

HOUSE RESEARCH

Bill Summary

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Overview

This bill involves the Minnesota FAIR plan. It is an organization of property and casualty insurers established by state law and required to provide property insurance to homeowners and businesses who cannot buy insurance in the private market. It is a high-risk pool for property insurance. FAIR stands for fair access to insurance requirements. If the FAIR plan loses money, its board assesses its member insurers to cover the loss. All property and casualty insurers that write insurance on property in Minnesota are required to be members of the FAIR plan.

Section

- 1 Form requirements.** Reflects a change in name from the Minnesota Property Insurance Placement Facility back to its previous name, the Minnesota FAIR plan.
- 2 Purposes.** Name change and grammatical changes. Specifies that the FAIR plan's purpose is to deal with situations in which coverage is denied for a property due to its condition.
- 3 Name.** Another section reflecting the name change.
- 4 Member.** Adds a definition of "member," specifying that it means an insurer that is required by law to be a member.
- 5 Premiums.** Rewrites the definition of premiums and of the lines of insurance. These are the definitions used to assess member insurers to cover losses incurred by the FAIR plan.
- 6 Board.** Name change.
- 7 NAIC.** Defines the abbreviation NAIC as the National Association of Insurance Commissioners.
- 8 Plan coverage.**

Section

Subd. 1. Application. Grammatical change and name change.

Subd. 2. Inspections. Moves what is now subdivision 6 into this subdivision, with minor changes and a change to conform to section 2 above. Also name change and grammatical change.

Subd. 3. Initial inspection report. Grammatical changes.

Subd. 4. Condition charges. Grammatical changes and name change.

Subd. 5. Completed inspection report. No changes.

Subd. 6. Inspection. Content moved to subdivision 2 above, with changes described there.

9 Administration.

Subd. 1. Membership. Grammatical changes and name change.

Subd. 2. Purposes. Grammatical, editing, and name changes. Adds language limiting the FAIR plan's obligation to situations in which coverage is denied due to the condition of the property, matching the change in section 2 above.

Subd. 3. Plan of operation. Grammatical changes and name change.

Subd. 4. Amendment of the plan of operation. Name change and grammatical changes.

Subd. 5. Administration. Grammatical and name changes. Changes current requirement that one board member must be a domestic stock insurer and one a domestic nonstock insurer to a requirement that two board members be domestic insurers. (Actually, the board members are presumably human beings who *represent* the insurers.) Provides that the two-year terms of office, and the right to receive compensation, apply only to public directors.

Subd. 6. Participation. Grammatical, name, and conforming changes.

10 Underwriting.

Subd. 1. Evaluation of risk. Name and technical changes. Permits offering a policy with an adjustment in policy limits.

Subd. 2. Premium invoice. Editing changes. Eliminates requirement that policy be issued within five business days after receipt of premium.

Subd. 3. Declining a risk. Grammatical and other editing changes. Adds a reference to significant unrepaired damage.

Subd. 4. Appeal of plan decision. Name change.

Subd. 5. Action on completed application. Name change. Permits policy limit to be adjusted to reflect the property's insurable value.

11 **Policy forms.** Eliminates a reference to "loss costs." Eliminates redundant language.

12 **Rates.** Requires that all premium rates used by the FAIR plan must have prior approval of the commissioner.

13 **Cancellation.** Name change and editing change.

Section

14 **Commercial cancellation.** Name change.

15 **Education program.** Name change.

16 **Agents.**

Subd. 1. Generally. Name change. Also makes compensation of insurance agents by the FAIR plan based upon premiums received instead of applications submitted.

Subd. 2. Duty to submit application. Name change.

17 **Immunity from liability.** Name and grammatical changes.

18 **Repealer.** Repeals a definition of "inspection bureau."