

CHAPTER 66A

MUTUAL COMPANIES

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66A.01 SCOPE OF CHAPTER.

This chapter shall apply to mutual insurance companies other than: assessment benefit associations, fraternal benefit societies, township mutual insurance companies and title insurance companies. Sections 66A.08 to 66A.31 and 66A.20 do not apply to mutual life insurance companies.

Sections 60A.07, subdivision 1, clauses (1) and (2); 61A.26; 61A.321; 61A.33; 61A.34; 61A.35; and 61A.36, do not apply to mutual property and casualty insurance companies.

History: 2005 c 69 art 2 s 11

NOTE: The amendment to this section by Laws 2005, chapter 69, article 2, section 11, is effective August 1, 2006. Laws 2005, chapter 69, article 4, section 2.

66A.02 APPLICABILITY OF BUSINESS CORPORATION STATUTES.

Subdivision 1. **General.** Chapter 302A shall apply to domestic mutual insurance companies except to the extent inconsistent with any provisions in this chapter or section 60A.07, or otherwise in conflict with any provisions in chapters 60A to 79A. Provisions of chapter 302A relating to share certificates, classes of shares, share values, or any other provisions relevant only to stock companies do not apply to mutual insurance companies.

Subd. 2. **Mutual holding companies.** For purposes of sections 66A.01 to 66A.07 and 66A.21, the term "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.

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 insurance company subsidiary in the case of a mutual insurance holding company.

Subd. 4. **Exceptions.** The following provisions of chapter 302A do not apply to domestic mutual insurance companies: sections 302A.011, subdivisions 2, 6, 6a, 7, 10, 20, 21, 25, 26, 27, 28, 29, 31, 32, and 37 to 59; 302A.105; 302A.137; 302A.161, subdivision 19; 302A.201, subdivision 2; 302A.401 to 302A.429; 302A.433, subdivisions 1, paragraphs (a), (b), (c), and (e), and 2; 302A.437, subdivision 2; 302A.445, subdivisions 3 to 6; 302A.449, subdivision 7; 302A.453 to 302A.457; 302A.461; 302A.463; 302A.471 to 302A.473; 302A.553; 302A.601 to 302A.651; 302A.671 to 302A.675; 302A.681 to 302A.691; and 302A.701 to 302A.791. Those clauses of section 302A.111 that refer to any of the sections previously referenced in this subdivision do

not apply to domestic mutual insurance companies. The following sections of chapter 302A are modified in their application to domestic mutual insurance companies in the manner indicated:

(1) with regard to section 302A.133, the articles may be amended pursuant to section 302A.171 by the incorporators or by the board before the issuance of any policies by the company;

(2) with regard to section 302A.135, subdivision 2, a resolution proposing an amendment to the certificate of authority must be filed with the corporate secretary no less than 30 days before the meeting to consider the proposed amendment;

(3) with regard to section 302A.161, subdivision 19 of that section does not apply, except this must not be construed to limit the power of a mutual insurance company from issuing securities other than stock;

(4) with regard to section 302A.201, the references in subdivision 1 of that section to "subdivision 2" and "section 302A.457" do not apply;

(5) with regard to section 302A.203, the board shall consist of no less than five directors;

(6) with regard to section 302A.215, subdivisions 2 and 3 of that section only apply if the corporation's certificate of incorporation provides cumulative voting;

(7) with regard to section 302A.433, subdivision 1 of that section, special meetings of the members may be called for any purpose or purposes at any time by a person or persons authorized in the articles or bylaws to call special meetings, and with regard to subdivision 3 of that section, special meetings must be held on the date and at the time and place fixed by a person or persons authorized by the articles or bylaws to call a meeting; and

(8) with regard to section 302A.435, if the company complies substantially and in good faith with the notice requirements of section 302A.435, the company's failure to give any member or members the required notice does not impair the validity of any action taken at the members' meeting.

History: 2005 c 69 art 2 s 12; 1Sp2005 c 7 s 2

NOTE: The amendment to this section by Laws 2005, chapter 69, article 2, section 12, is effective August 1, 2006. Laws 2005, chapter 69, article 4, section 2.

66A.03 INCORPORATION.

Domestic mutual insurance companies must be incorporated in accordance with the provisions of section 60A.07, subdivision 1.

History: 2005 c 69 art 2 s 13

NOTE: The amendment to this section by Laws 2005, chapter 69, article 2, section 13, is effective August 1, 2006. Laws 2005, chapter 69, article 4, section 2.

66A.06 RENEWAL OF CORPORATE EXISTENCE.

Any domestic mutual insurance company, heretofore or hereafter organized and existing under the laws of this state, whose period of duration has expired or is about to expire, may, on or before the date of the expiration, or within six months after the date of expiration, renew its corporate existence from the date of the expiration for any period permitted by the laws of this state, by the adoption of a resolution to that effect by the affirmative vote of three-fourths of the members present, in person or by proxy, at a regular meeting of the members, or at any special meeting called for that expressly stated purpose, and by causing the resolution to be embraced in a certificate duly executed by its president and secretary or other presiding and recording officers, under its corporate seal, and approved, filed, recorded, and published in the manner prescribed by law for the execution, approval, filing, recording, and publishing of an original certificate of incorporation or articles of association.

History: 2005 c 69 art 2 s 14

NOTE: The amendment to this section by Laws 2005, chapter 69, article 2, section 14, is effective August 1, 2006. Laws 2005, chapter 69, article 4, section 2.

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

Subdivision 1. **Property/casualty companies.** Every policyholder in a mutual insurance company, other than a life 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 front or 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.”

Notice given in this manner is deemed to comply with the requirements of section 302A.435.

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. “Policy” means a policy or contract of insurance, including an annuity contract issued by the company. Except as otherwise provided in the company’s certificate or bylaws, a person insured under a group policy is not a member by virtue of such coverage, unless (1) the person is insured or covered under a group life policy or group annuity contract under which funds are accumulated and allocated to the respective covered persons; (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 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 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.

Subd. 3. **Proxies.** (a) Except as otherwise provided in paragraphs (b) and (c), proxies for voting at meetings of members of domestic mutual insurance companies are governed by the provisions of section 302A.449, subdivisions 1 to 6 and 8.

(b) A member may vote by proxy at any regular or special meeting of the members by filing a written proxy appointment with the secretary of the company at its home office at least five days before the first meeting at which it is to be used, unless a different time period is specified in the company’s bylaws.

(c) A member may cast or authorize the casting of a vote by telephonic transmission or authenticated electronic communication, in accordance with section 302A.449, if permitted by the bylaws of the company.

Subd. 4. **Membership interest.** A domestic mutual insurance company must keep a list of members as part of its books and records. Membership interest in a domestic mutual insurance company must be uncertificated. A membership interest in a domestic mutual insurance company does not constitute a security as defined in section

80A.14, subdivision 18. No member of a mutual insurance company may transfer or pledge membership in the mutual insurance company or any right arising from the membership except as attendant to the valid transfer or assignment of the member's policy issued by the mutual insurance company. A member of a mutual insurance company is not, as a member, personally liable for the acts, debts, liabilities, or obligations of the company. No assessments of any kind may be imposed upon the members of a mutual insurance company by the directors or members, or because of any liability of any company owned or controlled by the mutual insurance company or because of any act, debt, or liability of the mutual insurance company, except as may otherwise be provided in the company's articles or bylaws. A member's interest in the mutual insurance company shall automatically terminate upon cancellation, nonrenewal, expiration, or termination of the member's policy with the insurance company that gave rise to the member's membership interest.

History: 2005 c 69 art 2 s 15

NOTE: The amendment to this section by Laws 2005, chapter 69, article 2, section 15, is effective August 1, 2006. Laws 2005, chapter 69, article 4, section 2.

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;

(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 of any risk or hazard which has been reinsured, as authorized by the laws of this state, shall be included in determining the limitation of risk prescribed by this section. For the purpose of transacting employers' liability and workers' compensation insurance, each employee shall be considered a separate risk for determining the maximum single risk;

(3) It shall maintain unearned premiums and other reserves, separately for each kind of business, upon the same basis as that required of domestic stock insurance companies transacting the same kind of business;

(4) Except as expressly provided in this chapter, it shall comply with all the provisions of the laws of this state relating to the organization and internal management of mutual fire insurance companies in so far as the same may be applicable and not inconsistent with chapter 66A.

[For text of subs 2 to 4, see M.S.2004]

History: 2005 c 69 art 2 s 16

NOTE: The amendment to subdivision 1 by Laws 2005, chapter 69, article 2, section 16, is effective August 1, 2006. Laws 2005, chapter 69, article 4, section 2.

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

[For text of subd 1, see M.S.2004]

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:

(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 recorded 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.

[For text of subs 3 and 4, see M.S.2004]

History: 2005 c 4 s 12

66A.215 SPECIAL PROVISIONS RELATING TO HAIL, TORNADO, AND CYCLONE COMPANIES.

Sections 66A.22 to 66A.31 apply only to hail, tornado, and cyclone companies.

History: 2005 c 69 art 2 s 17

NOTE: This section, as added by Laws 2005, chapter 69, article 2, section 17, is effective August 1, 2006. Laws 2005, chapter 69, article 4, section 2.