

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 1826

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DATE	D-PG	OFFICIAL STATUS
03/06/2017	1073	Introduction and first reading
		Referred to Commerce and Consumer Protection Finance and Policy
03/09/2017		Comm report: To pass as amended
		Second reading

1.1 A bill for an act

1.2 relating to insurance; regulating rates; modifying depreciation calculations;

1.3 amending Minnesota Statutes 2016, sections 70A.06, by adding a subdivision;

1.4 72A.201, subdivision 5.

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

1.6 Section 1. Minnesota Statutes 2016, section 70A.06, is amended by adding a subdivision

1.7 to read:

1.8 Subd. 4a. Expense depreciation applicable when determining value of damaged

1.9 property in insurance policies. (a) As used in this section:

1.10 (1) "damaged property" means a dwelling, structure, personal property, or any other

1.11 property or service, the damage to which is covered under the terms of an insurance policy;

1.12 and

1.13 (2) "expense depreciation" means depreciation, including but not limited to the cost of

1.14 goods, materials, labor, and services necessary to replace, repair, or rebuild damaged property.

1.15 (b) An insurance policy covering damaged property:

1.16 (1) may allow for expense depreciation; and

1.17 (2) shall provide notice within the insurance policy in a form approved by the

1.18 commissioner of commerce that expense depreciation may be deducted.

1.19 (c) If expense depreciation is applied to a loss for damaged property, upon request from

1.20 a policy holder, the insurer shall provide a written explanation as to how the expense

1.21 depreciation was calculated.

2.1 (d) A policy form submitted for approval to the commissioner that includes expense
2.2 depreciation, is not grounds for disapproving the policy form.

2.3 Sec. 2. Minnesota Statutes 2016, section 72A.201, subdivision 5, is amended to read:

2.4 Subd. 5. **Standards for fair settlement offers and agreements.** The following acts by
2.5 an insurer, an adjuster, a self-insured, or a self-insurance administrator constitute unfair
2.6 settlement practices:

2.7 (1) making any partial or final payment, settlement, or offer of settlement, which does
2.8 not include an explanation of what the payment, settlement, or offer of settlement is for;

2.9 (2) making an offer to an insured of partial or total settlement of one part of a claim
2.10 contingent upon agreement to settle another part of the claim;

2.11 (3) refusing to pay one or more elements of a claim by an insured for which there is no
2.12 good faith dispute;

2.13 (4) threatening cancellation, rescission, or nonrenewal of a policy as an inducement to
2.14 settlement of a claim;

2.15 (5) notwithstanding any inconsistent provision of section 65A.01, subdivision 3, failing
2.16 to issue payment for any amount finally agreed upon in settlement of all or part of any claim
2.17 within five business days from the receipt of the agreement by the insurer or from the date
2.18 of the performance by the claimant of any conditions set by such agreement, whichever is
2.19 later;

2.20 (6) failing to inform the insured of the policy provision or provisions under which
2.21 payment is made;

2.22 (7) settling or attempting to settle a claim or part of a claim with an insured under actual
2.23 cash value provisions for less than the value of the property immediately preceding the loss,
2.24 including all applicable taxes and license fees. In no case may an insurer be required to pay
2.25 an amount greater than the amount of insurance;

2.26 (8) except where limited by policy provisions, settling or offering to settle a claim or
2.27 part of a claim with an insured under replacement value provisions for less than the sum
2.28 necessary to replace the damaged item with one of like kind and quality, including all
2.29 applicable taxes, license, and transfer fees;

2.30 (9) reducing or attempting to reduce for expense depreciation any settlement or any offer
2.31 of settlement for items not adversely affected by age, use, or obsolescence. The costs of

- 3.1 goods, material, labor, and services necessary to replace, repair, or rebuild damaged property
- 3.2 may be depreciated;
- 3.3 (10) reducing or attempting to reduce for betterment any settlement or any offer of
- 3.4 settlement unless the resale value of the item has increased over the preloss value by the
- 3.5 repair of the damage.