

CHAPTER 72C

READABILITY OF INSURANCE POLICIES

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**72C.01 CITATION.** Sections 72C.01 to 72C.13 may be cited as the "Readability of Insurance Policies Act".

[ 1977 c 345 s 1 ]

**72C.02 PURPOSE.** The purpose of sections 72C.01 to 72C.13 is to provide that insurance policies and contracts be readable and understandable to a person of average intelligence, experience, and education. All insurers shall be required by sections 72C.01 to 72C.13 to use policy and contract forms which are written in simple and commonly used language, which are logically and clearly arranged, which are printed in a legible format, and which are generally understandable. It is not the intent of sections 72C.01 to 72C.13 to mandate, require or allow alteration of the legal effect of any provision of any insurance policy or contract.

[ 1977 c 345 s 2 ]

**72C.03 SCOPE.** Except as otherwise specifically provided, sections 72C.01 to 72C.13 shall apply to all policies or contracts of direct insurance, issued by persons authorized at any time to transact insurance in this state and including nonprofit health service plan corporations under chapter 62C, health maintenance organizations under chapter 62D, assessment benefit associations under chapter 63, and fraternal beneficiary associations under chapter 64A. Sections 72C.01 to 72C.13 shall not apply to insurance as described in section 60A.20, subdivision 17, clauses (2) and (3), and the master contract for any policy of group insurance when the group consists of ten or more persons. Sections 72C.01 to 72C.13 shall not apply to policies or contracts issued prior to July 1, 1980 under which there is no unilateral right of the insurer to cancel, nonrenew, amend or change in any way, unless the policy or contract is amended or changed by mutual agreement of the parties. Sections 72C.01 to 72C.13 shall not apply to a new policy or contract written in language other than English.

[ 1977 c 345 s 3 ]

**72C.04 DEFINITIONS.** Subdivision 1. For purposes of sections 72C.01 to 72C.13, the following terms shall have the meanings given them.

Subd. 2. "Commissioner" means the commissioner of insurance or his designated agent.

Subd. 3. "Flesch scale analysis readability score" means a measurement of the ease of readability of a policy or contract made pursuant to the procedures prescribed in section 72C.09.

Subd. 4. "Insurance policy or contract" or "policy" means any written agreement within the scope of sections 72C.01 to 72C.13 whereby one person, for consideration, undertakes to indemnify another person or persons to a specified amount against loss or damages from specified causes, or to do some act of value to the insured in case of specified loss or damage. The agreements specifically include a nonprofit health service plan subscriber contract under chapter 62C, a health maintenance contract under chapter 62D, and a membership certificate in an assessment benefit association under chapter 63, or a fraternal beneficiary association under chapter 64A.

Subd. 5. "Insurer" means every person entering insurance policies or contracts as a principal.

Subd. 6. "Legible type" means a type face at least as large as ten point modern type, one point leaded.

Subd. 7. "Person" means any individual, corporation, partnership, association, business trust or voluntary organization.

[ 1977 c 345 s 4 ]

**72C.05 COVER SHEET REQUIREMENTS.** Subdivision 1. All insurance policies or contracts described in section 72C.11, clauses (a) and (b) issued, amended or renewed after July 1, 1978 and before the filing requirements of section 72C.10 take effect shall contain as the first page or first page of text, if it is preceded by a title page or pages, a cover sheet or sheets as provided in this section.

Subd. 2. The cover sheet or sheets shall be printed in legible type and readable language, as provided in section 72C.06, and shall contain at least the following:

(a) A brief statement that the policy is a legal contract between the policy owner and the company;

(b) The statement "READ YOUR POLICY CAREFULLY. This cover sheet provides only a brief outline of some of the important features of your policy. This is not the insurance contract and only the actual policy provisions will control. The policy itself sets forth, in detail, the rights and obligations of both you and your insurance company. IT IS THEREFORE IMPORTANT THAT YOU READ YOUR POLICY CAREFULLY."; and

(c) An index of the major provisions of the policy or contract and the pages on which they are found which may include the following items:

(1) the person or persons insured by the policy,

(2) the applicable events, occurrences, conditions, losses or damages covered by the policy,

(3) the limitations or conditions on the coverage of the policy,

(4) definitional sections of the policy,

(5) provisions governing the procedure for filing a claim under the policy,

(6) provisions governing cancellation, renewal, or amendment of the policy by either the insurer or the policyowner,

(7) any options under the policy, and

(8) provisions governing the insurer's duties and powers in the event that suit is filed against the insured.

Subd. 3. The cover sheet may include, either as part of the index or as a separate section, a brief summary of the extent and types of coverage in the policy.

Subd. 4. No cover sheet shall be used unless it has been filed with and approved by the commissioner. The cover sheet shall be deemed approved 30 days after filing unless disapproved by the commissioner within the 30 day period, subject to a reasonable extension of time as the commissioner may require by notice given within the 30 day period. The commissioner shall disapprove any cover sheet which does not meet the requirements of this section. Any disapproval shall be delivered to the insurer in writing, stating the grounds therefor.

Subd. 5. In lieu of the cover sheet required by this section, the insurer may file a policy or contract with the commissioner under the provisions of sections 72C.06 to 72C.08.

[ 1977 c 345 s 5 ]

**72C.06 READABILITY.** Subdivision 1. All insurance policies filed with the commissioner pursuant to section 72C.11 shall be written in language easily readable and understandable by a person of average intelligence and education.

Subd. 2. In determining whether a policy or contract is readable within the meaning of this section the commissioner shall consider, at least, the following factors:

(a) the simplicity of the sentence structure and the shortness of the sentences used;

(b) the extent to which commonly used and understood words are employed;

(c) the extent to which legal terms are avoided;

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(d) the extent to which references to other sections or provisions of the contract are minimized;

(e) the extent to which definitional provisions are incorporated in the text of the policy or contract; and

(f) any additional factors relevant to the readability or understandability of an insurance policy or contract which the commissioner may prescribe by rule.

[ 1977 c 345 s 6 ]

**72C.07 LEGIBILITY.** Subdivision 1. All insurance policies covered by section 72C.11 shall be printed in legible type and in a type face style approved by the commissioner. The commissioner shall by emergency rule establish a list of type face styles which he will approve as acceptable not later than January 1, 1978.

Subd. 2. In determining whether a policy or contract is legible the commissioner shall consider, in addition to the requirements of subdivision 1 relating to type face size and style, the following factors:

(a) margin size;

(b) contrast and legibility of the color of the ink and paper;

(c) the amount and use of space to separate sections of the policy;

(d) the use of contrasting titles or headings for sections or similar aids; and

(e) any additional factors relevant to legibility which the commissioner may prescribe by rule.

[ 1977 c 345 s 7 ]

**72C.08 FORMAT REQUIREMENTS.** Subdivision 1. All insurance policies and contracts covered by section 72C.11 shall be written in a logical, clear, and understandable order and form and shall contain at least the following items:

(a) on the cover or first or an insert page of the policy a statement that the policy is a legal contract between the policyowner and the company and the statement, printed in larger or other contrasting type or color, "Read your policy carefully";

(b) an index of the major provisions of the policy or contract, which may include the following items:

(1) the person or persons insured by the policy;

(2) the applicable events, occurrences, conditions, losses or damages covered by the policy;

(3) the limitations or conditions on the coverage of the policy;

(4) definitional sections of the policy;

(5) provisions governing the procedure for filing a claim under the policy;

(6) provisions governing cancellation, renewal, or amendment of the policy by either the insurer or the policyowner;

(7) any options under the policy; and

(8) provisions governing the insurer's duties and powers in the event that suit is filed against the insured.

Subd. 2. In determining whether a policy or contract is written in a logical, clear, and understandable order and form the commissioner shall consider the following factors:

(a) the extent to which each provision for coverage is stated separately in a self-contained section, including the conditions relating to or limiting that section's effect;

(b) the extent to which sections or provisions are set-off and clearly identified by titles, headings, or margin notations;

(c) the use of a more easily understandable format such as narrative or outline forms; and

(d) any additional factors relevant to a logical, clear, and understandable format which the commissioner may prescribe by rule.

[ 1977 c 345 s 8 ]

**72C.09 FLESCH SCALE ANALYSIS READABILITY SCORE, PROCEDURES.** A Flesch scale analysis readability score shall be measured as provided in this section.

(1) For contracts containing 10,000 words or less of text, the entire contract shall be analyzed. For contracts containing more than 10,000 words the readability of two 200 word samples per page may be analyzed in lieu of the entire contract. The samples shall be separated by at least 20 printed lines. For purposes of this clause a word shall be counted as 5 printed characters or spaces between characters.

(2) (a)(i) The number of words and sentences in the text shall be counted and the total number of words divided by the total number of sentences. The figure obtained shall be multiplied by a factor of 1.015.

(ii) The total number of syllables shall be counted and divided by the total number of words. The figure obtained shall be multiplied by a factor of 84.6.

(iii) The sum of the figures computed under (i) and (ii) subtracted from 206.835 equals the Flesch scale analysis readability score for the policy or contract.

(b) For purposes of clause (a) the following procedures shall be used:

(i) A contraction, hyphenated word, or numbers and letters, when separated by spaces, shall be counted as one word;

(ii) A unit of words ending with a period or colon, but excluding headings, captions, and lists, shall be counted as a sentence; and

(iii) A syllable means a unit of spoken language consisting of one or more letters of a word as divided by an accepted dictionary. Where the dictionary shows two or more equally acceptable pronunciations of a word, the pronunciation containing fewer syllables may be used.

[ 1977 c 345 s 9 ]

**72C.10 FILING REQUIREMENTS; DUTIES OF THE COMMISSIONER.** Subdivision 1. No insurer shall make, issue, amend, or renew any policy or contract after the dates specified in section 72C.11 for the applicable type of policy unless the contract is in compliance with the requirements of sections 72C.06 to 72C.09 and unless the contract is filed with the commissioner for his approval. The contract shall be deemed approved 90 days after filing unless disapproved by the commissioner within the 90 day period. The commissioner shall not unreasonably withhold his approval. Any disapproval shall be delivered to the insurer in writing, stating the grounds therefor. Any policy filed with the commissioner shall be accompanied by a Flesch scale readability analysis and test score and by the insurer's certification that the policy or contract is in its judgment readable based on the factors specified in sections 72C.06 to 72C.08.

Subd. 2. The commissioner shall disapprove any contract or policy covered by subdivision 1 if he finds that:

(a) it is not accompanied by a certified Flesch scale analysis readability score of more than 40;

(b) it is not accompanied by the insurer's certification that the policy or contract is in its judgment readable under the standards of sections 72C.01 to 72C.13;

(c) it does not comply with the readability standards established by section 72C.06;

(d) it does not comply with the legibility standards established by section 72C.07; or

(e) it does not comply with the format requirements established by section 72C.08.

[ 1977 c 345 s 10 ]

**72C.11 APPLICATION TO POLICIES, DATES; DUTIES OF THE COMMISSIONER.** Subdivision 1. The filing requirements of section 72C.10 shall apply as follows:

(a) To all policies of private passenger vehicle insurance, as described in chapter 65B, and to all policies of homeowner's insurance as defined in the general custom and usage of the business or by a ruling of the commissioner or a court, which are made, issued, amended or renewed after July 1, 1979;

(b) To all policies of life insurance as defined in section 60A.06, subdivision 1, clause (4), to all certificates of a fraternal beneficiary association, as defined in section 64A.31, to all policies of accident and health insurance, as defined in section 60A.06, subdivision 1, clause (5), paragraph (a), to all subscriber contracts of nonprofit health service corporations as defined in section 62.02, and to all health maintenance contracts as defined in section 62D.02, which are made, issued, amended or renewed after July 1, 1980; and

(c) To all policies of any additional line or type of insurance within the scope of sections 72C.01 to 72C.13, as provided by any rule promulgated by the commissioner not later than July 1, 1981.

Subd. 2. The commissioner shall make the following reports to the legislature:

(a) On or before February 1, 1979 a report detailing and evaluating the efforts made by the commissioner and insurers to implement the provisions of subdivision 1, clause (a), and particularly examining the feasibility and practicality of requiring accident and health and life insurance policies to comply with sections 72C.01 to 72C.13 and in the time prescribed;

(b) On or before February 1, 1980 a report detailing and evaluating (1) the operation of and the extent of compliance with sections 72C.01 to 72C.13, (2) the efforts made by the commissioner and insurers to implement the provisions of subdivision 1, clause (b), and (3) the commissioner's intent regarding the extension of the application of sections 72C.01 to 72C.13 to other lines and types of insurance under subdivision 1, clause (c), and his reasons therefor.

[ 1977 c 345 s 11 ]

**72C.12 COMMISSIONER'S POWERS AND DUTIES.** In addition to the duties and powers enumerated elsewhere in sections 72C.01 to 72C.13 the commissioner shall have the power to promulgate rules consistent with sections 72C.01 to 72C.13 to effectuate its purpose.

[ 1977 c 345 s 12 ]

**72C.13 CONSTRUCTION.** Subdivision 1. Sections 72C.01 to 72C.13 shall not operate to relieve any insurer from any provision of law regulating the contents or provisions of insurance policies, except to the extent that the provisions prescribe the use of specific language which is inconsistent with sections 72C.01 to 72C.13.

Subd. 2. No alteration in the language of the Minnesota standard fire insurance policy under section 65A.01 or the standard provisions of health insurance policies under section 62A.04, as authorized by sections 72C.01 to 72C.13, shall be construed to limit or reduce an insured's or beneficiary's rights granted under those statutory provisions.

[ 1977 c 345 s 13 ]