CHAPTER 66A

MUTUAL COMPANIES

66A.01 SCOPE OF CHAPTER.

This chapter shall apply to mutual insurance companies other than: life insurance companies, assessment benefit associations, fraternal benefit associations, township mutual insurance companies and title insurance companies.

History: *1967 c 395 art 7 s 1*

ORGANIZATION

66A.02 APPLICABILITY OF GENERAL CORPORATION STATUTES.

Chapter 300 shall apply to domestic mutual insurance companies except where in conflict with the express provisions of this chapter and the reasonable implication of such provisions.

History: *1967 c 395 art 7 s 2*

66A.03 INCORPORATION.

Domestic mutual insurance companies are incorporated under the provisions of chapter 300. Except as otherwise provided in this chapter, the certificate or articles of incorporation shall comply with section 300.025.

History: *1967 c 395 art 7 s 3*

66A.04 AMENDMENT OF CERTIFICATE OR ARTICLES OF INCORPORATION.

The procedure for amendment of certificate or articles of incorporation is governed by section 60A.07, subdivision 8, clause (1).

History: *1967 c 395 art 7 s 4*

66A.05 BYLAWS; ADOPTION; AMENDMENT.

The procedure for adoption and amendment of bylaws is governed by section 60A.07, subdivision 8, clause (3).

History: *1967 c 395 art 7 s 5*

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66A.06 RENEWAL OF CORPORATE EXISTENCE.

The procedure for renewal of corporate existence for mutual companies having a limited period of existence is governed by section 60A.07, subdivision 8, clause (2).

History: *1967 c 395 art 7 s 6*

66A.07 MEMBERSHIP; MEETINGS; NOTICES; VOTING.

Every policyholder in a mutual insurance company shall be a member thereof while the policy is in force, entitled to one vote for each policy held, and notified of the time and place of holding its meetings either personally or by imprint upon the back of every policy, or in the premium notice, receipt or certificate of renewal, substantially as follows:

"NOTICE OF ANNUAL MEETING

The policyholder named herein is hereby notified : while this policy is in force you are by virtue thereof a member of the (name of company) and that the annual meeting of said company is held at its home office at (address) on the ..... day of ..... each year at ..... o'clock ..... m."

History: *1967 c 395 art 7 s 7; 1986 c 444*

66A.075 CONVERSION TO STOCK INSURANCE COMPANY.

The procedure for conversion of a domestic mutual corporation into a stock insurance corporation is governed by section 60A.07, subdivision 8, clause (4).

History: *1969 c 598 s 2*

REGULATION

66A.08 REQUIREMENTS.

Subdivision 1. **Casualty lines.** No mutual insurance company hereafter organized shall be licensed to transact any of the kinds of business specified in section 60A.06, subdivision 1, clause (3), (5), (6), (8), (9), (10), (12), (13), (14), or (15), except upon compliance with the following conditions:

(1) It shall have not less than 300 bona fide applications for policies of insurance of each kind sought to be written, signed by at least 300 members, covering at least 300 separate risks, each risk, within the maximum net single risk described in clause (2) and one year's premiums thereon paid in cash, and admitted assets of not less than $100,000, which admitted assets shall not be less than five times the maximum net single risk, and shall have on deposit with the commissioner in accordance with section 60A.10, subdivision 4, as security for all of its policyholders, stock or bonds of this state or of the United States or bonds of any of the municipalities of this state, or personal obligations secured by first mortgage on real estate within this state worth, exclusive of buildings, the amount of the lien, and bearing interest of not less than three percent per annum, to an amount the actual market value of which, exclusive of interest, shall never be less than $100,000.

No such company shall be authorized to insure against loss or damage by the bodily injury or death by accident of any person employed by the insured, for which the insured is liable under the workers' compensation law, unless and until the company complies with the provisions of subdivision 4;

(2) It shall not expose itself to any loss on any one risk or hazard, except as provided in this clause, in an amount exceeding ten percent of its net assets, actual and contingent. For the purposes of this section contingent assets mean the aggregate amount of the contingent liability of its members for the payment of loss and expenses not provided for by its cash funds. Contingent liability, for the purposes of this section, means an amount not to exceed one annual premium as stated in the policy. No portion

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ation may be made either with or without the seal thereof and they shall be signed by the president, or such other officers as may be designated by the directors for that purpose, and attested by the secretary.

(b) **Classification of risks.** The board of directors may divide the subscribers into groups in accordance with the nature of their business and the probable risk of injury therein. In such case they shall fix all premiums, make all assessments, and determine and pay all dividends by and for each group in accordance with the experience thereof, but all funds of the association and the contingent liability of all subscribers shall be available for the payment of any claim against the association; provided, that (as between the association and its subscribers) until the whole of the contingent liability of the members of any group shall be exhausted, the general funds of the association and the contingent liability of the members of other groups shall not be available for the payment of losses and expenses incurred by such group in excess of the earned premiums paid by the members thereof.

(c) **Classification to be filed.** A statement of any proposed distribution of subscribers into groups shall be filed with the department of commerce.

(d) **Rates.** The board of directors shall determine the amount of premiums which the subscribers of the association shall pay for their insurance in accordance with the nature of the business in which the subscribers are engaged and the probable risk of injury to their employees under existing conditions, and it shall fix premiums at such amounts as in its judgment shall be sufficient to enable the association to pay to its subscribers all sums which may become due and payable to their employees under provisions of law and the expenses of conducting the business of the association. In fixing the premium payable by any subscriber, the board of directors may take into account the condition of the plant, workroom, shop, farm, or premises of the subscriber in respect to the safety of those employed therein as shown by the report of any inspector appointed by the board and it may from time to time change the amount of premiums payable by any of the subscribers as circumstances may require and the condition of the plant, workroom, shop, farm, or premises of the subscribers in respect to the safety of their employees may justify and may increase the premiums of any subscriber neglecting to provide safety devices required by law, or disobeying the rules or regulations made by the board of directors in accordance with the provisions of clause (4)(g).

(e) **Premiums; contingent liability.** Every such company shall charge and collect on each policy a premium equal to one year's premium on the policy issued and state in the policy the estimated annual premium and provide in its bylaws for the determination of the actual premium and for the payment of same when determined. The premium thus determined shall be known as the annual premium on the policy. The company shall provide in its bylaws and specify in its policies the maximum contingent mutual liability of its members for the payment of losses and expenses not provided for by its cash fund. The contingent liability of a member shall not be less than a sum equal and in addition to one annual premium, nor more than a sum equal to five times the amount of the annual premium or, in case of a policy written for less than one year, the contingent liability shall not be less than the proportionate fractional part of the annual premium, nor more than five times the proportionate fractional part of the annual premium. The contingent liability of the policyholder shall be plainly and legibly stated in each policy as follows: "The maximum contingent liability of the policyholder under this policy shall be a sum equal to ..... annual premium (or premiums)."

(f) **Assessments.** When the liabilities, including unearned premiums and such other reserves as are or may be required by law and the commissioner, are in excess of the admitted assets computed on the basis allowed for its annual statement, it shall make an assessment upon its policyholders based upon the amount of one annual premium as written in the policy and not to exceed the amount of five annual premiums.

If it becomes necessary to levy the assessment, as provided by this section, no policies shall be issued until the admitted assets of the association are in excess of its liabilities.

(g) **Power of board of directors.** The board of directors shall be entitled to inspect

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the plant, workroom, shop, farm, or premises of any subscriber and for this purpose to appoint inspectors, who shall have free access to all such premises during regular working hours, and the board of directors shall likewise from time to time be entitled to examine by their auditor or other agent the books, records, and payrolls of any subscribers for the purpose of determining the amount of premium chargeable to the subscriber.

The board of directors shall make reasonable rules and regulations for the prevention of injuries upon the premises of subscribers; and may refuse to insure, or may terminate the insurance of, any subscriber who refuses to permit these examinations and disregards such rules or regulations, and forfeit all premiums previously paid, but the termination of the insurance of any subscriber shall not release the subscriber from liability for the payment of assessments then or thereafter made by the board of directors to make up deficiencies existing at the termination of the insurance.

(h) **Investments.** The association shall invest and keep invested all its funds of every description, excepting such cash as may be required in the transaction of its business, in accordance with the laws of this state or relating to the investment of funds of domestic insurance companies.

No such association shall purchase, hold, or convey real estate except as provided by section 60A.11, subdivision 6.

(i) **Withdrawal of subscriber.** Any subscriber of the association who has complied with all its rules and regulations may withdraw therefrom by written notice to that effect sent by the subscriber by certified mail to the association and this withdrawal shall become effective on the first day of the month immediately following the tenth day after the receipt of the notice, but the withdrawal shall not release the subscriber from liability for the payment of assessments thereafter made by the board of directors to make up deficiencies existing at the date of withdrawal and the subscriber shall be entitled to the subscriber's share of any dividends earned at the date of withdrawal.

(5) **Miscellaneous.** (a) **Perjury by officer.** Any officer of the association who shall falsely make oath to any certificate required to be filed with the commissioner shall be guilty of perjury.

(b) **Foreign mutual employers' liability association.** Any mutual employers' liability insurance association of another state, upon compliance with all laws governing such corporations in general and the provisions of this subdivision may be admitted to transact business in this state. These associations shall pay to the department of commerce the fees prescribed by section 60A.14, subdivision 1.

(c) **Winding up affairs.** When the contracts of insurance issued by these associations shall cover in the aggregate less than 5,000 employees or, in the case of associations organized for the purpose of insuring creameries, cheese factories, and livestock shipping associations, less than 300 employees, the association shall forthwith notify the commissioner of that fact and if, at the expiration of six months from the notice, the aggregate number of employees covered by the contracts of insurance shall be less than 5,000, or, in the case of associations organized for the purpose of insuring creameries, cheese factories, and livestock shipping associations, less than 300 employees, the commissioner shall proceed under the provisions of chapter 60B.

History: *1967 c 395 art 7 s 8; 1969 c 708 s 63; 1974 c 425 s 8; 1975 c 359 s 23; 1976 c 181 s 2; 1978 c 465 s 11; 1978 c 674 s 60; 1983 c 289 s 114 subd 1; 1984 c 618 s 2; 1984 c 655 art 1 s 92; 1985 c 234 s 1; 1986 c 444*

66A.09 KINDS OF BUSINESS AUTHORIZED.

Nothing in this chapter shall be deemed to authorize or permit mutual insurance companies to engage in any kind of insurance not included in section 60A.06, subdivision 1, clauses (1) to (15) or authorized under section 60A.06, subdivision 2.

History: *1967 c 395 art 7 s 9; 1978 c 465 s 12*

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66A.10 ADDITIONAL REQUIREMENTS.

When the articles of incorporation of any mutual insurance company not having a guaranty fund of the amount required by section 66A.16, subdivision 2, provide, it may transact any and all kinds of business as set forth in section 60A.06, subdivision 1, clauses (1) to (15), and as authorized under section 60A.06, subdivision 2, subject to the conditions and restrictions as to the kinds of insurance which may be combined by a like stock insurance company and subject to the restrictions contained in the laws of this state with reference to general writing mutual insurance companies transacting the same kinds of business. Nothing in this section shall be construed as prohibiting a company issuing policies with a contingent liability from creating a guaranty fund as authorized by section 66A.16, subdivision 3. Any mutual company, however organized, may amend its articles to provide for the doing of two or more kinds of business specified in section 60A.06, subdivision 1, clauses (1) to (15) or authorized under section 60A.06, subdivision 2.

History: *1967 c 395 art 7 s 10; 1978 c 465 s 13*

66A.11 REVOCATION OF LICENSE.

In case of the failure of any insurance company to comply with any of the provisions of sections 66A.08, 66A.09, 66A.10, 66A.14, 66A.15, and 66A.16, subdivisions 1 and 2, its right to transact insurance business in this state shall cease and it shall be the duty of the commissioner to immediately proceed under chapter 60B or declare its license revoked and, in case of such revocation, the company shall not be again licensed to transact business in this state for a period of one year from the date of the revocation.

History: *1967 c 395 art 7 s 11; 1969 c 708 s 63*

INTERNAL OPERATIONS

66A.12 MUTUAL FIRE COMPANIES; PREMIUMS; CONTINGENT LIABILITY.

Every mutual fire company shall charge and collect on each policy a premium, in cash or in notes absolutely payable, or it may accept a deposit of cash equal to one year's premium on the policy issued and while the deposit remains intact collect all future premiums on the policy by assessments thereon, and shall also provide in its bylaws, and specify in its policies, the maximum contingent mutual liability of its members for payment of losses and expenses not provided for by its cash fund. The contingent liability of a member shall not be less than a sum equal to and in addition to one annual premium, nor more than a sum equal to five times the amount of such annual premium or, in case of a policy written for less than one year, the contingent liability shall not exceed the amount of premium written in the policy. The total amount of the liability of the policyholder shall be plainly and legibly stated upon each policy. When any reduction shall be made in the contingent liability of members, such reduction shall apply proportionally to all policies in force. Mutual insurance companies complying with section 66A.16, subdivision 3, may issue policies without a contingent liability; but the fact that there is no contingent liability must be plainly and legibly stated in the policies.

History: *1967 c 395 art 7 s 12*

66A.13 MUTUAL FIRE COMPANIES; REQUIREMENTS WHEN NOTE GIVEN.

Except as provided in section 66A.12, when a note or other written evidence of indebtedness is given for any premium due, or to become due, upon any insurance of property, except marine, the same shall be full payment therefor and operate to continue the same in full force during the term thereof, except that when any such note or other written evidence of indebtedness is not paid at maturity the policy for which the same was premium, in whole or in part, may be canceled upon notice and in the same

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manner as though the premium was paid in cash and the surrender of the note or other written evidence of indebtedness shall constitute a return or payment of the unearned portion of premium, and in such event the parties liable on the note or evidence of indebtedness shall be liable for and shall pay the premium earned prior to the cancellation and no more. In case of any cancellation of a policy, any note or notes, or written evidence of indebtedness given for whole or part of the premium thereon may be by insurer returned to the insured in lieu of cash to the extent of the unpaid amount thereof, plus accrued interest. No note given for premiums or deposit for assessment, or both, or for any part of either, shall be negotiable and every assignment thereof shall be subject to all existing defenses. Nor shall any such notes be valid for any purpose unless the words "not negotiable" are plainly and legibly written or printed across the face thereof.

History: *1967 c 395 art 7 s 13*

66A.14 DIVIDENDS.

The board of directors of any mutual insurance company may from time to time fix and determine the amounts to be paid during the year as dividends or a refund of savings and gains to policyholders; provided, that no dividend or refund shall discriminate between members of the same class and no dividend or refund shall be declared or distributed except out of the net divisible surplus of the company, and no company shall pay or credit a policyholder any sum in anticipation of a future dividend or refund.

History: *1967 c 395 art 7 s 14*

66A.15 ASSESSMENTS.

Subdivision 1. **Mutual fire insurance companies.** When the net assets of any mutual insurance company are insufficient for the payment of incurred losses and expenses above its unearned premium reserve, as provided by law, it shall make an assessment for the amount required ratably upon its members liable thereto. The order for assessment shall be duly entered upon its records, with a statement of its condition at the date thereof, including all cash assets, deposit notes, and contingent amount liable to the assessment, the amount of the assessment, and the particular losses or other liabilities for which it is made. This record shall be signed by each director voting for the order before any part of the assessment is collected and any person liable thereto may inspect and take a copy thereof.

The commissioner may by written order relieve the company from an assessment or other proceedings to restore the assets during the time fixed in the order, when the deficiency does not exceed ten percent of its admitted assets.

When, by reason of depreciation, loss, or otherwise, the net assets, after providing for other debts, are less than the required premium reserve upon policies the deficiency shall be restored by assessment, as provided in this subdivision, notice of which shall be filed with the commissioner. When the board of directors or the commissioner shall be of the opinion that the insolvency of any company is probable, the board or, upon its failure so to do, the commissioner may order two assessments made, the first to determine what each policyholder should equitably pay or receive in case of withdrawal from the company and cancellation of the policy; the second, such further sum as each should pay to reinsure the unexpired term at the same rate as the first insurance. The directors shall forthwith cause written notice and demand of payment to be served personally or by mail upon each policyholder subject thereto.

After adjustment of the first assessment, every policy upon which the second assessment shall not be paid shall be canceled; but in no case shall there be credited upon a policy more than if canceled by the board of directors under the bylaws. If, within two months after the last assessment is payable, the amount of the policies whose holders have paid the same is less than $500,000, all other policies shall be void and the company shall continue only for the purpose of adjusting the deficiency or excess

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of premiums and settling outstanding claims. No assessment shall be valid against a policyholder who has not been duly notified thereof in writing within one year after the expiration or cancellation of the policy.

Subd. 2. **Casualty companies.** All policies issued by such companies shall provide for a premium or premium deposit payable in cash and, except as herein provided, for a contingent liability of the members at least equal to the premium or premium deposit as adjusted by audit, if any. If at any time the admitted assets are less than the reserves and other liabilities, the company shall immediately collect upon policies with a contingent liability a sufficient proportionate part thereof to restore such assets and the commissioner may, when such deficiency does not exceed ten percent of its admitted assets, by written order direct that proceedings to restore such assets be deferred during the period of time fixed in such order. The contingent liabilities, if any, of the policyholders shall be plainly and legibly stated in every policy in terms of either dollars or premiums.

History: *1967 c 395 art 7 s 15; 1986 c 444*

66A.16 GUARANTY FUNDS.

Subdivision 1. **Mutual fire insurance companies.** A mutual fire insurance company may be formed with, or an existing fire insurance company may establish, a guaranty fund divided into certificates of $10 each, or multiples thereof, and this guaranty fund shall be invested in the same manner as is provided for the investment of capital stock of insurance companies. The certificate holders of the guaranty fund shall be entitled to an annual dividend of not more than ten percent on their respective certificates, if the net profits or unused premiums left after all losses, expenses, or liabilities then incurred, with reserves for reinsurance, are provided for shall be sufficient to pay the same; and, if the dividends in any one year are less than ten percent, the difference may be made up in any subsequent year or years from the net profits.

The guaranty fund shall be applied to the payment of losses and expenses when necessary and, if the guaranty fund be impaired, the directors may make good the whole or any part of the impairment from future profits of the company, but no dividend shall be paid on guaranty fund certificates while the guaranty fund is impaired.

The holder of the guaranty fund certificate shall not be liable for any more than the amount of the certificate which has not been paid in and this amount shall be plainly and legibly stated on the face of the certificate.

Each certificate holder of record shall be entitled to one vote in person or by proxy in any meeting of the members of the company for each $10 investment in guaranty fund certificates. The guaranty fund may be reduced or retired by vote of the policyholders of the company and the assent of the commissioner, if the net assets of the company above its reinsurance reserve and all other claims and obligations and the amount of its guaranty fund certificates and interest thereon for two years last preceding and including the date of its last annual statement shall not be less than 50 percent of the premiums in force.

Due notice of this proposed action on the part of the company shall be mailed to each policyholder of the company not less than 30 days before the meeting when the action may be taken.

In mutual fire insurance companies with a guaranty fund, the certificate holders shall be entitled to choose and elect from among their own number or from among the policyholders at least one-half of the total number of directors.

If any mutual fire insurance company with a guaranty fund ceases to do business, it shall not divide among its certificate holders any part of its assets or guaranty fund until all its debts and obligations have been paid or canceled.

Foreign mutual fire insurance companies having a guaranty fund shall not be required to make their certificate of guaranty fund conform to the provisions of this section, but when the certificates do not conform therewith the amount thereof shall be charged as a liability.

Subd. 2. **Mutual casualty companies.** Any mutual insurance company which estab-

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lishes and maintains, over and above its liabilities and the reserves required by law of a like stock insurance company, a guaranty fund available for the payment of losses and expenses at least equal to the capital stock required of a like stock insurance company may issue policies of insurance without contingent liability, and when the articles of incorporation of any mutual insurance company having this guaranty fund provide, the company may transact any and all of the kinds of business as set forth in section 60A.06, subdivision 1, clauses (1) to (15) subject to the restrictions and limitations imposed by law on a like stock insurance company, and any domestic mutual company having a guaranty fund equal to the amount of capital stock required of a like stock insurance company may insure the same kinds of property and conduct and carry on its business, subject only to the restrictions and limitations applicable to like domestic stock insurance companies.

Subdivision 1 shall not apply to this guaranty fund except that the guaranty fund of the company shall be invested in the same manner as is provided by law for the investment of its other funds. Every such company shall in its annual statement show as separate items the amount of the guaranty fund and the remaining divisible surplus, and the aggregate of these items shall be shown as surplus to policyholders.

A guaranty fund may be created, in whole or in part, in either or both of the following ways:

(1) Where an existing mutual company has a surplus, the members of the company may at any regular or special meeting set aside from and out of its surplus such sum as shall be fixed by resolution to be transferred to and thereafter constitute, in whole or in part, the guaranty fund of the company; or

(2) By the issuance of guaranty fund certificates, as specified in this subdivision, the same to be issued upon the conditions and subject to the rights and obligations specified in this subdivision.

Any such company establishing a guaranty fund, as provided in this subdivision, may, subject to the restrictions and limitations imposed by law as to a like stock insurance company, amend its articles to provide for the doing by it of one or more of the kinds of insurance business specified in section 60A.06, subdivision 1, clauses (1) to (15).

The policy liability of any such mutual company issuing policies without a contingent liability shall, as to these policies, be computed upon the same basis as is applicable to like policies issued by stock insurance companies. Where any such company shall issue five-year term policies, wherein the premiums shall be payable in annual or biennial installments and no premium note is taken by the company as payment of the full term premium, the company then shall be required to maintain a reserve fund on only the portion of premiums actually collected from time to time under these term policies and no company so creating a guaranty fund shall issue policies without a contingent liability after the guaranty fund shall be impaired or reduced below the capital required of a like stock insurance company doing the same kind or kinds of insurance. Any company having a guaranty fund may insure, without a contingent liability, any kind or class of property which a like stock company may insure.

Any director, officer, or member of any mutual insurance company, or any other person, may advance to the company any sum of money necessary for the purposes of its business or to enable it to comply with any of the requirements of the law, including the creation, in whole or in part, of a guaranty fund to enable it to do one or more of the kinds of business specified in this subdivision, and for the creation by a company issuing policies with a contingent liability of a guaranty fund, in such amount as the board of directors shall determine, for the protection of policyholders of the company, and the moneys, together with the interest thereon as may have been agreed upon, not exceeding ten percent per annum, shall be repaid only out of the surplus remaining after providing for all reserves, if any, and other liability, and which shall not otherwise be a liability or claim against the company or any of its assets. No commission or promotion expenses shall be paid in connection with the advance of any money to the company, and the amount of the advance remaining unpaid shall be reported in each annual statement.

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The company shall issue to each person advancing money for the creation of a guaranty fund a certificate or certificates specifying the amount advanced. These certificates may be assigned by the holder and the transfer recorded upon the books of the company. The holders of the guaranty fund certificates shall be entitled to annual interest thereon at the rate agreed upon, if the net profits of the company, after all losses, expenses, liabilities, and legal reserves, if any, have been paid or provided for, are sufficient to pay the same. If the net profits of the company in any year are insufficient to pay the full amount of interest agreed upon, the difference may be paid in any subsequent year from the net profits of the subsequent years.

The guaranty fund shall be applied to the payment of losses and expenses when necessary and, if the guaranty fund be impaired, the directors may make good the whole or any part of the impairment from future net profits of the company or by the issue and sale of additional guaranty fund certificates, but no interest shall be paid on the guaranty fund certificates while the guaranty fund is impaired. No certificate shall be issued except for money actually paid to the company, which amount shall be plainly and legibly stated therein. The company shall issue certificates only in sums of $10, or multiples thereof; it shall keep a record of the name and address of the person to whom issued and of all assignments thereof. Upon surrender of a certificate duly assigned in writing, the company shall cancel the same and issue a new certificate to the assignee.

Each certificate holder of record shall be entitled to one vote in person or by proxy at any meeting of the members of the company, for each $10 investment in the guaranty fund certificates.

The guaranty fund may be reduced or retired by vote of the board of directors of the company, if the net assets of the company, above its legal reserves, if any, and all other claims and obligations are sufficient therefor. The certificate holders shall be entitled to choose and elect from among their own members or from among the policyholders at least one-half of the total number of directors.

In case the members of any company by resolution adopted at any regular meeting or special meeting called for that purpose shall determine to wind up and liquidate the business of any such company, the assets thereof shall be applied (1) to the payment of the expense of the liquidation; (2) to the payment of any accrued liability, including losses, if any; (3) to the payment of any unearned premiums on policies in force at the time of the liquidation; (4) to the payment of guaranty fund certificates, if any, together with accrued interest thereon, if any; and (5) the residue shall be distributed according to the provisions of chapter 60B.

Subd. 3. **All mutual companies except those excluded under section 66A.01.** Any mutual company authorized to transact business in this state which establishes and maintains, over and above its liabilities and the reserves required by law of like stock insurance companies, a guaranty fund available for the payment of losses and expenses at least equal to the capital stock required of a like stock insurance company may issue policies of insurance without contingent liability.

Subd. 4. **Conversion of certain mutuals.** (a) Any domestic mutual company qualified to issue policies of insurance without contingent liability as provided by subdivision 3 with surplus of $1,000,000 or less may adopt a plan of conversion to a stock company pursuant to section 60A.07, subdivision 8, clause (4), which authorizes holders of guaranty fund certificates to exchange the certificates for shares of the stock company. Shares of the stock company being formed may be issued during the conversion in exchange for such guaranty fund certificates.

(b) The plan of conversion shall establish the price of the shares to be issued in exchange for the guaranty fund certificates. The price shall be established by an appraisal of the mutual company as an operating company. The appraisal shall be made by an independent certified public accountant. The plan, including the price, shall not be unfair or inequitable to the mutual company policyholders and shall not become effective until approved by the commissioner of commerce.

History: *1967 c 395 art 7 s 16; 1969 c 7 s 27; 1969 c 708 s 63; 1978 c 465 s 14; 1978 c 582 s 1; 1983 c 289 s 114 subd 1; 1984 c 655 art 1 s 92; 1986 c 444*

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CONTRACT PROVISIONS

66A.17 MUTUAL FIRE INSURANCE COMPANIES; PROVISIONS AS TO POLICIES LAPSING.

Any mutual company insuring property may provide by its certificate or bylaws that upon failure by any member for 60 days after notification thereof to pay any premium or assessment made upon the member's policy such policy shall lapse and become void without notice or further act by or on behalf of the company. The condition shall be plainly and legibly specified in each policy. Whereupon the company may recover the amount of earned premium or assessment, or both, but no more. Nothing herein contained shall prevent the reinstatement of the lapsed policy by voluntary acceptance of any delinquent assessment before suit.

History: *1967 c 395 art 7 s 17; 1986 c 444*

66A.18 VOTING AND NOTICE.

Required contract provisions concerning voting and notice are contained in section 66A.07.

History: *1967 c 395 art 7 s 18*

66A.19 CONTINGENT LIABILITY.

Required contract provisions concerning contingent liability of the policyholder are contained in sections 66A.12 and 66A.15, subdivision 2.

History: *1967 c 395 art 7 s 19*

MISCELLANEOUS

66A.20 EXEMPTION; FIRE, HAIL, AND TORNADO ASSOCIATIONS MAINTAINED BY MEMBERS OF ONE RELIGIOUS DENOMINATION.

The members of any one church, or of any one religious denomination, may maintain for the exclusive benefit of the members thereof an unincorporated association for the mutual insurance of the property of the members against loss or damage by fire, lightning, hail, or tornado, or all of them. The association shall furnish no insurance except upon the property of an actual member of the church or denomination. It may conduct its business upon the plan and method adopted by it and shall not be required to be licensed by or report to the commissioner.

History: *1967 c 395 art 7 s 20*

66A.21 DOMESTIC MUTUAL INSURANCE COMPANIES, SEPARATION OF ASSESSABLE AND NONASSESSABLE BUSINESSES.

Subdivision 1. **Choice of methods.** Any domestic mutual insurance corporation which transacts its business partly on an assessable basis and partly on a nonassessable basis, may separate one plan from the other by either of the following methods:

(1) By transferring its nonassessable policies, and all assets and liabilities attributable thereto to another existing domestic mutual insurance corporation or to a new domestic mutual insurance corporation formed for that specific purpose, provided that in either case, the corporation assuming the risks shall have all its policies on a nonassessable basis; or

(2) By transferring its assessable policies, and all assets and liabilities attributable thereto, to another existing domestic mutual insurance corporation or to a new domestic mutual insurance corporation formed for that specific purpose, provided that in either case, the corporation assuming the risks shall have all its policies on the assessable basis.

Subd. 2. **Existing domestic mutual insurance companies, joint agreement; approval.** The separation can be effected only as a result of a joint agreement entered into, approved and filed as follows:

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(1) The board of directors of the ceding and assuming corporations shall, by majority vote, enter into a joint agreement, prescribing the terms and conditions of the separation and the mode of carrying the same into effect, with such other details and provisions as they deem necessary. The agreement shall provide for an adjustment of final figures as may be necessary after a verifying examination of the corporation by the commissioner of commerce as hereinafter provided.

(2) The agreement shall be submitted to the members of the ceding corporation, at a special meeting duly called for the purpose of considering and acting upon the agreement. Notice for such special meeting shall be deemed sufficient if mailed to the policyholders' last known address as shown on the policy records of the corporation. If the holders of two-thirds of the voting power of the members present or represented at the meeting shall vote for the adoption of the agreement, then that fact shall be certified on the agreement by the secretary of the corporation and the agreement so adopted and certified shall be signed and acknowledged by the president and secretary of both the ceding and assuming corporations.

(3) The agreement so adopted, certified and acknowledged shall be delivered to the commissioner of commerce. It shall be the duty of the commissioner to determine, after a verifying examination, if the provisions thereof are fair and equitable to all concerned and to verify the reasonableness and accuracy of the apportionment of assets, liabilities, and surplus provided for in the agreement.

If the commissioner is satisfied that the agreement is fair and reasonable and that its provisions relating to transfers of assets and assumption of liabilities are equitable to claimants and policyholders, the commissioner shall place a certificate of approval on the agreement and shall file it in the commissioner's office. A copy of the agreement, certified by the commissioner of commerce shall be filed for record in the office of the secretary of state and in the office of the county recorder of the counties in this state in which any of the corporate parties to the agreement have their home offices and of any counties in which any of the corporate parties have land, title to which will be transferred under the terms of the agreement.

Subd. 3. **New domestic mutual companies; joint agreement; approval.** (1) If the joint agreement provides for a new domestic mutual insurance corporation to be formed to assume the business ceded, the articles of incorporation for such new corporation shall be prepared and delivered to the commissioner of commerce for approval, together with the agreement as provided in subdivision 2.

(2) Such articles shall be prepared, executed, approved, filed and recorded in the form and manner prescribed in, or applicable to, the particular law or laws under which the new insurance corporation is to be formed.

(3) The department of commerce shall grant and the commissioner of commerce shall issue to such new corporation a certificate of authority immediately upon its assumption of the business ceded and upon its making the deposit of securities with the commissioner of commerce, as required by law.

Subd. 4. **Effective date.** The separation shall be effective on the agreed date stated in the joint agreement, upon filing of the same as herein provided.

History: *1967 c 395 art 7 s 21; 1976 c 181 s 2; 1983 c 289 s 114 subd 1; 1984 c 655 art 1 s 92; 1986 c 444*

SPECIAL PROVISIONS RELATING TO HAIL, TORNADO AND CYCLONE COMPANIES

66A.22 ORGANIZATION.

Subdivision 1. **Initial requirements.** No company for insurance against loss or damage by hail, tornadoes, cyclones, and hurricanes, or any of these causes, shall issue any policy until at least $200,000 of insurance, in not less than 400 separate risks, upon property located in not less than ten counties, and upon not more than 15 risks of 160

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acres each in any one township, have been actually subscribed for and entered on its books and each subscriber has paid a membership fee of $3 for which duplicate receipts have been executed, conditioned for the return thereof at the end of one year if the company has not then completed its organization. Immediately thereafter one of these duplicates shall be delivered to the member and the other, together with the fee, deposited in a solvent bank approved by the commissioner, where the fee shall remain until the company has been licensed to do business, not exceeding such year, when it shall be delivered to it; otherwise to the member. The duplicate and a certificate of the deposit shall be filed with the commissioner within 90 days after deposit.

Subd. 2. **Liability for ratable assessments.** In addition to the premium, every policyholder, in its hail department, shall be liable to a ratable assessment for all losses and expenses incurred while a member in a sum equal to such premium but not exceeding in any one year five percent of the policyholder's insurance, if notified thereof within 90 days after the expiration or cancellation of the policy; or if such policy be for more than one year, within 90 days after the expiration of the year in which assessment is made thereunder.

History: *1967 c 395 art 7 s 22; 1986 c 444*

66A.23 ASSESSMENTS; NOTICE; PAYMENTS; COLLECTION.

When any assessment has been completed the secretary shall immediately notify each member by mail directed to the member's last known address of the purpose and amount of such assessment and of the member's share thereof, and the person to whom and the time when such payment must be made, which shall not be less than 30, nor more than 90, days thereafter; and such person, if the bylaws so provide, may collect a commission of not more than two percent of each amount in addition thereto.

History: *1967 c 395 art 7 s 23; 1986 c 444*

66A.24 OFFICERS; DUTIES; COMPENSATION; BONDS.

The officers shall perform such duties, receive such compensation, and give such bonds as shall be provided in the bylaws or fixed by the directors; but no salary, past or future, shall be increased except by majority vote of all members present and represented at an annual meeting and no officer or director shall receive any commission, except upon business personally solicited and written by the officer.

History: *1967 c 395 art 7 s 24*

66A.25 PROXIES; RESTRICTIONS.

No proxy shall be received unless dated and actually executed within the preceding 30 days and filed with the secretary at least ten days before the meeting, nor if made to any director or officer.

History: *1967 c 395 art 7 s 25*

66A.26 PROPERTY INSURABLE.

No such company shall insure any other property than country churches and school houses, farm dwellings, mutual or cooperative creameries, cheese factories, barns, and other buildings, and hay, grain, and other farm products therein, or stored or growing on the premises, bedding, wearing apparel, printed books, pictures and frames, household furniture, family stores and provisions while therein or in the cellar beneath, farm implements, vehicles, and machinery on or off the premises, threshing machines, or livestock thereon or running at large, and any and all property of any kind which may be insured by a township mutual fire insurance company, organized under the provisions of sections 67A.01 and 67A.02. No company, in its hail department, shall insure more than 3,200 acres in any one township; there shall be at least one-half mile between each risk assumed by the company, except that risks may be assumed which cover the growing crops upon not more than 320 acres of contiguous or immediately adjacent lands.

History: *1967 c 395 art 7 s 26*

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66A.27 LIMITATION ON EXPENSES.

No such company shall incur, lay out, or expend, in any one calendar year, as and for the expenses of conducting this business, more than its application or survey fees and 40 percent of its total premiums or assessments actually collected. No company shall be required to limit its annual expenses to less than $1,000.

History: *1967 c 395 art 7 s 27*

66A.28 REPORTS; DELINQUENCY; POWERS OF COMMISSIONER.

The commissioner shall demand a report of any such company when in the commissioner's judgment the interest of the public or policyholders so require; and the proper officers of the company shall make prompt reply to the demand and answer fully all interrogations regarding its business methods, financial condition, and other matters pertaining to its business. The provisions of chapter 60B shall apply to such companies.

History: *1967 c 395 art 7 s 28; 1969 c 708 s 63; 1986 c 444*

66A.29 ARBITRATION REQUIRED.

Every policy must provide as follows: "In case of loss under this policy and failure of the parties to agree as to the amount of the loss, it is mutually agreed that, on written demand of either party, the company and the insured each shall select a competent appraiser and notify the other of the appraiser selected within ten days of the demand. The appraisers shall first select a competent and disinterested umpire; and, failing for ten days to agree upon the umpire, then, on request of either appraiser, the umpire shall be selected by a judge of a court of record in the state in which the property covered is located. By mutual agreement the two appraisers may agree to have the umpire selected by a judge of a court of record and waive the ten-day provision.

The appraisers and the umpire shall then appraise the loss. A written award of any two of these persons determines the amount of loss. The written award of a majority of these referees is final and conclusive upon the parties as to the amount of loss, and this selection, unless waived by the parties, is a condition precedent to any right of action to recover for a loss. No suit for the recovery of any claim by virtue of this policy may be sustained unless commenced within six months after the loss occurred." The policy must also provide the form, manner, and length of notice to be given to the company by the insured of any loss sustained.

History: *1967 c 395 art 7 s 29; 1974 c 161 s 5; 1983 c 208 s 3*

66A.30 TRANSFER OF RISKS AND REINSURANCE.

Every company may transfer its risks to, or reinsure them in, any other domestic or foreign company at the time authorized to do such business in this state, on the mutual or stock plan, by a contract of transfer or reinsurance approved by the commissioner, and by a two-thirds vote of the members present or duly represented and voting at a meeting of the company.

History: *1967 c 395 art 7 s 30*

66A.31 MERGER AND CONSOLIDATION.

Any such mutual company may at any time merge or consolidate with other companies as provided under section 60A.16.

History: *1967 c 395 art 7 s 31*

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