

CHAPTER 70A

INSURANCE RATE REGULATION

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70A.01 INTERPRETATION GUIDE.

Subdivision 1. **Liberal construction.** This chapter shall be liberally construed to achieve the purposes stated in subdivision 2, which shall constitute an aid and guide to interpretation but not an independent source of power.

Subd. 2. **Purposes.** The purposes of this chapter are:

(a) to protect policyholders and the public against the adverse effects of excessive, inadequate or unfairly discriminatory rates;

(b) to encourage, as the most effective way to produce rates that conform to the standards of (a), independent action by and reasonable price competition among insurers;

(c) to provide formal regulatory controls for use if independent action and price competition fail;

(d) to authorize cooperative action among insurers in the ratemaking process, and to regulate such cooperation in order to prevent practices that tend to bring about monopoly or to lessen or destroy competition;

(e) to encourage efficient and economic practices.

History: 1969 c 958 s 1

70A.02 SCOPE OF APPLICATION.

Subdivision 1. **Forms of insurance to which applicable.** This chapter applies to casualty insurance, to fidelity, surety and guaranty bonds, to fire and allied lines of insurance and to inland marine insurance, on risks or operations in this state.

Subd. 2. **Nonapplication of chapter.** This chapter shall not apply to:

(1) insurance written by township or farmers' mutual insurance companies subject to the provisions of chapter 67A; insurance written by companies organized pursuant to section 66A.311, or to tornado, cyclone, or hurricane insurance, the consideration for which, except for policy, membership or survey fees, is paid entirely by assessments on policyholders;

(2) reinsurance, other than joint reinsurance to the extent stated in section 70A.16;

(3) accident and health insurance;

(4) insurance against loss of or damage to aircraft, used in scheduled airline operations, including their accessories and equipment, or against liability arising out of the ownership, maintenance, or use of aircraft;

(5) insurance of vessels or craft, their cargoes, marine builders' risks, marine protection and indemnity, or other risks commonly insured under marine, as distinguished from inland marine, insurance policies;

(6) workers' compensation insurance;

(7) insurance covering any of the liability of an employer exempted from insuring the employer's liability for compensation as provided in section 176.181; and

(8) disability and double indemnity insurance issued as part of a life insurance contract.

Subd. 3. **Exemptions.** The commissioner may exempt from any or all of the provisions of this chapter, if and to the extent that the commissioner finds their application unnecessary to achieve the purposes of this chapter:

(1) any specified person by order, or class of persons by rule; and

(2) any specified risk by order, or any line or kind of insurance or subdivision thereof or class of risks or combination of classes by rule.

History: 1969 c 958 s 2; 1975 c 359 s 23; 1977 c 365 s 1; 1986 c 444; 2005 c 69 art 2 s 18

70A.03 DEFINITIONS.

For the purposes of this chapter, unless a different meaning is manifest from the context:

(1) "Casualty insurance," except as excluded by subdivision 2 of section 70A.02, means any of the kinds of insurance enumerated in section 60A.06, subdivision 1, clauses (3), (5), (6), (7), (8), (9), (10), (11), (12), (13), and (14), together with similar kinds of insurance which may be written pursuant to the provisions of section 60A.06, subdivision 2, and, notwithstanding the provisions of section 71A.07, includes insurance effected or exchanged pursuant to the provisions of chapter 71A, and the term "insurers" includes all individuals, partnerships or corporations and their attorneys engaged in effecting or exchanging insurance pursuant to the provisions of those statutes.

(2) "Fire and allied lines of insurance," except as excluded by subdivision 2 of section 70A.02, means and includes insurance against the risks of loss specified in section 60A.06, subdivision 1, clause (1), and all other kinds of insurance which fire insurance companies are now, or may hereafter be, authorized to write in this state, and, notwithstanding the provisions of section 71A.07, includes insurance effected or exchanged pursuant to the provisions of chapter 71A, and the term "insurers" includes all individuals, partnerships or corporations and their attorneys engaged in effecting or exchanging insurance pursuant to the provisions of those statutes.

(3) "Inland marine insurance" includes insurance now or hereafter defined by statute, or by judicial interpretation thereof, or if not so defined or interpreted, by ruling of the commissioner, or as established by general custom of the business, as inland marine insurance.

(4) "Supplementary rate information" includes every manual of classifications, rules and rates, every rating plan and every modification of any of the foregoing, and any other information requested by the commissioner.

(5) "Rate service organization" means any person, other than an employee of an insurer, who assists insurers or other rate service organizations in rate making or filing by:

- (a) collecting, compiling, and furnishing loss or expense statistics; or
- (b) recommending, making, or filing rates or supplementary rate information.

History: 1969 c 958 s 3

70A.04 RATE STANDARDS.

Subdivision 1. **Prohibitions.** Rates shall not be excessive, inadequate or unfairly discriminatory, nor shall an insurer use rates to engage in unfair price competition.

Subd. 2. **Excessiveness; market test.** (a) Rates are presumed not to be excessive if a reasonable degree of price competition exists at the consumer level with respect to the class of business to which they apply. In determining whether a reasonable degree of price competition exists, the commissioner shall consider all relevant tests.

In addition to any other manner of determining whether a reasonable degree of price competition exists with respect to any class of insurance, it is presumed that a reasonable degree of competition does not exist if less than five insurers write more than 75 percent of the direct written premiums.

(b) If such competition does not exist, rates are excessive if they are likely to produce a long-run profit that is unreasonably high in relation to the riskiness of the class of business, or if expenses are unreasonably high in relation to the services rendered.

In determining whether an excessive rate is being charged by an individual insurer for a class of insurance where a reasonable degree of competition does not exist, the commissioner shall determine whether the rate charged produces a rate of return that is not in excess of a reasonable rate of return. To determine what is a reasonable rate of return, the riskiness of the class of insurance, the profitability of the insurer in that class of business, and other relevant factors shall be considered.

Subd. 3. **Solidity of insurer.** Rates are inadequate only if they will endanger the solidity of an insurer that uses them or if they are insufficient to sustain projected losses and expenses within the state. Rates are conclusively presumed to be adequate if they are sufficient to sustain projected losses and expenses within the state.

Subd. 4. **Discriminatory rates.** One rate is unfairly discriminatory in relation to another if it clearly fails to reflect equitably the differences in expected losses, expenses and the degree of risk. Rates are not unfairly discriminatory because different premiums result for policyholders with like loss exposures but different expense factors, or like expense factors but different loss exposures, so long as the rates reflect the differences with reasonable accuracy. Rates are not unfairly discriminatory if they attempt to spread risk broadly among persons insured under a group, franchise or blanket policy.

Subd. 5. **Unfair price competition.** Unfair price competition exists if an insurer charges any rate for the purpose of securing an unfair competitive advantage, or if the use of the rate has or tends to have or if continued will have or tend to have the effect of destroying competition or creating a monopoly.

History: 1969 c 958 s 4; 1986 c 455 s 51

70A.05 RATING METHODS.

The compliance of rates with the standards of section 70A.04 shall be determined by considering the following matters:

(1) **Factors in rates.** Due consideration shall be given to past and prospective loss and expense experience within and outside this state, to a reasonable provision for catastrophe hazards and contingencies, to clearly discernible trends within and outside this state, to dividends or savings allowed or returned by insurers to their policyholders, members or subscribers, and to all other relevant factors, including the judgment of underwriters and raters.

(2) **Classification.** Risks may be classified by any reasonable method for the establishment of rates and minimum premiums. Classifications may not be based on race, color, creed or national origin. Rates thus produced may be modified for individual risks in accordance with rating plans or schedules which establish standards for measuring probable variations in hazards, expenses, or both.

(3) **Profits.** The rates may contain an allowance permitting a profit that is not unreasonable.

History: 1969 c 958 s 5

70A.06 FILING REQUIREMENTS.

Subdivision 1. **Generally.** Every licensed insurer and every rate service organization licensed under section 70A.14 shall file with the commissioner all rates and all changes and amendments of rates made by it for use in this state not later than their effective date. No rates contained in a filing shall become effective unless they have been filed with the commissioner. In any filing, the commissioner may require the insurer or rate service organization to file supporting data and explanatory data which shall include:

(1) the experience and judgment of the filer, and, to the extent it wishes or the commissioner requires, of other insurers or rate service organizations;

(2) its interpretation of any statistical data relied upon;

(3) descriptions of the actuarial and statistical methods employed; and

(4) any other matters deemed relevant by the commissioner or the filer.

Notwithstanding the foregoing, if the supporting data is not filed within 30 days after so requested by the commissioner, the rate is no longer effective and is presumed to be an excessive rate.

Subd. 1a. **Excessive rate hearings.** Whenever an insurer files a change in a rate that will result in a 25 percent or more increase in a 12-month period over existing rates, the commissioner may hold a hearing to determine if the change is excessive. The hearing must be conducted under chapter 14. The commissioner must give notice of intent to hold a hearing within 60 days of the filing of the change. It shall be the responsibility of the insurer to show the rate is not excessive. The rate is effective unless it is determined as a result of the hearing that the rate is excessive.

Subd. 2. **Policy form filings.** No policy form shall be delivered or issued for delivery unless it has been filed with the commissioner and either (i) the commissioner has approved it or (ii) 60 days have elapsed and the commissioner has not disapproved it as misleading or violative of public policy, which period may be extended by the commissioner for an additional period not to exceed 60 days.

Subd. 3. **Inland marine risk exception.** Subdivisions 1 and 2 shall not apply to policies or rates for inland marine risks which by general custom of the business are not written according to manual rates or rating plans, except that subdivisions 1 and 2 shall apply to policies insuring the personal property purchased under a credit transaction or a credit transaction involving a debtor pledging personal property as collateral. For purposes of this subdivision the personal property insured in credit transactions or credit transactions involving a debtor pledging personal property as collateral shall refer only to such personal property of the debtor used for personal use and not used in any business, trade or profession of the debtor.

Subd. 4. [Repealed, 1986 c 455 s 94]

Subd. 5. [Repealed, 1995 c 24 s 2]

History: 1969 c 958 s 6; 1977 c 365 s 2; 1983 c 293 s 62; 1986 c 444; 1986 c 455 s 52,53; 1987 c 337 s 113

70A.07 [Repealed, 2009 c 178 art 1 s 69]

70A.08 RATE MAKING AND RATE FILING AUTHORITY.

Subdivision 1. **Delegated rate making permitted.** An insurer may itself establish rates and supplementary rate information for any or all kinds or lines of insurance or subdivisions thereof or classes of risks or combinations thereof, based on its own experience, modified by other relevant experience to achieve credibility, or it may use rates and supplementary rate information prepared by a rate service organization, with average expense factors determined by the rate service organization or with such modification for its own expense and loss experience as the credibility of that experience allows.

Subd. 2. **Delegated rate filing permitted.** An insurer may discharge its obligation under section 70A.06 by giving notice to the commissioner that it uses rates and supplementary rate information prepared by a designated rate service organization, with such information about any modifications thereof as are necessary fully to inform the commissioner. The insurer's rates and supplementary rate information shall be those filed from time to time by the rate service organization, including any amendments thereto as filed, subject, however, to any modifications filed by the insurer, until the insurer gives notice to the commissioner changing or terminating the designation.

Subd. 3. **Approval of claims-made policies.** The commissioner may restrict approval on claims-made policies to forms filed by a rate service organization which have been approved.

History: 1969 c 958 s 8; 1986 c 455 s 54; 1987 c 337 s 114

70A.09 ASSIGNED RISKS.

Agreements may be made among insurers with respect to the equitable apportionment among them of insurance which may be afforded applicants who are in good faith entitled to but who are unable to procure such insurance through ordinary methods and those insurers may agree among themselves on the use of reasonable rate modifications for that insurance, those agreements and rate modifications to be subject to the approval of the commissioner.

History: 1969 c 958 s 9

70A.10 DELAYED EFFECT OF RATES.

Subdivision 1. **Order instituting delayed effect.** If the commissioner finds, after a hearing, that competition is not an effective regulator of the rates charged or that a substantial number of companies are competing irresponsibly through the rates charged, or that there are widespread violations of this chapter, in any kind or line of insurance or subdivision thereof or in any rating class or rating territory, the commissioner may issue an order requiring that in the kind or line of insurance or subdivision thereof or rating class or rating territory comprehended by the finding any subsequent changes in the rates or supplementary rate information be filed at least 60 days before they become effective. The commissioner may extend the waiting period for not to exceed 30 additional days by written notice to the filer before the 60-day period expires.

Subd. 2. **Supporting data.** In the order issued under subdivision 1 or in any supplementary order, the commissioner may require the filing of supporting data as to any or all kinds or lines of insurance or subdivisions thereof or classes of risks or combinations thereof as the commissioner deems necessary for the proper functioning of the rate monitoring and regulating process. The supporting data shall include:

(a) the experience and judgment of the filer, and, to the extent it wishes or the commissioner requires, of other insurers or rate service organizations;

(b) its interpretation of any statistical data relied upon;

(c) descriptions of the actuarial and statistical methods employed; and

(d) any other matters deemed relevant by the commissioner or the filer.

Subd. 3. **Expiration of order.** An order issued under subdivision 1 shall expire no more than two years after issue.

Subd. 4. **Supporting information.** Whenever a filing is not accompanied by such information as the commissioner has required under subdivision 2, the commissioner may so inform the insurer and the filing shall be deemed to be made when the information is furnished.

History: 1969 c 958 s 10; 1986 c 444; 1986 c 455 s 55

70A.11 DISAPPROVAL OF RATES.

Subdivision 1. **Order after hearing.** If the commissioner finds after a contested case proceeding under chapter 14 that a rate is not in compliance with section 70A.04, the commissioner shall order that its use is to be discontinued and shall order the excess premium plus interest at the rate specified in section 549.09 to be refunded to the policyholder. The amount of the refund, plus interest, must be computed from the commencement date of the contested case hearing on the rate. Interest must be computed as simple interest per annum.

Subd. 2. **Timing of order.** The order under subdivision 1 shall be issued within 60 days after the close of the hearing or within such reasonable time extension as the commissioner may fix.

Subd. 3. **Approval of substituted rate.** No rate replacing a disapproved rate may be used until it has been filed with the commissioner and not disapproved within 60 days thereafter, except that the rate disapproved under subdivision 1, with the consent of the commissioner, or the last previous rate in effect for the insurer may be used for a period of not more than three months pending the approval of a substituted

rate. The commissioner's order may include provision for a premium adjustment in a rate charged pending approval of a substituted rate.

History: 1969 c 958 s 11; 1986 c 444; 1986 c 455 s 56

70A.12 SPECIAL RESTRICTIONS ON INDIVIDUAL INSURERS.

The commissioner may by order require that a particular insurer shall file any or all of its rates and supplementary rate information 30 days prior to their effective date, if and to the extent that the commissioner finds after a hearing that the protection of the interests of its insureds and the public in this state requires closer supervision of its rates because of the insurer's financial condition or rating practices. The commissioner may extend the waiting period for any filing for not to exceed 15 additional days by written notice to the insurer before the 30-day period expires. A filing not disapproved before the expiration of the waiting period shall be deemed to meet the requirements of this chapter, subject to the possibility of subsequent disapproval under section 70A.11.

History: 1969 c 958 s 12; 1986 c 444

70A.13 OPERATION AND CONTROL OF RATE SERVICE ORGANIZATIONS.

Subdivision 1. **License required.** No rate service organization shall provide any service relating to the rates of any insurance subject to this chapter, and no insurer shall employ the services of such organization for such purposes unless the organization has obtained a license under section 70A.14.

Subd. 2. **Availability of services.** Every rate service organization shall supply without discrimination any services for which it is licensed in this state to any insurer authorized to do business in this state and offering to pay the fair and usual compensation for the services.

History: 1969 c 958 s 13

70A.14 LICENSING.

Subdivision 1. **Application.** A rate service organization applying for a license as required by section 70A.13, subdivision 1, shall include with its application:

(a) a copy of its constitution, charter, articles of organization, agreement, association or incorporation, and a copy of its bylaws, plan of operation and any other rules or regulations governing the conduct of its business;

(b) a list of its members and subscribers;

(c) the name and address of one or more residents of this state upon whom notices, process affecting it or orders of the commissioner may be served;

(d) a statement showing its technical qualifications for acting in the capacity for which it seeks a license; and

(e) any other relevant information and documents that the commissioner may require.

Subd. 2. **Change of circumstances.** Every organization which has applied for a license under subdivision 1 shall thereafter promptly notify the commissioner of every material change in the facts or in the documents on which its application was based.

Subd. 3. **Granting a license.** If the commissioner finds that the applicant and the natural persons through whom it acts are competent, trustworthy, and technically qualified to provide the services proposed, and that all requirements of law are met, the commissioner shall issue a license specifying the authorized activity of the applicant. The commissioner shall not issue a license if the proposed activity would tend to create a monopoly or to lessen or destroy price competition.

Subd. 4. **Duration.** Licenses issued pursuant to this section shall remain in effect until the licensee withdraws from the state or until the license is suspended or revoked. The fee for each license shall be \$3,000, payable every three years.

Subd. 5. **Amendments to constitution and bylaws.** Any amendment to a document filed under subdivision 1(a) shall be filed within 30 days of its adoption. Failure to comply with this subsection shall be a ground for revocation of the license granted under subdivision 3.

History: 1969 c 958 s 14; 1974 c 5 s 2; 1986 c 444; 1987 c 358 s 97; 1999 c 223 art 2 s 9

70A.15 BINDING AGREEMENTS BY INSURERS.

No insurer shall assume any obligation to any person other than a policyholder or other companies under common control to use or adhere to certain rates or rules, and no other person shall impose any penalty or other adverse consequence for failure of an insurer to adhere to certain rates or rules.

History: 1969 c 958 s 15

70A.16 JOINT UNDERWRITING OR JOINT REINSURANCE.

Subdivision 1. **Joint underwriting.** Every group, association, or other organization of insurers which engages in joint underwriting shall be subject to all the provisions of this chapter.

Subd. 2. **Joint reinsurance.** Every group, association, or other organization of insurers which engages in joint reinsurance, shall be subject to the provisions of sections 70A.18 and 70A.20 to 70A.22.

Subd. 3. **Unfair or unreasonable practice.** If, after a hearing, the commissioner finds that any activity or practice of any group, association or other organization referred to in subdivision 1 or 2 is unfair, unreasonable, or otherwise inconsistent with the provisions of this chapter, the commissioner shall issue a written order specifying in what respects that activity or practice is unfair, unreasonable or otherwise inconsistent with the provisions of this chapter, and requiring the discontinuance of the activity or practice.

History: 1969 c 958 s 16; 1986 c 444

70A.17 RECORDING AND REPORTING OF EXPERIENCE.

Subdivision 1. **Rules and statistical plans.** The commissioner shall promulgate and may modify reasonable rules and statistical plans, reasonably adapted to each of the rating systems used, and which shall thereafter be used by each insurer in the recording and reporting of its loss and countrywide expense experience, in order that the experience of all insurers may be made available at least annually in such form and detail as may be necessary to aid in determining whether rates comply with the applicable standards of this chapter. Such rules and plans may also provide for the recording and reporting of expense experience items which are specially applicable to this state and are not susceptible of determination by a prorating of countrywide expense practice.

Subd. 2. **Uniformity of rules and plans.** In promulgating such rules and plans the commissioner shall give due consideration to the rating systems in use in this state and, in order that such rules and plans may

be as uniform as is practicable among the several states, to the rules and to the form of the plans used for such rating systems in other states. No insurer shall be required to record or report its loss experience on a classification basis that is inconsistent with the rating system used by it.

Subd. 3. Rating organization assistance. The commissioner may designate one or more rating organizations or other agencies to assist in gathering such experience and making compilations thereof, and such compilations shall be made available, subject to reasonable rules promulgated by the commissioner, to insurers and rating organizations.

History: 1969 c 958 s 17; 1986 c 444

70A.18 EXAMINATIONS.

Whenever the commissioner deems it necessary in order to become informed about any matter related to the enforcement of this chapter the commissioner may examine or cause to be examined any rate service organization subject to section 70A.13, subdivision 1, any insurer and any group, association or other organization referred to in section 70A.16. The reasonable costs of any such examination shall be paid by the rate service organization, insurer, or group, association or other organization examined, upon presentation to it of a detailed account of such costs. The officers, manager, agents and employees of any such rate service organization, insurer, or group, association or other organization may be examined at any time under oath and shall exhibit all books, records, accounts, documents, or agreements governing its method of operation. In lieu of any such examination the commissioner may accept the report of an examination made by the insurance supervisory official of another state, pursuant to the laws of such state.

History: 1969 c 958 s 18; 1986 c 444

70A.19 INFORMATION TO BE FURNISHED INSUREDS; HEARING AND APPEALS OF INSUREDS.

Every rate service organization and every insurer which makes its own rates shall, within a reasonable time after receiving written request therefor, furnish to any insured affected by a rate made by it, or to the authorized representative of that insured, all pertinent information as to that rate. Every rate service organization and every insurer which makes its own rates shall provide within this state reasonable means whereby any person aggrieved by the application of its rating system may be heard, in person or by an authorized representative, on a written request to review the manner in which that rating system has been applied in connection with the insurance afforded. If the rate service organization or insurer fails to grant or reject any such request within 30 days after it is made, the applicant may proceed in the same manner as if the application had been rejected. Any party affected by the action of a rate service organization or insurer on any such request may, within 30 days after written notice of such action, appeal to the commissioner who, after a hearing held upon not less than ten days' written notice to the appellant and to the rate service organization or insurer, may affirm or reverse its action.

History: 1969 c 958 s 19; 1986 c 444

70A.20 FALSE OR MISLEADING INFORMATION.

No person or organization shall willfully withhold information from, or knowingly give false or misleading information to the commissioner, any statistical agency designated by the commissioner, any rate service organization, or any insurer, which will affect the rates chargeable under this chapter.

History: 1969 c 958 s 20

70A.21 PENALTIES.

Subdivision 1. **Violation; willful violation.** The commissioner may, if the commissioner finds that any person or organization has violated any provisions of this chapter, impose a penalty of not more than \$50 for each violation, and if the commissioner finds such violation to be willful the commissioner may impose a penalty of not more than \$500 therefor. Such penalties may be in addition to any other penalty provided by law.

Subd. 2. **Suspension of license.** The commissioner may suspend the license of any rate service organization or insurer which fails to comply with any order within the time limited by such order, or any extension thereof which the commissioner may grant. The commissioner shall not suspend the license of any rate service organization or insurer for failure to comply with an order until the time prescribed for an appeal therefrom has expired or, if an appeal has been taken, until the order has been affirmed. The commissioner may determine when a suspension of license shall become effective and that suspension shall remain in effect for the period fixed, unless the commissioner modifies or rescinds it, or until the order upon which it is based is modified, rescinded or reversed.

Subd. 3. **Penalty imposed by written order.** No penalty shall be imposed, and no license shall be suspended or revoked, except upon a written order of the commissioner, stating the findings made after a hearing held upon not less than ten days' written notice to the person or organization to be affected thereby, specifying the alleged violation or ground of suspension or revocation.

History: 1969 c 958 s 21; 1986 c 444

70A.22 HEARINGS, PROCEDURE, AND JUDICIAL REVIEW.

Subdivision 1. **Request for hearing; hearing; order thereon.** Any insurer or rate service organization aggrieved by any order or decision of the commissioner made without a hearing, may, within 30 days after notice of the order to it, make written request to the commissioner for a hearing thereon. The commissioner shall hear the party or parties within 20 days after receipt of the request and shall give not less than ten days' written notice of the time and place of the hearing. Within 15 days after hearing the commissioner shall affirm, reverse or modify the previous action, specifying the reasons therefor. Pending the hearing and decision thereon the commissioner may suspend or postpone the effective date of the previous action.

Subd. 2. **Formal rules of pleading or evidence not required.** Nothing contained in this chapter shall require the observance at any hearing of formal rules of pleading or evidence.

Subd. 3. **Appeal.** Any order or decision of the commissioner shall be subject to appeal in accordance with chapter 14.

History: 1969 c 958 s 22; 1983 c 247 s 35; 1986 c 444

70A.23 TRANSITION PROVISIONS.

On September 1, 1969, all rates on file with the commissioner and not disapproved may be used without further delay, subject to the provisions of this chapter.

History: 1969 c 958 s 23; 1986 c 444