MUTUAL LINK

THE OFFICIAL NEWSLETTER OF THE MINNESOTA ASSOCIATION OF FARM MUTUAL INSURANCE COMPANIES

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CHAIRMAN'S MESSAGE

Oh, where does the time go? It seems to move so quickly that we hardly have time to sit back and enjoy everything life has to offer. From graduations and weddings to birthdays and anniversaries, from ballgames and vacations to a few days of work sprinkled in between, our lives are filled with activity. Before we know it, days pass by in the blink of an eye.

Take a moment to slow down and appreciate the simple things. Stop and smell the roses. Remember that each day is special in its own way. Take time to reflect on the past, enjoy the present, and look forward with excitement to what the future has in store for all of us.

MAFMIC continues to impress me with what they are able to accomplishes year after year. Adam keeps us informed on legislative matters while working tirelessly to ensure unfavorable legislation does not make its way through the process. Thanks to his efforts, I believe this has been another successful year for our Association.

Dani continues to amaze me with her ability to organize and coordinate the many activities and events that keep our Association thriving. From the Convention each February and the Managers Workshop in early May, to the MAFMIC Golf Outing on July 13 and the Manager & Director Seminar on July 14, she keeps everything running smoothly. The schedule continues with the MAFMIC Agents Meeting on August 11–12, the RAAC on August 18, and concludes with Short Course on November 18. Add in the numerous MAFMIC Board meetings and committee meetings held throughout the year, and it becomes clear how much work goes into making our Association successful. A huge thank you to Dani for all that she does. Just Amazing!

Arlette's talents shine through every edition of the Mutual Link. She does an outstanding job working with the membership to ensure each publication comes together on time and with exceptional quality. Her dedication and talent are second to none. (Continue on next page)

CHAIRMAN'S MESSAGE (CONTINUED)

Our membership is truly blessed to have Adam, Dani, and Arlette working on our behalf.

As we navigate through another busy summer, I want to wish each and every one of you a happy, safe, and productive season. Remember where you came from, cherish the present, and embrace the future.

Thank you for allowing me to serve as your MAFMIC Chairman. I look forward to seeing all of you at an upcoming MAFMIC event.

Brad Kullot
MAFMIC Chairman, 2026–2027

MAFMIC Board of Directors

Brad Kullot - *Chairman* - Claremont Farmers Mutual, Dakota-Station Mutual & Mid-State Mutual
Steve Schwieters - *Chairman-Elect* - Mid-Minnesota Mutual
Hallie Radloff - *Vice Chairman* - Sumter Mutal
Roger Miller - *Immed. Past Chairman* - Lake Park & Cuba Insurance
Jim Williams - *Secretary/Treasurer* - RAM Mutual
District 1: Melanie Lessard - Vineland-Huntsville Mutual
District 2: Amy Goplen - Spring Vale Mutual
District 3: Mitch Gerdes - Midwest Rivers Mutual
District 4: Jenny Thompson - Central Lakes Mutual
District 5: Karen Weber - Redwood Co. Farmers Mutual
District 6: Gayle Elston - McPherson Minn Lake Mutual
District 7: Kurt Holst - Southeast Mutual
Statewide: Jay Kleven - RAM Mutual

Save the Date

MAFMIC 132nd Annual Convention
February 7-9, 2027

2026 MAFMIC Calendar of Events

July 13
MAFMIC Golf Outing, Spicer

July 14
Manager & Directors Seminar, St. Cloud

August 11 & 12
Agents Meeting, St. Cloud (11th) & Agents Meeting, Mankato (12th)

August 18-19
RAAC Meeting, St. Cloud

November 18-19
Short Course, St. Cloud

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EMPLOYEE HANDBOOKS IN 2026: WHY MANY NEED IMMEDIATE UPDATES

WRITTEN BY: JULIE NOBLE, CAIN ELLSWORTH AND CO.

For many small insurance companies, the employee handbook is one of those documents that gets created, distributed, and then rarely revisited. Unfortunately, that approach can create significant risk in today's workplace.

Over the past several years, employment laws have changed at a pace we haven't seen before. Minnesota employers have experienced new requirements related to earned sick and safe time, paid family and medical leave, pregnancy accommodations, wage transparency, workplace protections, and employee leave rights. At the same time, remote work, flexible schedules, and evolving employee expectations have changed how organizations operate day to day.

As a result, many employee handbooks contain policies that are outdated, incomplete, or inconsistent with current practices.

Why the Handbook Still Matters

An employee handbook serves as much more than a compliance document. It helps establish expectations, promote consistency, and reduce misunderstandings. It can also provide managers with guidance when handling common employee issues.

When policies are unclear—or when the handbook says one thing and the organization does another—problems often arise. Employees become confused, managers handle situations inconsistently, and organizations may face unnecessary legal exposure.

Common Areas Needing Review

Many Minnesota employers should take a fresh look at their handbooks in the following areas:

- Leave and time-off policies
- Earned Sick and Safe Time (ESST)
- Paid Family and Medical Leave preparation
- Pregnancy and parental accommodations
- Remote and hybrid work expectations
- Anti-harassment and workplace conduct policies
- Pay practices and wage compliance
- Social media and electronic communications
- Employee acknowledgment forms

Even organizations that updated their handbooks just a few years ago may discover significant gaps.

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EMPLOYEE HANDBOOKS IN 2026 --- CONTINUED...

It's Not Just About Compliance

While legal compliance is important, a handbook update also provides an opportunity to strengthen company culture.

The best handbooks clearly communicate an organization's values, expectations, and commitment to employees. They help new hires understand what success looks like and provide managers with a framework for making fair and consistent decisions.

In today's competitive labor market, employees appreciate transparency and clarity. A well-written handbook helps deliver both.

A Good Goal for 2026

If your organization has not conducted a comprehensive handbook review within the last two years, now is an excellent time to do so.

Think of it as preventive maintenance for one of your organization's most important risk-management tools. Much like an insurance policy, the value of an employee handbook is often realized when challenges arise—and by then, it's too late to make updates.

A current, practical handbook helps protect the organization, support managers, and create a better employee experience for everyone.

If you have any questions or want to discuss best practices for your Employee Handbook, please feel free to reach out. I am happy to help.

MAFMIC CCP VISITATION TO WASHINGTON D.C

By: Adam Axvig, MAFMIC President/CEO

MAFMIC members traveled to Washington, D.C., in June to meet with Minnesota's congressional delegation. Joining MAFMIC were representatives from North Star Mutual, RAM Mutual, and Western National, along with Aaron Cocking of the Insurance Federation of Minnesota.

During the visit, the delegation advocated for maintaining the state-based system of insurance regulation, reforming third-party litigation funding, supporting policies that encourage more resilient home construction, and advancing federal efforts to improve vehicle safety.

MAFMIC representatives met with members of Congress and key congressional staff to share the mutual insurance industry's perspective on these important issues and highlight the impact these policies have on Minnesota policyholders and insurers.

Thank you to everyone who participated in this year's advocacy trip. I encourage all MAFMIC members to consider joining us on a future visit to Washington. These meetings provide an invaluable opportunity to ensure the voice of Minnesota's mutual insurance industry is heard where national policy decisions are made.

MAFMIC JUNE BOARD MEETING SYNOPSIS

The MAFMIC Board held a regular meeting at Mystic Lake Casino Shakopee Board Room on June 4th. After covering the anti-trust statement, agenda, minutes and financial reports, the auditor presented the audit report. MAFMIC received a “clean” unmodified audit opinion, and the board was given opportunity to ask any questions.

Brad Kullot gave some nice chairman’s remarks in appreciation to all volunteers and MAFMIC staff members. Dani presented the office and committees updates. Convention went well and had good survey feedback. Many people are looking forward to moving back to Radisson Blu for next year. The education committee met in May and planned speakers for Short Course and Convention. Adam presented a legislative update. The Minnesota legislature adjourned on May 18th. They were able to get some fraud items passed but the firearms restrictions changes did not pass. The legislation requiring insurers to pay to repair damage caused by law enforcement actions passed. Insurers will be able to subrogate against the law enforcement departments in the normal course of business. The NAIC homeowners’ data call has been extended to July 15th. Some members are struggling to comply since their software does not include the items being requested in the data call. Some representatives from MNDOC will be attending Short Course for a town hall meeting.

Under old business, credit card fee charges and a new investment policy draft were discussed with no action taken. Under new business, the board addressed some changes to the board manual. Only one representative per district will be allowed on the board. The scholarship committee will be lead by the current MAFMIC chairman. Dani’s title will be updated from office manager & event coordinator to member services manager. These updates are slated to be approved in September.

An associate membership application was approved for Elements Restoration. The board discussed the idea of a technology committee with no action taken. Future board meetings are Sept 9th and 10th at MAFMIC Office and December 9th at MAFMIC Office.

Respectfully Submitted,
James R. Williams, Secretary & Treasurer

BAD FAITH CLAIMS

By: John Neal, Neal PLLC

Carriers have implemented several restrictive endorsements over the years, limiting coverage. With limited coverage, insureds and their counsel may seek alternative avenues for money. Recently, we have seen an uptick in bad-faith allegations.

The purpose of this article is to discuss the bad-faith statute (Minn. Stat. §604.18), how it operates, proactive steps to prevent the validity of such claims, and how to address a bad-faith allegation or claim once asserted.

1. Minnesota's Bad-Faith Statute

In 2008, Minnesota provided a statutory remedy for first-party, bad-faith claims. That remedy is set forth in MINN. STAT. § 604.18.

A. Conduct

What constitutes bad-faith? Bad-faith exists, under the statute, when:

- The insurer lacks a reasonable basis for denying insurance benefits; and
- The insurer knew it lacked a reasonable basis or acted in reckless disregard of a reasonable basis in denying benefits

The insured carries the burden of proving both elements.

B. Remedies

The statute exposes carriers to taxable costs and attorney fees on top of any policy benefits owed. The consequences for bad-faith conduct are real. The insured is entitled to:

- one-half of the proceeds awarded in excess of the insurer's pre-trial offer, or $250,000, whichever is less; and
- attorney fees up to $100,000.

The statute incentivizes carriers to make reasonable pre-trial offers to avoid the possible increased penalty of $250,000. The insurer's offer must be made at least ten days before trial to count. In sum, the statute penalizes those insurers that force litigation over benefits that are legally owed.

2. The Court's Interpretation of MINN. STAT. § 604.18

In 2020, the Minnesota Supreme Court reviewed § 604.18 for the first and set a standard for applying the statute. Peterson v. Western National Insurance Company, 946 N.W.2d 903 (Minn. 2020). The case provides guidance for claims representatives.

The Court took a two-pronged approach when analyzing § 604.18. The insured must meet both prongs to establish bad faith.

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BAD FAITH CLAIMS - CONT'
By: John Neal, Neal PLLC

Prong 1

Under the first prong, the court asks whether there is an absence of a reasonable basis for denying benefits. The term reasonable connotes an objective test. The question is:

- whether a reasonable insurer, having conducted a full investigation and a fair evaluation that considers and weighs all of the facts, would have denied the insured the benefits of the insurance policy.

The court considers the level of investigation a reasonable insurer would have conducted and how a reasonable insurer would have evaluated the claim in light of that investigation. The evaluation "must be fair." This means that the insurer "considers and weighs all of the facts and circumstances that a reasonable insurer would consider relevant." The Court stated that insurers "cannot ignore evidence that supports coverage; they must weigh all the evidence in the balance to determine whether coverage exists."

Prong 2

The second prong asks whether the insurer "knew, or recklessly disregarded or remained indifferent to information that would have allowed it to know, that it lacked an objectively reasonable basis for denying the insured's claim." The question is what the insurer knew at the time of the denial and what did the insurer do with that information. The insurer's investigation and evaluation of the evidence are squarely at the forefront of the second prong.

The Court explained that a pattern of "persistent and extended investigative failures," along with a failure to distinguish evidence supporting the insured's claim, is informative of the reckless-disregard element.

3. Best Practices for Claims Handling

The case presents a checklist approach for claims handling to avoid bad faith.

- Investigate all facts, not just those that point to a denial
- Promptly respond to communications
- Promptly submit authorizations for information if you request authorizations
- Review competing information and apply an objective, non-bias analysis of the information

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BAD FAITH CLAIMS - CONT'
By: John Neal, Neal PLLC

- If the insured submits information that contradicts the insurer's evidence, articulate how it does or does not impact the coverage decision
- Consider an independent review of the information to avoid claims of bias
- When retaining experts to assist with coverage, make sure those experts are knowledgeable in the area under consideration
- Ensure claims evaluations are balanced, weighing all evidence
- Timely complete the investigation and issue a decision as to coverage
- Obtain legal opinions before denying a claim

Where conflicting information regarding causation and damages are "fairly debatable", courts have been unwilling to find bad faith. Likewise, where there are competing expert opinions or a real dispute regarding policy language or interpretation, courts have been unwilling to find bad faith.
Also note, that § 604.18 specifically states that an insurer does not violate the statute "by conducting or cooperating with a timely investigation into arson or fraud."

4. What to do if you are confronted with a bad-faith claim

Most E&O or D&O policies are claims-based policies. This means that you must immediately alert your liability carrier of any bad-faith allegations for coverage to apply. Do not wait for a summons and complaint. If another party asserts bad-faith, place your carrier on notice to preserve coverage.
If you retain counsel or an expert, ensure that you keep separate folders for attorney-client communications and expert discussions. This helps preserve and protect the attorney-client privilege and potentially the work-product doctrine.

5. Conclusion

The bad-faith statue does not penalize carriers for rightful claim denials. Rather, it penalizes those insurers for internal failures, such as: untimely investigations, incomplete investigations, one-sided reviews, skewed reports, retaining unqualified experts, and failing to obtain unbiased opinions. Insurers that promptly investigate claims, weigh competing evidence, and document well-reasoned decisions based on all the evidence, will in the normal course of matters, protect itself from bad-faith claims.

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MINNESOTA ASSOCIATION OF
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SCHOLARSHIP

2026 RECIPIENTS

MAFMIC Jim Barta $1000 Memorial Scholarship

- Afton Scegura - Central Lakes Mutual

2026 MAFMIC $800 Scholarship Recipients

- Maddi Bouldin - Midwest Rivers Mutual
- Ella Dahl – Pioneer Lake Mutual
- Gavin Edwards - Palmyra Farmers Mutual
- Hannah Heesen - Elmdale Mutual
- Katie Heikkila – Spring Vale Mutual
- Kailey Nelson– Stark Farmers Mutual
- Isabelle Puchalski– Delaware Mutual
- Evelyn Rogness - Mound Prairie Mutual
- Lacey Siira - Holmes City Farmers Mutual
- Kelsey Ulrich - Buffalo Lake-New Auburn Mutual
- Kalleigh Wertish - Redwood County Farmers Mutual

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JOB OPENING

Albany Mutual Insurance Company

Mutual Manager

141 5th Street, PO Box 301, Albany, MN 56307

Job Summary: Customer service professional managing insurance policy responsibilities in an office environment.

Responsibilities:
- Work with agents on policy needs (renewals, new requests, updates)
- Provide excellent customer service
- Perform other tasks as needed

Qualifications:
- 3-5 years office/business background
- Strong customer service experience
- Insurance experience beneficial but not required
- Training will be provided

To Apply: Send resume and salary requirements to the address above.

IN SYMPATHY

Richard Grabmeier
Director for Albany Mutual for 18+ years.
(Link to Obituary)

Gary Hadrich
Director for Albany Mutual for 19+ years.
(Link to Obituary)

Thank you to everyone who submitted recipes for the MAFMIC Cookbook. We were able to get 500 recipes!
The plan is to distribute these at the MAFMIC Short Course in November. We need to know if you are interested in one or a couple.

Watch for an order form to come out soon.