

CHAPTER 204—H.F.No. 2876

An act relating to mutual insurance companies; changing certain conversion and reorganization provisions; modifying the exception to the restriction on insuring property in certain cities; amending Minnesota Statutes 2004, sections 60A.075, subdivision 1; 60A.077, subdivisions 1, 3, by adding a subdivision; 60A.207; 60D.19, subdivision 1; 60K.56, subdivisions 5, 6; 64B.13; 67A.14, subdivision 5; Minnesota Statutes 2005 Supplement, sections 66A.02, subdivisions 2, 3; 66A.07, subdivision 2.

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

Section 1. Minnesota Statutes 2004, section 60A.075, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms in this subdivision have the meanings given them.

(b) "Converting mutual insurer" means a Minnesota domestic mutual insurance company seeking to reorganize according to this section.

(c) "Converting mutual holding company" means a Minnesota domestic mutual insurance holding company seeking to reorganize according to this section.

(d) "Converting mutual company" means a converting mutual insurer or a converting mutual holding company seeking to convert according to this section.

(e) "Reorganized company" means a converting mutual insurer or a converting mutual holding company, as the case may be, that has reorganized according to this section.

(f) "Eligible member" means:

(1) for converting mutual insurers, a policyholder whose policy is in force as of the record date. Unless otherwise provided in the plan, a person ~~insured~~ covered under a group policy is not an eligible member, ~~unless~~ except that a person insured under a group life insurance policy is an eligible member if, on the record date:

(i) the person is insured ~~or covered~~ under a group life policy ~~or group annuity contract~~ under which ~~funds are~~ cash value has accumulated and been allocated to the respective covered insured persons; and

~~(ii) the person has the right to direct the application of the funds so allocated;~~

~~(iii)~~ (ii) the group policyholder makes no contribution to the premiums or deposits for the group policy or contract; and

~~(iv) the converting mutual company has the names and addresses of the persons covered under the group life policy or group annuity contract;~~

(2) for converting mutual holding companies, a person who is a member of the converting mutual holding company, as defined by the converting mutual holding company's articles of incorporation and bylaws, determined as of the record date.

(g) "Plan of conversion" or "plan" means a plan adopted by a converting mutual company's board of directors under this section.

(h) "Policy" means a policy or contract of insurance, including an annuity contract, issued by a converting mutual insurer or issued by a ~~stock reorganized~~ insurance company subsidiary of a mutual holding company, but excluding individual noncontributory insurance policies for which the premiums are paid by a financial institution, association, employer, or other institutional entity.

(i) "Active participating policy" means an individual policy of a converting mutual company or its subsidiary that: (1) is a participating policy; (2) is among a class of similar policies that have been credited with policy dividends at any time within the 12 months preceding the effective date of the conversion or that will, under the then current dividend scale, be credited with policy dividends if in force on a future policy anniversary; (3) gives rise to membership interests in the converting mutual company; and (4) is in force on the effective date or some other reasonable date identified in the plan.

(j) "Commissioner" means the commissioner of commerce.

(k) "Effective date of a conversion" means the date determined according to subdivision 6.

(l) "Record date" means the date that the converting mutual company's board of directors adopts a plan of conversion, unless another date is specified in the plan of conversion and approved by the commissioner.

(m) "Membership interests" means all rights as members of the converting mutual company, including, but not limited to, the rights to vote and to participate in any distributions of distributable net worth, whether or not incident to the company's liquidation.

(n) "Distributable net worth" means the value of the converting mutual company as of the record date of the conversion, or other date approved by the commissioner, determined as set forth in the plan and approved by the commissioner. The commissioner may approve a valuation method based on any of the following: (1) the surplus as regards policyholders of a converting mutual insurer determined according to statutory accounting principles, which may be adjusted to reflect the current market values of assets and liabilities, together with any other adjustments that are appropriate in the circumstances; (2) the net equity of a converting mutual holding company or a converting mutual insurer determined according to generally accepted accounting principles, which may be adjusted to reflect the current market values of assets and liabilities, together with any other adjustments that are appropriate in the circumstances; (3) the fair market value of the converting mutual company determined by an independent, qualified person; or (4) any other reasonable valuation method.

(o) "Permitted issuer" means: (1) a corporation organized and owned by the converting mutual company or by any other insurance company or insurance holding company for the purpose of purchasing and holding securities representing a majority of voting control of the reorganized company; (2) a stock insurance company owned by the converting mutual company or by any other insurance company or insurance holding company into which the converting mutual company will be merged; or (3) any other corporation approved by the commissioner.

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

Sec. 2. Minnesota Statutes 2004, section 60A.077, subdivision 1, is amended to read:

Subdivision 1. **Formation.** (a) A domestic mutual insurance company, upon approval of the commissioner, may reorganize by forming an insurance holding company based upon a mutual plan and continuing the corporate existence of the reorganizing insurance company as a stock insurance company. The commissioner, if satisfied that the interests of the policyholders are properly protected and that the plan of reorganization is fair and equitable to the policyholders, may approve the proposed plan of reorganization and may require as a condition of approval the modifications of the proposed plan of reorganization as the

commissioner finds necessary for the protection of the policyholders' interests. The commissioner shall retain jurisdiction over the mutual insurance holding company according to this section and chapter 60D to assure that policyholder and member interests are protected.

(b) All of the initial voting shares of the capital stock of the reorganized insurance company must be issued to the mutual insurance holding company or to an intermediate stock holding company. The membership interests of the policyholders of the reorganized insurance company become membership interests in the mutual insurance holding company. "Membership interests" means those interests described in section 60A.075, subdivision 1, paragraph ~~(tr)~~ (m). Policyholders of the reorganized insurance company shall be members of the mutual insurance holding company and their voting rights must be determined in accordance with the articles of incorporation and bylaws of the mutual insurance holding company. Policyholders of any other insurance company subsidiary of a mutual insurance holding company shall not be members of the mutual insurance holding company unless otherwise specified in the articles of incorporation or bylaws of the mutual insurance holding company. For purposes of this paragraph, "other insurance company subsidiary" means an insurance company subsidiary of a mutual insurance holding company that has not reorganized under this chapter or a comparable statute in another jurisdiction. The mutual insurance holding company shall, at all times, directly or through one or more intermediate stock holding companies, control a majority of the voting shares of the capital stock of the reorganized insurance company, taking into account any potential dilution resulting from convertible securities.

(c) A majority of the board of directors of a mutual insurance holding company must be disinterested directors. For purposes of this section, a director is disinterested if (i) the director is not or has not within the past two years been an officer or employee of the mutual insurance holding company or any subsidiary or predecessor corporation, and (ii) the director does not hold, directly or indirectly, a material ownership interest in any subsidiary of the mutual insurance holding company. An ownership interest is material if it represents more than one-half of one percent of the voting securities of the issuer, or a larger percentage as the commissioner may approve.

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

Sec. 3. Minnesota Statutes 2004, section 60A.077, subdivision 3, is amended to read:

Subd. 3. Plan of reorganization; approval by commissioner. (a) A reorganizing or merging insurer or a merging mutual insurance holding company shall, by the affirmative vote of a majority of its board of directors, adopt a plan of reorganization or merger consistent with the requirements of this section and file the plan with the commissioner. At any time before the approval of a plan by the commissioner, the company, by the affirmative vote of a majority of its directors, may amend or withdraw the plan. The plan must provide for the following:

(1) in the case of a reorganization under subdivision 1, establishing a mutual insurance holding company with at least one stock insurance company subsidiary, or in the case of a reorganization under subdivision 2, a description of the terms and conditions of the proposed merger;

(2) analyzing the benefits and risks attendant to the proposed reorganization, including the rationale for the reorganization and analysis of the comparative benefits and risks of a demutualization under section 60A.075;

(3) protecting the immediate and long-term interests of existing policyholders;

(4) ensuring immediate membership in the mutual insurance holding company of all existing policyholders of the reorganizing domestic insurance company;

(5) describing a plan providing for membership interests of future policyholders;

(6) describing the number of members of the board of directors of the mutual insurance holding company required to be policyholders;

(7) describing the mutual insurance holding company's plan for distributions to members or other uses of accumulated mutual holding company earnings;

(8) describing the nature and content of the annual report and financial statement to be sent or otherwise made available to each member;

(9) describing a plan to send or otherwise make available to members the annual report and financial statement;

(10) a copy of the proposed mutual insurance holding company's articles of incorporation and bylaws specifying all membership rights;

~~(10)~~ (11) the names, addresses, and occupational information of all corporate officers and members of the proposed mutual insurance holding company board of directors;

~~(11)~~ (12) information sufficient to demonstrate that the financial condition of the reorganizing or merging company will not be materially diminished upon reorganization, including information concerning any subsidiaries of the reorganizing or merging insurers that will become subsidiaries of the mutual insurance holding company or an intermediate holding company as part of the reorganization;

~~(12)~~ (13) a copy of the articles of incorporation and bylaws for any proposed insurance company subsidiary or intermediate holding company subsidiary;

~~(13)~~ (14) describing any plans for an initial sale or subscription of stock or other securities of the reorganized insurance company or any intermediate holding company; and

~~(14)~~ (15) any other information requested by the commissioner or required by rule.

(b) The commissioner may approve the plan upon finding that the requirements of this section have been fully met and the plan will protect the immediate and long-term interests of policyholders.

(c) The commissioner may retain, at the reorganizing or merging mutual company's expense, any qualified experts not otherwise a part of the commissioner's staff to assist in reviewing the plan.

(d) The commissioner may, but need not, conduct a public hearing regarding the proposed plan. The hearing must be held within 30 days after submission of a completed plan of reorganization to the commissioner. The commissioner shall give the reorganizing mutual company at least 20 days' notice of the hearing. At the hearing, the reorganizing mutual company, its policyholders, and any other person whose interest may be affected by the proposed reorganization, may present evidence, examine and cross-examine witnesses, and offer oral and written arguments or comments according to the procedure for contested cases under chapter 14. The persons participating may conduct discovery proceedings in the same manner as prescribed for the district courts of this state. All discovery proceedings must be concluded no later than three days before the scheduled commencement of the public hearing.

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

Sec. 4. Minnesota Statutes 2004, section 60A.077, is amended by adding a subdivision to read:

Subd. 13. Conversion. (a) With the approval of the commissioner, a domestic insurance company that previously reorganized under this section into a stock subsidiary of a mutual insurance holding company may convert back into a mutual insurance company. It shall effect the conversion by merging with its parent mutual insurance holding company (a "parent mutual"), but only if the parent mutual owns or controls, directly or indirectly, all of the voting shares of capital stock of the reorganized insurance company. The reorganized subsidiary, as the surviving company, shall continue its corporate existence as

a domestic mutual insurance company (a "remutualized company"). A conversion under this subdivision may, but need not, occur in connection with the simultaneous or subsequent merger of the remutualized company with a domestic or foreign mutual insurance company. Section 61A.37 is not applicable to a conversion under this subdivision.

(b) The conversion can be effected by the parent mutual pursuant to a plan of conversion adopted as follows:

(1) The parent mutual shall, by the affirmative vote of a majority of its board of directors, adopt a plan of conversion consistent with the requirements of this subdivision.

(2) The parent mutual, by the affirmative vote of a majority of its board of directors, may amend the plan at any time before approval of the plan by the commissioner and may withdraw the plan at any time before the effective date of the plan.

(3) The duties of the board of directors of the parent mutual, in considering or acting upon a proposed plan of conversion or related transaction, shall be as set forth in section 302A.251 and, to the extent not inconsistent with that section, the parent mutual's articles of incorporation and bylaws.

(c) The parent mutual shall file with the commissioner an application for approval of, and permission to carry out the reorganization according to, the plan of conversion. The application must include the following:

(1) the plan of conversion;

(2) the form of notice of meeting for eligible members to vote on the plan;

(3) the form of any proxies to be solicited from eligible members;

(4) the proposed articles of incorporation and bylaws of the remutualized company;

(5) information required under chapter 60D if the plan results in a change of control of the remutualizing company;

(6) if required by the commissioner, an independent actuarial opinion on matters affecting the structure or fairness of the plan; and

(7) other information or documentation required by the commissioner or required by rule.

(d) The commissioner shall determine, within 30 days of submission of the application, whether the application is complete.

(e) If the plan of conversion proposes a simultaneous merger of the remutualized company with a foreign or domestic mutual insurance company, the commissioner may conduct concurrent proceedings under this subdivision and section 60A.16.

(f) The commissioner may retain, at the parent mutual's expense, qualified experts not otherwise a part of the commissioner's staff, including without limitation, actuaries, accountants, investment bankers, and attorneys, to assist in reviewing the plan and supplemental materials and valuations.

(g) The commissioner may, but need not, conduct a public hearing regarding the proposed plan of conversion. If a hearing is to be held, the commissioner shall designate a date for the public hearing promptly upon determining that the application is complete and that the forms of notice are adequate. The public hearing must be held on one or more days, the first beginning within 90 days after the date on which the commissioner determines the application is complete, unless the parent mutual requests, and the commissioner agrees to, a longer period for the purpose of preparing and distributing the notices required by this paragraph and by paragraph (i), clause (1). The hearing shall be in the nature of a legislative hearing and shall not constitute or be considered a contested case under chapter 14. The hearing may be

conducted by the commissioner or by a person designated by the commissioner, which designee may be an administrative law judge. The parent mutual shall provide its eligible members with at least 45 days' notice of the hearing, the notice to be in the form, and provided in a manner, approved by the commissioner. The purpose of the hearing is to receive comments and information for the purpose of aiding the commissioner in making a decision on the plan of conversion. Persons wishing to make comments and submit information may submit written statements before the public hearing and may appear and be heard at the hearing. The commissioner's order or determination must be issued within 45 days after the closing of the record of the hearing by the commissioner or the hearing officer, as applicable, which record must not be closed until the record includes certification of the vote on the plan of conversion by the eligible members of the parent mutual. The commissioner shall issue a written decision detailing the reasons why the parent mutual company's plan of conversion is approved or disapproved.

(h) The commissioner shall approve the application and permit the conversion according to the plan if the commissioner finds that:

(1) the provisions of this subdivision have been fully met; and

(2) the plan is not unfair or inequitable to the members of the parent mutual.

The commissioner's order approving or disapproving a plan of conversion is a final agency decision subject to appeal according to sections 14.63 to 14.68.

(i)(1) No later than 90 days following the date of the public hearing, if any, or the date the commissioner determines the application is complete if no hearing is held, the parent mutual shall give all eligible members notice of a regular or special meeting of the members called for the purpose of considering the plan and any corporate actions that are a part of, or are reasonably attendant to, the accomplishment of the plan, including without limitation, any proposed merger of the remutualizing company with a domestic or foreign mutual insurance company.

(2) A copy of the plan or a summary of the plan must accompany the notice. The notice must be mailed to each eligible member's last known address, as shown on the parent mutual's records, not less than 45 days before the date of the meeting, unless the commissioner directs a later date for mailing. If the meeting to vote upon the plan is held coincident with the parent mutual's annual meeting of members, only one combined notice of meeting is required. The notice of the meeting of eligible members may be combined with the notice of hearing described in paragraph (g).

(3) If the parent mutual complies substantially and in good faith with the notice requirements of this section, the parent mutual's failure to give any member or members required notice does not impair the validity of an action taken under this section.

(j)(1) The plan must be adopted upon receiving the affirmative vote of a majority of the votes cast by eligible members.

(2) Eligible members may vote in person or by proxy. The form of any proxy must be filed with and approved by the commissioner.

(k)(1) Following approval by the eligible members, the parent mutual shall file a copy of the converting subsidiary's amended or restated articles of incorporation with the commissioner, together with a certified copy of the minutes of the meeting of the members of the parent mutual at which the plan was adopted and a certified copy of the plan. The commissioner shall review and, if appropriate, approve the amended or restated articles. After approval by the commissioner, the parent mutual shall file the articles with the secretary of state as provided by section 60A.07, subdivision 1d, and chapter 302A.

(2) The conversion is effective on the date of filing an amendment or restatement of the articles of incorporation with the secretary of state, or on a later date if the plan so specifies.

(l) Upon the effective date of the conversion in accordance with this subdivision:

(1) The corporate existence of the parent mutual is continued in the converted subsidiary. All the rights, privileges, powers, franchises, and interests of the parent mutual in and to all property and things in action belonging to the parent company are considered transferred to and vested in the converted subsidiary without any deed or transfer. Simultaneously, the converted subsidiary is considered to have assumed all the obligations and liabilities of the parent mutual.

(2) The directors and officers of the parent mutual, unless otherwise specified in the plan of conversion, shall serve as directors and officers of the converted subsidiary until new directors and officers of the converted subsidiary are duly elected according to the articles of incorporation and bylaws of the converted subsidiary.

(3) All policies issued by the converted subsidiary in force on the effective date of the conversion remain in force subject to the terms of those policies, except that the membership interests in the parent mutual shall become membership interests in the converted subsidiary, and member voting rights in the converted subsidiary shall be exclusively governed by the converted subsidiary's articles and bylaws.

(4) Except as otherwise provided in the plan of conversion, the converted subsidiary is no longer subject to the requirements of subdivisions 1 to 12 of this section or to the terms of the original plan of reorganization.

(5) At the effective time of the merger, all of the voting shares of capital stock of the converted subsidiary shall be deemed to be redeemed and canceled.

(6) Any provisions of the original plan of reorganization pertaining to the protection of reasonable policyholder dividend expectations may be continued, modified, or extinguished as provided under the plan of conversion and approved by the commissioner.

(m) No director, officer, agent, employee of the parent mutual or the converting subsidiary, or any other person shall receive a fee, commission, or other valuable consideration, other than the person's usual regular salary and compensation, for in any manner aiding, promoting, or assisting in the conversion except as set forth in the plan approved by the commissioner. This provision does not prohibit the payment of reasonable fees and compensation to attorneys, accountants, investment bankers, and actuaries for services performed in the independent practice of their professions.

(n) All the costs and expenses connected with a plan of conversion must be paid for or reimbursed by the parent mutual or converted subsidiary except where the plan provides otherwise.

(o)(1) An action challenging the validity of or arising out of acts taken or proposed to be taken according to this section must be commenced within 180 days after the effective date of the conversion.

(2) The parent mutual, the converted subsidiary, or any defendant in an action described in clause (1) may petition the court in the action to order a party to give security for the reasonable attorney fees that may be incurred by a party to the action. The amount of security may be increased or decreased in the discretion of the court having jurisdiction if a showing is made that the security provided is or may become inadequate or excessive.

(p) For purposes of this subdivision, the following terms have the meanings given.

(1) "Eligible member" means a person who is a member of the parent mutual, as defined by the parent mutual's articles of incorporation and bylaws, determined as of the record date.

(2) "Membership interests" means all rights as members of the parent mutual, including, but not limited to, the rights to vote.

(3) "Plan of conversion" or "plan" means a plan adopted by a parent mutual's board of directors under this section.

(4) "Record date" means the date that the parent mutual's board of directors adopts a plan of conversion, unless another date is specified in the plan of conversion and approved by the commissioner.

(5) "Converted subsidiary" means a converting subsidiary that has converted into a mutual insurance company under this subdivision.

(6) "Converting subsidiary" means a Minnesota domestic insurance company that previously reorganized under this section that is seeking to convert back into a mutual insurance company in accordance with this subdivision.

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

Sec. 5. Minnesota Statutes 2004, section 60A.207, is amended to read:

60A.207 POLICIES TO INCLUDE NOTICE.

Each policy, cover note, or instrument evidencing surplus lines insurance from an eligible surplus lines insurer which is delivered to an insured or a representative of an insured shall have printed, typed, or stamped ~~inserted~~ upon its face in not less than 10 point type, the following notice: "THIS INSURANCE IS ISSUED PURSUANT TO THE MINNESOTA SURPLUS LINES INSURANCE ACT. THE INSURER IS AN ELIGIBLE SURPLUS LINES INSURER BUT IS NOT OTHERWISE LICENSED BY THE STATE OF MINNESOTA. IN CASE OF INSOLVENCY, PAYMENT OF CLAIMS IS NOT GUARANTEED." This notice shall not be covered or concealed in any manner.

Sec. 6. Minnesota Statutes 2004, section 60D.19, subdivision 1, is amended to read:

Subdivision 1. **Registration.** Every insurer that is authorized to do business in this state and that is a member of an insurance holding company system shall register with the commissioner, except a foreign insurer subject to registration requirements and standards adopted by statute or regulation in the jurisdiction of its domicile that are substantially similar to those contained in:

(1) this section;

(2) section 60D.20, subdivisions 1, paragraph (a); 2; and 4; and

(3) either section 60D.20, subdivision 1, paragraph (b), or a provision such as the following: Each registered insurer shall keep current the information required to be disclosed in its registration statement by reporting all material changes or additions within 15 days after the end of the month in which it learns of each such change or addition.

Any insurer that is subject to registration under this section shall register within 15 days after it becomes subject to registration, and annually thereafter by ~~March~~ June 1 of each year for the previous calendar year, unless the commissioner for good cause shown extends the time for registration, and then within such extended time. The commissioner may require any insurer authorized to do business in the state that is a member of a holding company system, and that is not subject to registration under this section, to furnish a copy of the registration statement, the summary specified in subdivision 3 or other information filed by the insurance company with the insurance regulatory authority of domiciliary jurisdiction.

Sec. 7. Minnesota Statutes 2004, section 60K.56, subdivision 5, is amended to read:

Subd. 5. **Criteria for course accreditation.** (a) The commissioner may accredit a course only to the extent it is designed to impart substantive and procedural knowledge of the insurance field. The burden of demonstrating that the course satisfies this requirement is on the individual or organization seeking

accreditation. The commissioner shall approve any educational program approved by Minnesota Continuing Legal Education relating to the insurance field. The commissioner is authorized to establish a procedure for renewal of course accreditation.

(b) The commissioner shall approve or disapprove professional designation examinations that are recommended for approval by the advisory task force. In order for an insurance producer to receive full continuing education credit for a professional designation examination, the producer must pass the examination. A producer may not receive credit for classroom instruction preparing for the professional designation examination and also receive continuing education credit for passing the professional designation examination.

(c) The commissioner may not accredit a course:

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

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

~~(3) (2) in sales promotion, including meetings held in conjunction with the general business of the licensed agent; or~~

~~(4) (3) in motivation, the art of selling, or psychology, or time management.~~

Sec. 8. Minnesota Statutes 2004, section 60K.56, subdivision 6, is amended to read:

Subd. 6. **Minimum education requirement.** Each person subject to this section shall complete a minimum of 30 credit hours of courses accredited by the commissioner during each 24-month licensing period. Any person whose initial licensing period extends more than six months shall complete 15 hours of courses accredited by the commissioner during the initial license period. Any person teaching or lecturing at an accredited course qualifies for three times the number of credit hours that would be granted to a person completing the accredited course. No more than one-half of the credit hours per licensing period required under this section may be credited to a person for attending any combination of courses either sponsored by, offered by, or affiliated with an insurance company or its agents; or offered using new delivery technology, including computer, interactive technology, and the Internet. A licensee may obtain up to five hours of the credit hours per licensing period from classes in the area of professional development including, but not limited to, best practices, ethics, privacy protection, customer/client, personal and safety awareness, software applications, agency management, claims settlement, business perpetuation, and disaster planning. Courses sponsored by, offered by, or affiliated with an insurance company or agent may restrict its students to agents of the company or agency.

Sec. 9. Minnesota Statutes 2004, section 64B.13, is amended to read:

64B.13 REINSURANCE.

(a) A domestic society may, by a reinsurance agreement, cede any individual risk or risks in whole or in part to an insurer, other than another fraternal benefit society, having the power to make such reinsurance and authorized to do business in this state, or if not so authorized, one which is approved by the commissioner, but no such society may reinsure substantially all of its insurance in force without the written permission of the commissioner. It may take credit for the reserves on the ceded risks to the extent reinsured, but no credit shall be allowed as an admitted asset or as a deduction from liability to a ceding society for reinsurance made, ceded, renewed, or otherwise becoming effective after August 1, 1985, unless the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding society under the contract or contracts reinsured without diminution because of the insolvency of the ceding society.

(b) Notwithstanding the limitation in paragraph (a), a society may reinsure the risks of another society in a consolidation or merger approved by the commissioner under section 64B.14, or under such other circumstances as approved by the commissioner including reinsurance of an affiliated insurance company.

Sec. 10. Minnesota Statutes 2005 Supplement, section 66A.02, subdivision 2, is amended to read:

Subd. 2. **Mutual holding companies.** For purposes of sections 66A.01 to 66A.07 and 66A.21, ~~the term~~ unless the context clearly suggests otherwise, "domestic mutual insurance company" is deemed to include domestic mutual insurance holding companies organized under section 60A.077 and the term "member" is deemed to include members of a domestic mutual insurance holding company as specified in section 60A.077, subdivision 1, paragraph (b). For purposes of section 60A.07, subdivisions 1, 1a, ~~1b~~, 1c, 1d, and 1e, a domestic mutual insurance holding company is deemed to be an insurance corporation.

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

Sec. 11. Minnesota Statutes 2005 Supplement, section 66A.02, subdivision 3, is amended to read:

Subd. 3. **Terms.** For purposes of applying chapter 302A to domestic mutual insurance companies, members of a domestic mutual insurance company must be treated in the same manner as shareholders of a stock corporation, except as otherwise provided in this chapter. Every member of the mutual insurance company shall be deemed to hold one share of the company for purposes of applying provisions of chapter 302A relating to voting. Mutual insurance companies are not included in the definitions of "closely held corporation," "publicly held corporation," or "issuing public corporation." The term "distribution" does not include dividends paid on participating policies issued by the mutual insurance company or any reorganized insurance company subsidiary in the case of a mutual insurance holding company.

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

Sec. 12. Minnesota Statutes 2005 Supplement, section 66A.07, subdivision 2, is amended to read:

Subd. 2. **Life insurance companies.** (a) Unless otherwise approved by the commissioner of commerce, a domestic mutual life insurance company member is any person who is listed on the records of the company as the owner of an in-force policy, and each member is entitled to one vote regardless of the number of policies owned by the member or the amounts of coverage provided to the member. For purposes of this section, "policy" means a policy or contract of insurance, including an annuity contract issued by the company, but excluding individual noncontributory insurance policies for which the premiums are paid by a financial institution, association, employer, or other institutional entity. Except as otherwise provided in the company's certificate or bylaws, a person ~~insured~~ covered under a group policy is not a member by virtue of such coverage, ~~unless~~ except that a person insured under a group life insurance policy is a member if: (1) the person is insured ~~or covered~~ under a group life policy ~~or group annuity contract~~ under which ~~funds are~~ cash value has accumulated and been allocated to the respective covered insured persons; and (2) ~~the person has the right to direct the application of the funds so allocated;~~ (3) the group policyholder makes no contribution to the premiums or deposits for the policy ~~or contract;~~ and (4) ~~the company has the names and addresses of the persons covered under the group life policy or group annuity contract.~~

(b) Every member of a mutual life insurance company must be notified of its annual meetings by a written notice mailed to the member's address, or by an imprint on the front or back of the policy, premium notice, receipt, or certificate of renewal, substantially as follows:

"The policyowner is hereby notified that by virtue of his or her ownership of this policy, the policyowner is a member of the Insurance Company, and that the annual meetings of said company are held at its home office on the day of in each year, at o'clock."

For mutual life insurance holding companies, the notice of the annual meeting may be modified to reflect that the policyowner, by virtue of his or her ownership of a policy issued by a subsidiary insurance company reorganized under section 60A.077, is a member of the mutual insurance holding company. Notice given in this manner is deemed to comply with the requirements of section 302A.435.

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

Sec. 13. Minnesota Statutes 2004, section 67A.14, subdivision 5, is amended to read:

Subd. 5. **What may not be insured; property outside designated territory; exceptions.** (a) No township mutual insurance company shall insure any property in cities of the first or second class.

(b) If by annexation or other growth in population a city, town, township or unorganized territory or any portion thereof is reclassified into a city of the second class, a township mutual insurance company may ~~continue to~~ do business in that portion of the city in which it was authorized to do business prior to the reclassification.

(c) A township mutual insurance company may insure any real or personal property, including qualified or secondary property, subject to the limitations in subdivision 1, paragraph (b), located outside of the limits of the territory in which the company is authorized by its certificate or articles of incorporation to transact business, if the company is already covering qualified property belonging to the insured, inside the limits of the company's territory.

(d) A township mutual fire insurance company may insure property temporarily outside of the authorized territory of the township mutual insurance company.

(e) Except as otherwise provided in paragraph (b) or elsewhere in this chapter, a company may operate in adjoining cities of the second class if approval has been granted by the commissioner.

Presented to the governor May 15, 2006

Signed by the governor May 18, 2006, 7:00 p.m.