, certified by the governing committee as having been adopted by that committee by a majority vote, or the amendment shall be deemed approved by the commissioner. An order of disapproval may be appealed as provided in chapter 14.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 30. Minnesota Statutes 2000, section 65B.06, subdivision 1, is amended to read:

Subdivision 1. With respect to private passenger, nonfleet automobiles, the facility shall provide for the equitable distribution of qualified applicants to members in accordance with the participation ratio or among these insurance companies as selected under the provisions of the plan of operation.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 31. Minnesota Statutes 2000, section 65B.06, subdivision 4, is amended to read:

Subd. 4. Coverage made available under this section shall be the ~~standard~~ automobile policy and endorsement forms, as approved by the commissioner, with such changes, additions and amendments as are adopted by the governing committee and approved by the commissioner.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 32. Minnesota Statutes 2000, section 65B.16, is amended to read:

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

No notice of cancellation or reduction in the limits of liability of coverage of an automobile insurance policy under section 65B.15 shall be effective unless the specific underwriting or other reason or reasons for such cancellation or reduction in the limits of liability of coverage are stated in such notice and the notice is mailed or delivered by the insurer so as to provide the named insured with at least 30 ~~days~~ days' notice prior to the effective date of cancellation; provided, however, that when nonpayment of premium is the reason for cancellation or when the company is exercising its right to cancel insurance which has been in effect for less than 60 days at least ten days' notice of cancellation, and the reasons for the cancellation, shall be given. Information regarding moving traffic violations or motor vehicle accidents must be specifically requested on the application in order for a company to use those incidents to exercise its right to cancel within the first 59 days of coverage. When nonpayment of premiums is the reason for cancellation, the reason must be given to the insured with the notice of cancellation; and if the company is exercising its right to cancel within the first 59 days of coverage and notice is given with less than ten days remaining in the 59-day period, the coverage must be extended, to expire ten days after notice was mailed.

Sec. 33. Minnesota Statutes 2000, section 65B.19, subdivision 2, is amended to read:

Subd. 2. **NOTICE OF RIGHT TO COMPLAIN.** When the insurer notifies the policyholder of nonrenewal, cancellation or reduction in the limits of liability of coverage under section 65B.16 or 65B.17, the insurer shall also notify the named insured of the right to complain within 30 days of receipt by the named insured of notice of nonrenewal, cancellation or reduction in the limits of liability to the commissioner of such action and of the nature of and possible eligibility for insurance through the Minnesota automobile insurance plan. Such notice shall be included in the notice of nonrenewal, cancellation or reduction in the limits of liability of coverage, and shall state that such notice of the insured's right of complaint to the commissioner and of the availability of insurance through the Minnesota automobile insurance plan is given pursuant to sections 65B.14 to 65B.21. The notice must state the name of the insurer and the date the notice is issued.

Sec. 34. Minnesota Statutes 2000, section 67A.20, is amended by adding a subdivision to read:

Subd. 3. **WITH LICENSED INSURERS.** Township mutual fire insurance companies may enter into reinsurance agreements with any Minnesota licensed insurer authorized to write the same lines of business.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 35. Minnesota Statutes 2000, section 70A.07, is amended to read:

70A.07 **RATES AND FORMS OPEN TO INSPECTION.**

All rates ~~and~~, supplementary rate information, and forms, furnished to the commissioner under this chapter shall, as soon ~~as the rates are reviewed by the commissioner~~ as the commissioner's review has been completed, be open to public inspection at any reasonable time.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 36. Minnesota Statutes 2000, section 79A.02, subdivision 1, is amended to read:

Subdivision 1. **MEMBERSHIP.** For the purposes of assisting the commissioner, there is established a workers' compensation self-insurers' advisory committee of five members that are employers authorized to self-insure in Minnesota. Three of the members and three alternates shall be elected by the self-insurers' security fund board of trustees and two members and two alternates shall be appointed by the commissioner. Notwithstanding section 15.059, subdivision 5a, the advisory committee does not expire June 30, 2001.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 37. Minnesota Statutes 2000, section 79A.03, subdivision 7, is amended to read:

Subd. 7. **FINANCIAL STANDARDS.** A self-insurer group shall have and maintain:

(a) A combined net worth of all of the members of an amount at least equal to the greater of ten times the retention selected with the workers' compensation reinsurance association or one-third of the current annual modified premium of the members.

(b) Sufficient assets, net worth, and liquidity to promptly and completely meet all obligations of its members under chapter 176 or this chapter. In determining whether a group is in sound financial condition, consideration shall be given to the combined net worth of the member companies; the consolidated long-term and short-term debt to equity ratios of the member companies; any excess insurance other than reinsurance with the workers' compensation reinsurance association, purchased by the group from an insurer licensed in Minnesota or from an authorized surplus line carrier; other financial data requested by the commissioner or submitted by the group; and the combined workers' compensation experience of the group for the last four years.

No authority to self-insure will be granted unless, over the term of the policy year, at least 65 percent of total revenues from all sources for the year are available for the payment of its claim and assessment obligations, and insurance premiums for stop loss coverage. For purposes of this calculation, claim and assessment obligations include the cost of allocated loss expenses as well as special compensation fund and self-insurers' security fund assessments but exclude the cost of unallocated loss expenses.

EFFECTIVE DATE. This section is effective July 1, 2001.

Sec. 38. Minnesota Statutes 2000, section 79A.04, subdivision 16, is amended to read:

Subd. 16. **CERTIFICATE TO SELF-INSURE; REVOCATION.** If, following a private self-insurer's bankruptcy, insolvency, or certificate of default, the commissioner calls its security and proceeds in accordance with this section, the commissioner shall revoke the certificate to self-insure of the private self-insurer as soon as practicable but no later than 30 days after its security has been called. No insolvent self-insurer, as defined in section 79A.01, subdivision 4, shall be eligible to receive another grant of authority to self-insure unless either: (1) the insolvent self-insurer's posted security was sufficient to pay all direct and indirect administrative and professional expenses of the security fund related to the insolvent self-insurer, and all losses, including estimated future liability, allocated loss expense, and unallocated loss expense of the insolvent self-insurer; or (2) the insolvent self-insurer pays the security fund an amount equal to all such losses and expenses the security fund has paid or will be required to pay related to this insolvent self-insurer.

Sec. 39. Minnesota Statutes 2000, section 79A.15, is amended to read:

79A.15 **SURETY BOND FORM.**

The form for the surety bond under this chapter shall be:

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
SURETY BOND OF SELF-INSURER OF WORKERS' COMPENSATION

IN THE MATTER OF THE CERTIFICATE OF)
)
) SURETY BOND
) NO. .....
) PREMIUM: .....
)
Employer, Certificate No: .....)

KNOW ALL PERSONS BY THESE PRESENTS:

That .....
(Employer)
whose address is .....
as Principal, and .....
(Surety)

a corporation organized under the laws of ..... and authorized to transact a general surety business in the State of Minnesota, as Surety, are held and firmly bound to the State of Minnesota in the penal sum of .....dollars ($.....) for which payment we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

WHEREAS in accordance with Minnesota Statutes, chapter 176, the principal elected to self-insure, and made application for, or received from the commissioner of commerce of the state of Minnesota, a certificate to self-insure, upon furnishing of proof satisfactory to the commissioner of commerce of ability to self-insure and to compensate any or all employees of said principal for injury or disability, and their dependents for death incurred or sustained by said employees pursuant to the terms, provisions, and limitations of said statute;

NOW THEREFORE, the conditions of this bond or obligation are such that if principal shall pay and furnish compensation, pursuant to the terms, provisions, and limitations of said statute to its employees for injury or disability, and to the dependents of its employees, then this bond or obligation shall be null and void; otherwise to remain in full force and effect.

FURTHERMORE, it is understood and agreed that:

1. This bond may be amended, by agreement between the parties hereto and the commissioner of commerce as to the identity of the principal herein named; and, by agreement of the parties hereto, as to the premium or rate of premium. Such amendment must be by endorsement upon, or rider to, this bond, executed by the surety and delivered to or filed with the commissioner.

2. The surety does, by these presents, undertake and agree that the obligation of this bond shall cover and extend to all past, present, existing, and potential liability of said principal, as a self-insurer, to the extent of the penal sum herein named without regard to specific injuries, date or dates of injuries, happenings or events.

3. The penal sum of this bond may be increased or decreased, by agreement between the parties hereto and the commissioner of commerce, without impairing the obligation incurred under this bond for the overall coverage of the said principal, for all past, present, existing, and potential liability, as a self-insurer, without regard to specific injuries, date or dates of injuries, happenings or events, to the extent, in the aggregate, of the penal sum as increased or decreased. Such amendment must be by endorsement.

4. The aggregate liability of the surety hereunder on all claims whatsoever shall not exceed the penal sum of this bond in any event.

5. This bond shall be continuous in form and shall remain in full force and effect unless terminated as follows:

(a) The obligation of this bond shall terminate upon written notice of cancellation from the surety, given by registered or certified mail to the commissioner of commerce, state of Minnesota, save and except as to all past, present, existing, and potential liability of the principal incurred, including obligations resulting from claims which are incurred but not yet reported, as a self-insurer prior to effective date of termination. This termination is effective 60 days after receipt of notice of cancellation by the commissioner of commerce, state of Minnesota.

(b) This bond shall also terminate upon the revocation of the certificate to self-insure, save and except as to all past, present, existing, and potential liability of the principal incurred, including obligations resulting from claims which are incurred but not yet reported, as a self-insurer prior to effective date of termination. The principal and the surety, herein named, shall be immediately notified in writing by said commissioner, in the event of such revocation.

6. Where the principal posts with the commissioner of commerce, state of Minnesota, or the state treasurer, state of Minnesota, a replacement security deposit, in the form of a surety bond, irrevocable letter of credit, cash, securities, or any combination thereof, in the full amount as may be required by the commissioner of

commerce, state of Minnesota, to secure all incurred liabilities for the payment of compensation of said principal under Minnesota Statutes, chapter 176, the surety is released from obligations under the surety bond upon the date of acceptance by the commissioner of commerce, state of Minnesota, of said replacement security deposit.

7. If the said principal shall suspend payment of workers' compensation benefits or shall become insolvent or a receiver shall be appointed for its business, or the commissioner of commerce, state of Minnesota, issues a certificate of default, the undersigned surety will become liable for the workers' compensation obligations of the principal on the date benefits are suspended. The surety shall begin payments within 14 days under paragraph 8, or 30 days under paragraph 10, after receipt of written notification by certified mail from the commissioner of commerce, state of Minnesota, to begin payments under the terms of this bond.

8. If the surety exercises its option to administer claims, it shall pay benefits due to the principal's injured workers within 14 days of the receipt of the notification by the commissioner of commerce, state of Minnesota, pursuant to paragraph 7, without a formal award of a compensation judge, the commissioner of labor and industry, any intermediate appellate court, or the Minnesota supreme court and such payment will be a charge against the penal sum of the bond. Administrative and legal costs and payment of assessments incurred by the surety in discharging its obligations and payment of the principal's obligations for administration and legal expenses and payment of assessments under Minnesota Statutes, chapters 79A and 176, shall also be a charge against the penal sum of the bond~~; however, the total amount of this surety bond set aside for the payment of said administrative and legal expenses and payment of assessments shall be limited to a maximum ten percent of the total penal sum of the bond unless otherwise authorized by the security fund~~.

9. If any part or provision of this bond shall be declared unenforceable or held to be invalid by a court of proper jurisdiction, such determination shall not affect the validity or enforceability of the other provisions or parts of this bond.

10. If the surety does not give notice to the (self-insurer's security fund) (commercial self-insurance group security fund) and the commissioner of commerce, state of Minnesota, within ~~two~~ five business days of receipt of written notification from the commissioner of commerce, state of Minnesota, pursuant to paragraph 7, to exercise its option to administer claims pursuant to paragraph 8, then the (self-insurer's security fund) (commercial self-insurance security fund) will assume the payments of the workers' compensation obligations of the principal pursuant to Minnesota Statutes, chapter 176. Administrative, legal, actuarial, and other direct costs attributed to the principal shall also be a charge against the penal sum of the bond. The surety shall pay, within 30 days of the receipt of the notification by the commissioner of commerce, state of Minnesota, pursuant to paragraph 7, to the (self-insurer's security fund) (commercial self-insurance group security fund) as an initial deposit an amount equal to ~~ten~~ 50 percent of the penal sum of the bond, and shall thereafter, upon notification from the (self-insurer's security fund) (commercial self-insurance group security fund) that the balance of the initial deposit, including interest earned as provided below with respect to the segregated account, had fallen to ~~one~~ ten percent of the penal sum of the

bond, remit to the (self-insurer's security fund) (commercial self-insurance group security fund) an amount equal to ~~the payments made by the (self-insurer's security fund) (commercial self-insurance group security fund) in the three calendar months immediately preceding said notification.~~ an additional ten percent of the penal sum of the bond. All such payments will be a charge against the penal sum of the bond. The initial deposit and all subsequent deposits shall be deposited by the (self-insurer's security fund) (commercial self-insurance group security fund) into a segregated, interest-bearing account. These deposits, together with any interest earned thereon, shall be used to satisfy all obligations of the surety hereunder. Upon determination that there are no remaining reserves for any known claims covered under the bond, the balance of the account, including any interest earned thereon, shall be paid to the surety.

Said repayment of the funds to the surety will not discharge the bond, which shall remain in full force and effect as to all past, present, existing, and potential liability of the principal incurred, including obligations resulting from claims which are incurred but not yet reported, as a self-insurer prior to the effective date of termination of the bond.

11. Disputes concerning the posting, renewal, termination, exoneration, or return of all or any portion of the principal's security deposit or any liability arising out of the posting or failure to post security, or the adequacy of the security or the reasonableness of administrative costs, including legal costs, arising between or among a surety, the issuer of an agreement of assumption and guarantee of workers' compensation liabilities, the issuer of a letter of credit, any custodian of the security deposit, the principal, or the (self-insurer's security fund) (commercial self-insurance group security fund) shall be resolved by the commissioner of commerce pursuant to Minnesota Statutes, chapters 79A and 176.

12. Written notification to the surety required by this bond shall be sent to:

.....
Name of Surety
.....
To the attention of Person or Position
.....
Address
.....
City, State, Zip

Written notification to the principal required by this bond shall be sent to:

.....
Name of Principal
.....
To the attention of Person or Position

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

.....
Address
.....
City, State, Zip

13. This bond is executed by the surety to comply with Minnesota Statutes, chapter 176, and said bond shall be subject to all terms and provisions thereof.

.....
Name of Surety
.....
Address
.....
City, State, Zip

THIS bond is executed under an unrevoked appointment or power of attorney.

I certify (or declare) under penalty of perjury under the laws of the state of Minnesota that the foregoing is true and correct.

....
Date Signature of Attorney-In-Fact
.....
Printed or Typed Name of Attorney-In-Fact

A copy of the transcript or record of the unrevoked appointment, power of attorney, bylaws, or other instrument, duly certified by the proper authority and attested by the seal of the insurer entitling or authorizing the person who executed the bond to do so for and in behalf of the insurer, must be filed in the office of the commissioner of commerce or must be included with this bond for such filing.

EFFECTIVE DATE. This section is effective for bonds posted on or after January 1, 2002.

Sec. 40. Minnesota Statutes 2000, section 471.617, subdivision 1, is amended to read:

Subdivision 1. **IF MORE THAN 100 EMPLOYEES; CONDITIONS.** A statutory or home rule charter city, county, school district, or instrumentality thereof which has more than 100 employees, may by ordinance or resolution self-insure for any employee health benefits including long-term disability, but not for employee life benefits. Any self-insurance plan shall provide all benefits which are required by law to be provided by group health insurance policies. Self-insurance plans ~~shall~~ must be certified as provided by section 62E.05 and must be filed and certified by the department of commerce before they are issued or delivered to any person in this state.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 41. **REPEALER.**

Minnesota Statutes 2000, sections 13.7191, subdivision 11; 60A.111; 62G.01; 62G.02; 62G.03; 62G.04; 62G.05; 62G.06; 62G.07; 62G.08; 62G.09; 62G.10; 62G.11; 62G.12; 62G.13; 62G.14; 62G.15; 62G.16; 62G.17; 62G.18; 62G.19; 62G.20; 62G.21; 62G.22; 62G.23; 62G.24; and 62G.25, are repealed.

EFFECTIVE DATE. This section is effective the day following final enactment.

Presented to the governor May 25, 2001

Signed by the governor May 29, 2001, 11:28 a.m.

CHAPTER 216—H.F.No. 1541

An act relating to landlords and tenants; requiring a study of rental application fees.

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

Section 1. **RENTAL APPLICATION FEES.**

The commissioner of the housing finance agency shall convene a committee to study rental application fees paid by prospective tenants of residential apartment units. The committee must include one member from each of the major parties from the house of representatives and senate to be appointed by the chairs of the respective policy committees overseeing landlord tenant issues, as well as members representing landlord and tenant advocacy groups and tenant screening companies. The committee shall consider various means for reducing the burden on prospective tenants of paying multiple rental application fees when applying for residential housing and make recommendations to the legislature by January 1, 2002.

Presented to the governor May 25, 2001

Signed by the governor May 29, 2001, 11:30 a.m.