

MINNESOTA DEPARTMENT OF COMMERCE
Policy Regarding Territory Expansion
for Township Mutuals

Township mutual insurance companies may, if the Commissioner has granted approval, operate in more than 150 adjoining townships in the aggregate and adjoining cities of the second class at the same time, subject to a maximum of 300 townships. Township mutuals must meet the following requirements to be considered for approval:

- 1) Township mutuals are required to have the following minimum policyholders' surplus to be authorized in the following number of townships in Minnesota:

Over 250 townships to 300	\$1,000,000
Over 200 townships to 250	750,000
Over 150 townships to 200	500,000

- 2) Township mutuals are required to have a minimum policyholders' surplus of \$1,000,000 to be approved by the Commissioner to write business in a city of the second class.
- 3) Township mutual insurance companies are required to meet the following operating conditions to be approved for expansion:
- a) Net written premiums must not exceed 2 times policyholders' surplus.
 - b) Net income must be reported in 3 of the past 5 years.
 - c) Policyholders surplus must not have declined by more than 10% in the prior year or 15% over the prior two years.
- 4) Township mutual insurance companies are required to submit the following items to the Commerce Department for review with regard to any expansion over 150 townships or to be approved by the Commissioner to write business in a city of the second class:
- a) Amended or restated Articles of Incorporation. Provide a list of the townships by county in which the company is currently authorized. The additional townships and cities of the second class that the company would like to add to its territory must also be listed and maps provided. Approval for cities of the second class will require that the individual cities be named in the Articles of Incorporation and the Articles must be restated.
 - b) Income statement ("unaudited") as of the end of the most recent quarter.
 - c) Reinsurance agreement effective at the time the request is submitted.
 - d) Business plan indicating how the company intends to service the new territory. The plan should include specifics with regard to underwriting, inspection of properties, and adjustment of claims. It should also describe the experience and training of the individuals performing these tasks.
 - e) Projected income statements for the current year and the next two fiscal years using a conservative estimate for projected losses. The method used must be demonstrated if incurred losses are projected to be less than the average of the prior five years. Provide the projected total direct written premiums for each year and the number of policyholders at the end of each year. Include a detailed breakdown of the company's projected operating expenses for the current year and next two fiscal years using the same categories as listed in Exhibit 8 on Page 9 of the Annual Statement.

A township mutual approved to operate in more than 150 townships, and not seeking approval to write business in a city of the second class, need only file Item 4a in order to add additional townships within the category it is approved for as described in Item 1. For example, a township mutual approved to operate in 151 townships seeking to add 40 townships need only file Item 4a.