

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

Section 1. Minnesota Statutes 1978, Section 216A.035, is amended to read:

216A.035 **CONFLICT OF INTEREST.** No person during his term of membership on the public service commission shall receive any significant portion of his income directly or indirectly from any public utility. No person shall be eligible to be appointed as a member of the public service commission unless and until he divests himself of any significant interest or abandons any employment with a utility.

No person who is an employee of the public service ~~commission~~ department shall participate in any manner in any decision or action of the commission where he has a *direct or indirect financial interest*. Each commissioner or employee of the public service department who is in the civil service schedule A or management classification level and whose duties are related to public utilities or transportation regulation shall report to the ethical practices board annually before April 15 any interest he has in an industry or business regulated by the commission.

Approved May 25, 1979.

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CHAPTER 207—H.F.No.227

*An act relating to insurance; regulating homeowner's insurance; requiring insurers to disclose and file information; prescribing certain procedures for an insurer's refusal to renew or to write homeowner's insurance; prohibiting redlining; amending Minnesota Statutes 1978, Sections 62A.02, Subdivision 3; 65A.35, Subdivision 5; 72A.20; 72A.23, Subdivision 1; and Chapter 65A, by adding sections.*

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

Section 1. Minnesota Statutes 1978, Section 62A.02, Subdivision 3, is amended to read:

Subd. 3. **DISAPPROVAL.** The commissioner shall, within 30 days after the filing of any form, disapprove the form:

- (1) if the benefits provided therein are unreasonable in relation to the premium charged;
- (2) if it contains a provision or provisions which are unjust, unfair, inequitable, misleading, deceptive or encourage misrepresentation of the policy; or
- (3) If the proposed premium rate is excessive because the insurer has failed to exercise reasonable cost control.

For the purposes of clause (1), the commissioner shall establish by rule a schedule

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of minimum anticipated loss ratios which shall be based on (i) the type or types of coverage provided, (ii) whether the policy is for group or individual coverage, and (iii) the size of the group for group policies. Except for individual policies of disability or income protection insurance, the minimum anticipated loss ratio shall not be less than 50 percent after the first year that a policy is in force. All applicants for a policy shall be informed in writing at the time of application of the anticipated loss ratio of the policy. For the purposes of this subdivision, "anticipated loss ratio" means the ratio at the time of form filing or at the time of subsequent rate revision of the present value of all expected future benefits, excluding dividends, to the present value of all expected future premiums. Nothing in this paragraph shall prohibit the commissioner from disapproving a form which meets the requirements of this paragraph but which the commissioner determines still provides benefits which are unreasonable in relation to the benefits charged. The commissioner may until December 31, 1978, exercise emergency power for the purpose of implementing the minimum anticipated loss ratio requirement, and for this purpose may adopt emergency rules as provided in section 15.0412, subdivision 5. Notwithstanding the expiration of the commissioner's emergency power, any emergency rule adopted by him prior to the expiration of his emergency power may remain effective for the periods authorized in section 15.0412, subdivision 5.

If the commissioner notifies an insurer which has filed any form that the form does not comply with the provisions of this section or sections 62A.03 to 62A.05 and section 72A.20, ~~subdivision 4~~, it shall be unlawful thereafter for the insurer to issue the form or use it in connection with any policy. In the notice the commissioner shall specify the reasons for his disapproval and state that a hearing will be granted within 20 days after request in writing by the insurer.

Sec. 2. Minnesota Statutes 1978, Chapter. 65A, is amended by adding a section to read:

[65A.27] DEFINITIONS. Subdivision 1. For purposes of sections 2 to 4 the following terms have the meanings given.

Subd. 2. "Commissioner" means the commissioner of insurance.

Subd. 3. "Decline" or "declination" means an agent's refusal to accept an application for homeowner's insurance or an insurer's refusal to issue a policy of homeowner's insurance to a person who has submitted a written application.

Subd. 4. "Homeowner's insurance" means insurance coverage, as provided in section 60A.06, subdivision 1, clause (1)(c), normally written by the insurer as a standard homeowner's package policy or as a standard residential renter's package policy.

Subd. 5. "Insurer" means any insurer licensed to write insurance, as defined in section 60A.06, subdivision 1, clause (1), and writing homeowner's insurance in this state.

Subd. 6. "Metropolitan area" means the area defined in section 473.121, subdivision 2.

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Subd. 7. "Nonpayment of premium" means a failure of the named insured to pay the premium when due on a policy of homeowner's insurance or any installment of the premium, whether the premium is payable directly to the insurer or its agent or indirectly under a premium finance plan or an extension of credit.

Subd. 8. "Renewal" or "renew" means an insurer's issuance and delivery to the insured of a new insurance policy at the end of the policy period of an existing policy written by the insurer or an insurer's issuance and delivery of a certificate or notice extending the term of a policy beyond its policy period or term.

Sec. 3. Minnesota Statutes 1978, Chapter 65A, is amended by adding a section to read:

**[65A.28] DISCLOSURE AND FILING REQUIREMENTS.** Subdivision 1. Each insurer writing homeowner's insurance for property located in the metropolitan area or a statutory or home rule charter city of the first class shall compile and file annually with the commissioner on or before May 1 a report for the preceding calendar year. This report shall contain the following information reported by postal zip code areas for each zip code area located in a city of the first class which contains property for which the insurer wrote, declined to write, or cancelled homeowner's insurance:

- (a) the number of policies written;
- (b) the number of policies cancelled;
- (c) the number of policies nonrenewed; and
- (d) the number of applications for homeowner's insurance declined.

If the commissioner determines that additional information is necessary to effectuate the purposes of sections 2 to 4 and section 6, subdivision 13, he may require, by rule:

- (i) that the required information be reported for additional areas of the state, or
- (ii) that additional types of information, including premium and claims data, be reported for some or all of the areas subject to the reporting requirements.

If the commissioner has reason to believe that an insurance company or insurance agent has violated section 72A.20, subdivision 13 or 14, the commissioner may issue an order requiring the company or agent to compile and submit within a reasonable time information on its homeowner's insurance marketing, underwriting, or rating practices for a specific geographic area or areas. This information may be in addition to the types and categories of information required to be reported by this section or rules promulgated under subdivision 4.

Subd. 2. The commissioner shall make the reports filed pursuant to subdivision 1 available for public inspection.

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Subd. 3. Any insurer required to report under this section which fails to file a report, containing the data and within the time prescribed by this section or rules promulgated under subdivision 4, shall be subject to a penalty of \$10 for each day in default. Any penalty imposed under this section may be recovered in a civil action brought by and in the name of the state.

Subd. 4. The commissioner may prescribe rules necessary to carry out the purposes of this section. The rules may provide for classifications, differentiations, adjustments or exceptions, as in the judgment of the commissioner are necessary and proper to effectuate the purposes of, prevent circumvention or evasion of, or to facilitate compliance with this section.

Sec. 4. Minnesota Statutes 1978, Chapter 65A, is amended by adding a section to read:

**[65A.29] CANCELLATION; NONRENEWAL; REFUSAL TO WRITE.**  
Subdivision 1. CANCELLATION. No insurer may cancel a policy of homeowner's insurance except for the reasons specified in section 65A.01.

Subd. 2. RENEWAL; NOTICE REQUIREMENT. No insurer may refuse to renew a policy of homeowner's insurance unless it delivers or mails to the named insured, at the most recent address furnished by the insured, at least 30 days advance notice of its intention not to renew. This notice shall state the specific underwriting or other reason for nonrenewal. This subdivision shall not apply to a refusal to renew for nonpayment of the premium.

Subd. 3. REFUSAL TO WRITE. Upon completion in writing of the insurer's application form for homeowner's insurance, any person having an insurable interest in real or tangible property at a fixed location shall be entitled upon written request either (a) to the insurer's offer of coverage, including type, amount and premium cost of coverage, or (b) to a written declination, stating specifically the underwriting or other reason for the refusal to write. For purposes of this subdivision, "insurer" means only an insurer writing or offering to write homeowner's insurance for property in the same statutory or home rule charter city or town in which the applicant's property is located.

Subd. 4. FORM REQUIREMENTS. Any notice or statement required by subdivisions 1 to 3 shall be written in language which is easily readable and understandable by a person of average intelligence and understanding. The statement of reason shall be sufficiently specific to convey, clearly and without further inquiry, the basis for the insurer's refusal to renew or to write the insurance coverage.

Subd. 5. Notwithstanding sections 65A.01 and 65A.07, any policy of homeowner's insurance issued after January 1, 1980 shall contain nonrenewal provisions consistent with this section.

Subd. 6. IMMUNITY OF INSURER OR COMMISSIONER. There shall be no liability on the part of and no cause of action of any nature shall arise against the commissioner or against any insurer, its authorized representative, its agents, its

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employees or any firm, person or corporation furnishing to the insured information as to reasons for declination, nonrenewal, or cancellation, for any statement made by them in any written notice of declination, nonrenewal or cancellation, for the providing of information relating thereto, or for statements made or evidence submitted at any hearings or investigations conducted in connection therewith. This subdivision shall not apply to any action or proceeding arising under section 6 of this act.

Sec. 5. Minnesota Statutes 1978, Section 65A.35, Subdivision 5, is amended to read:

Subd. 5. **ADMINISTRATION.** (1) The facility shall be administered by a governing committee of five members, elected annually by the members of the facility, and four additional members appointed by the commissioner, at least three of whom shall be public members. At least one elected member of the governing committee shall be a domestic stock insurer, and at least one elected member of the governing committee shall be a domestic non-stock insurer. In the election of members of the governing committee, each member of the facility shall be allotted votes bearing the same ratio to the total number of votes to be cast as its degree of participation in the facility bears to the total participation. Pending the determination of the degree of participation of the members in the facility, each member of the facility shall be allotted votes bearing the same ratio to the total number of votes to be cast as each member's written premium on basic property insurance during calendar year 1968 bears to the statewide total written premium for basic property insurance during such year. The first governing committee shall be elected at a meeting of the members or their authorized representatives.

(2) Any vacancy among the elected members on the governing committee shall be filled by a vote of the other elected members of the governing committee.

(3) If at any time the members fail to elect the required number of members to the governing committee, or a vacancy remains unfilled for more than 15 days, the commissioner may appoint the members necessary to constitute a full governing committee.

Sec. 6. Minnesota Statutes 1978, Section 72A.20, is amended to read:

**72A.20 METHODS, ACTS AND PRACTICES WHICH ARE DEFINED AS UNFAIR OR DECEPTIVE.** Subdivision 1. ~~The following are hereby defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:~~

(+) **MISREPRESENTATIONS AND FALSE ADVERTISING OF POLICY CONTRACTS.** Making, issuing, circulating, or causing to be made, issued, or circulated, any estimate, illustration, circular, or statement misrepresenting the terms of any policy issued or to be issued or the benefits or advantages promised thereby or the dividends or share of the surplus to be received thereon, or making any false or misleading statement as to the dividends or share of surplus previously paid on similar policies, or making any misleading representation or any misrepresentation as to the financial condition of any insurer, or as to the legal reserve system upon which any life insurer operates, or using any name or title of any policy or class of policies misrepresenting the true nature thereof,

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or making any misrepresentation to any policyholder insured in any company for the purpose of inducing or tending to induce such policyholder to lapse, forfeit, or surrender his insurance; shall constitute an unfair method of competition and an unfair and deceptive act or practice in the business of insurance.

(2) Subd. 2. FALSE INFORMATION AND ADVERTISING GENERALLY. Making, publishing, disseminating, circulating, or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine, or other publication, or in the form of a notice, circular, pamphlet, letter, or poster, or over any radio station, or in any other way, an advertisement, announcement, or statement, containing any assertion, representation, or statement with respect to the business of insurance, or with respect to any person in the conduct of his insurance business, which is untrue, deceptive, or misleading; shall constitute an unfair method of competition and an unfair and deceptive act or practice.

(3) Subd. 3. DEFAMATION. Making, publishing, disseminating, or circulating, directly or indirectly, or aiding, abetting, or encouraging the making, publishing, disseminating, or circulating of any oral or written statement or any pamphlet, circular, article, or literature which is false, or maliciously critical of or derogatory to the financial condition of an insurer, and which is calculated to injure any person engaged in the business of insurance; shall constitute an unfair method of competition and an unfair and deceptive act or practice.

(4) Subd. 4. BOYCOTT, COERCION AND INTIMIDATION. Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion, or intimidation, resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance; shall constitute an unfair method of competition and an unfair and deceptive act or practice.

(5) Subd. 5. FALSE FINANCIAL STATEMENTS. Filing with any supervisory or other public official, or making, publishing, disseminating, circulating, or delivering to any person, or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, delivered to any person, or placed before the public, any false statement of financial condition of an insurer with intent to deceive; shall constitute an unfair method of competition and an unfair and deceptive act or practice in the insurance business.

(6) Subd. 6. FALSE ENTRIES. Making any false entry in any book, report, or statement of any insurer with intent to deceive any agent or examiner lawfully appointed to examine into its condition or into any of its affairs, or any public official to whom such insurer is required by law to report, or who has authority by law to examine into its condition or into any of its affairs, or, with like intent, wilfully omitting to make a true entry of any material fact pertaining to the business of such insurer in any book, report, or statement of such insurer; shall constitute an unfair method of competition and an unfair and deceptive act or practice.

(7) Subd. 7. STOCK OPERATIONS AND ADVISORY BOARD CONTRACTS. Issuing or delivering, or permitting agents, officers, or employees to issue or deliver,

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agency company stock or other capital stock, or benefit certificates or shares in any common-law corporation, or securities or any special or advisory board contracts or other contracts of any kind promising returns and profits as an inducement to insurance; shall constitute an unfair method of competition and an unfair and deceptive act or practice.

(8) Subd. 8. DISCRIMINATION. Making or permitting any unfair discrimination between individuals of the same class and equal expectation of life in the rates charged for any contract of life insurance or of annuity or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of such contract or in making or permitting the rejection of an individual's application for life insurance coverage, as well as the determination of the rate class for such individual, on the basis of a disability, shall constitute an unfair method of competition and an unfair and deceptive act or practice, unless the claims experience and actuarial projections and other data establish significant and substantial differences in class rates because of the disability; .

(9) Subd. 9. DISCRIMINATION BETWEEN INDIVIDUALS OF THE SAME CLASS. Making or permitting any unfair discrimination between individuals of the same class and of essentially the same hazard in the amount of premium, policy fees, or rates charged for any policy or contract of accident or health insurance or in the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever, or in making or permitting the rejection of an individual's application for accident or health insurance coverage, as well as the determination of the rate class for such individual, on the basis of a disability, shall constitute an unfair method of competition and an unfair and deceptive act or practice, unless the claims experience and actuarial projections and other data establish significant and substantial differences in class rates because of the disability; .

(10) Subd. 10. REBATES. Except as otherwise expressly provided by law, knowingly permitting or offering to make or making any contract of life insurance, annuity, or accident and health insurance, or agreement as to such contract, other than as plainly expressed in the contract issued thereon, or paying or allowing or giving, or offering to pay, allow, or give, directly or indirectly, as inducement to such insurance or annuity, any rebate of premiums payable on the contract, or any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration or inducement whatever not specified in the contract; or giving or selling or purchasing, or offering to give, sell, or purchase, as inducement to such insurance or annuity, or in connection therewith, any stocks, bonds, or other securities of any insurance company or other corporation, association, or partnership, or any dividends or profits accrued thereon, or anything of value whatsoever not specified in the contract; shall constitute an unfair method of competition and an unfair and deceptive act or practice.

(11) Subd. 11. APPLICATION TO CERTAIN SECTIONS. ~~Any violation of~~ Violating any provision of the following sections of this chapter not set forth in ~~clauses~~ (1) subdivisions 1 to (10) of this subdivision 10 shall constitute an unfair method of competition and an unfair and deceptive act or practice: section 72A.12, subdivisions 2, 3, and 4, section 72A.16, subdivision 2, sections 72A.03 and 72A.04, section 72A.08, subdivision 1 as modified by section 72A.08, subdivision 4, and section 65B.13; .

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~~(12) Subd. 12. UNFAIR SERVICE. Causing or permitting with such frequency to indicate a general business practice the claims and complaints of insureds to be processed in an unreasonable length of time, or in an unfair, deceptive, or fraudulent manner, or in violation of such regulations rules as the commissioner of insurance shall make in the public interest to insure the prompt, fair, and honest processing of such claims and complaints, shall constitute an unfair method of competition and an unfair and deceptive act or practice.~~

Subd. 13. REFUSAL TO RENEW. Refusing to renew, declining to offer or write, or charging differential rates for an equivalent amount of homeowner's insurance coverage, as defined by section 2 of this act, for property located in a town or statutory or home rule charter city, in which the insurer offers to sell or writes homeowner's insurance, solely because:

(a) of the geographic area in which the property is located;

(b) of the age of the primary structure sought to be insured;

(c) the insured or prospective insured was denied coverage of the property by another insurer, whether by cancellation, nonrenewal or declination to offer coverage, for a reason other than those specified in section 65A.01, subdivision 3a, clauses (a) to (e); or

(d) the property of the insured or prospective insured has been insured under the Minnesota Fair Plan Act, shall constitute an unfair method of competition and an unfair and deceptive act or practice.

This subdivision shall not prohibit the insurer from applying underwriting or rating standards which the insurer applies generally in all other locations in the state and which are not specifically prohibited by clauses (a) to (d). Such underwriting or rating standards shall specifically include but not be limited to standards based upon the proximity of the insured property to an extraordinary hazard or based upon the quality or availability of fire protection services or based upon the density or concentration of the insurer's risks. Clause (b) shall not prohibit the use of rating standards based upon the age of the insured structure's plumbing, electrical, heating or cooling system or other part of the structure, the age of which affects the risk of loss. Any insurer's failure to comply with section 4, subdivisions 2 to 4 of this act, either (1) by failing to give an insured or applicant the required notice or statement or (2) by failing to state specifically a bona fide underwriting or other reason for the refusal to write shall create a presumption that the insurer has violated this subdivision.

Subd. 14. APPLICATION FORM REFUSAL. An insurance agent refusing to supply a requested application form for homeowner's insurance with any insurer whom the agent represents or refusing to transmit forthwith any completed application form to the insurer, shall constitute an unfair method of competition and an unfair and deceptive act or practice.

Sec. 7. Minnesota Statutes 1978, Section 72A.23, Subdivision 1, is amended to read:

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72A.23 **DECISION AND ORDER THEREON.** Subdivision 1. **DETERMINATION BY COMMISSIONER; FINDINGS.** If, after a hearing, as provided in section 72A.22, the commissioner shall determine that the method of competition or the act or practice in question is defined in section 72A.20, and that the person complained of has engaged in that method of competition, act, or practice, in violation of sections 72A.17 to 72A.32 he shall reduce his findings to writing and shall issue and cause to be served upon the person charged with the violation an order requiring him to cease and desist from engaging in that method of competition, act or practice. If the commissioner determines that an insurer has engaged in an act or practice defined in section 72A.20, subdivision 13, the cease and desist order may also require the insurer to write or renew the homeowner's insurance coverage sought by the insured or prospective insured for a specified period of up to three years without cancellation or nonrenewal by the insurer for a reason not specified in section 65A.01; after the specified period expires, cancellation or nonrenewal of the coverage may be made only as permitted by law.

Approved May 25, 1979.

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**CHAPTER 208—H.F.No.313**

*An act relating to public employees; reimbursing university systems for expenses of certain athletic leaves of absence; amending Minnesota Statutes 1978, Section 15.62, Subdivision 3.*

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

Section 1. Minnesota Statutes 1978, Section 15.62, Subdivision 3, is amended to read:

Subd. 3. If the public employee granted the leave is an employee of a school district, university system or other political subdivision, the state shall reimburse the employer for the actual cost to the employer of employing a substitute. ~~There is appropriated the sum of \$17,596 to the department of finance for the purpose of this section; and shall be available during the biennium ending June 30, 1979.~~

Sec. 2. This act is effective for leaves granted and occurring on or after July 1, 1979.

Approved May 25, 1979.

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**CHAPTER 209—H.F.No.357**

*An act relating to professional regulation; regulating architects, engineers, surveyors, and landscape architects; adding an additional member to the board of architecture, engineering, land surveying and landscape architecture; amending Minnesota Statutes 1978,*

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