

<u>179.741, Subd. 2</u>	<u>43.064</u>	<u>Section 18, Subd. 4</u>
<u>183.39, Subd. 2</u>	<u>43.09, Subd. 4</u>	<u>Section 2, Subd. 12</u>
<u>196.14</u>	<u>43.30</u>	<u>Section 11</u>
<u>197.455</u>	<u>43.30</u>	<u>Section 11</u>
<u>197.481, Subd. 1</u>	<u>43.30</u>	<u>Section 11</u>
<u>241.01, Subd. 3</u>	<u>43.24</u>	<u>Section 33</u>
<u>271.01, Subd. 4a</u>	<u>43.329</u>	<u>Section 4, Subd. 3</u>
<u>299A.02, Subd. 1</u>	<u>43.24</u>	<u>Section 33</u>
<u>299F.051, Subd. 2</u>	<u>43.09 to 43.17</u>	<u>Sections 1 to 48</u>
<u>352D.02, Subd. 1</u>	<u>43.09, Subd. 2a</u>	<u>Section 8, Subd. 2</u>
<u>354.44, Subd. 1a</u>	<u>43.30</u>	<u>Section 11</u>
<u>357.09, Subd. 2</u>	<u>43.327</u>	<u>Section 18, Subd. 2</u>
<u>462A.04, Subd. 8</u>	<u>43.09, Subd. 2a</u>	<u>Section 8, Subd. 2</u>
<u>473.606, Subd. 5</u>	<u>43.051, Subd. 1</u>	<u>Section 34</u>
<u>626.85, Subd. 1</u>	<u>43.09 to 43.17</u>	<u>Sections 1 to 48</u>

Further the revisor shall remove any references to chapter 43 and replace them with references to chapter 43A, unless the context clearly indicates a different intent.

Sec. 55. REPEALER.

Minnesota Statutes 1980, Chapter 43 is repealed. Section 2, subdivision 22; section 4, subdivisions 1 and 4; section 8; section 13; section 15; section 17, subdivisions 2 and 3; section 18, subdivisions 3 and 4; section 33; and section 38 are repealed effective June 30, 1982; sections 40 to 46 are repealed effective June 30, 1982.

Sec. 56. EFFECTIVE DATE.

This act is effective July 1, 1981.

Approved May 15, 1981

CHAPTER 211 — S.F.No. 1087

An act relating to insurance; providing for the examination of certain insurers; requiring certain reports and providing certain alternatives to examinations; authorizing the commissioner to promulgate rules; broadening the commissioner's power to revoke or suspend certificates of authority; expanding certain insurers' investment authority; allowing the commissioner to regulate an insurer's ratio of qualified assets to required liabilities; broadening the coverage of the financial statement requirement; providing for annual audits; providing standards for the investment of assets of insurance companies; allowing the use of certain depositories and systems; providing certain limitations on the acquisition of specified investments and holdings; providing for miscellaneous changes and clarifications; amending Minnesota Statutes 1980, Sections 60A.031, Subdivisions 1,

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

3, 4, 5, and by adding subdivisions; 60A.05; 60A.11, by adding subdivisions; 60A.13, Subdivisions 1 and 6, and by adding subdivisions; 61A.28, Subdivisions 2, 3, and 6; 61A.282; 61A.29, Subdivision 2; 61A.30; 61A.31, Subdivisions 1 and 3; proposing new law coded in Minnesota Statutes, Chapters 60A and 61A; repealing Minnesota Statutes 1980, Sections 60A.031, Subdivision 2; and 60A.11, Subdivisions 2 to 8.

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

Section 1. Minnesota Statutes 1980, Section 60A.031, Subdivision 1, is amended to read:

Subdivision 1. **DOMESTIC COMPANIES POWER TO EXAMINE.**
(1) WHEN EXAMINATIONS TO BE MADE INSURERS AND OTHER LICENSEES. The commissioner shall make a thorough examination pursuant to the requirements of this section before any domestic insurance company, including reciprocals and fraternal but excluding township mutuals, is issued its first certificate of authority and begins doing business in this state. Within six months after any such company begins doing business in this state the commissioner shall visit and examine such company and thereafter he shall visit and examine such company for three successive years; after the third successive year he shall visit and examine such company at least once every three years.

The commissioner may also examine at any other time or for any reason.

Whenever a domestic insurance company enters into a management contract or agreement which shifts or changes the management of such company or whenever ownership control of such company is changed, for the purposes of this section such company may be deemed to be beginning business in this state. For the purpose of this section ownership control shall be defined as direct or indirect control or ownership of 50 percent or more of the stock or voting rights in a stock company, or of sufficient votes to elect a majority of the directors of a mutual company; provided, however, that such control or ownership shall not be determined by including proxies received as a result of a solicitation for proxies to all of the shareholders or members.

The commissioner shall notify the governor whenever examinations required by this section have not been made and inform the governor why such examination has not been made. At any time and for any reason related to the enforcement of the insurance laws, the commissioner may examine the affairs and conditions of any foreign or domestic insurance company, including reciprocals and fraternal, licensee or applicant for a license under the insurance laws, or any other person or organization of persons doing or in the process of organizing to do any insurance business in this state, and of any licensed advisory organization serving any of the foregoing in this state.

(2) WHO MAY BE EXAMINED. The commissioner in making any examination of a domestic an insurance company required or as authorized by

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

this act may, if in his discretion, he has cause to believe he is unable to obtain relevant information from such insurance company, examine any person, association, or corporation:

(a) transacting, having transacted, or being organized to transact the business of insurance in this state;

(b) engaged in or proposing to be engaged in the organization, promotion, or solicitation of shares or capital contributions to or aiding in the formation of a domestic insurance company;

(c) holding shares of capital stock of a ~~domestic~~ an insurance company for the purpose of controlling the management thereof as voting trustee or otherwise;

(d) having a contract, written or oral, pertaining to the management or control of a ~~domestic~~ an insurance company as general agent, managing agent, attorney-in-fact, or otherwise;

(e) which has substantial control directly or indirectly over any domestic an insurance company whether by ownership of its stock or otherwise, or owning stock in any domestic insurance company, which stock constitutes a substantial proportion of either the stock of ~~such~~ the domestic insurance company or of the assets of ~~such~~ the owner thereof;

(f) which is a subsidiary or affiliate of any domestic an insurance company;

(g) which is a licensed agent or solicitor or has made application for ~~such~~ the licenses;

(h) engaged in the business of adjusting losses or financing premiums.

Nothing contained in this clause (2) shall authorize the commissioner to examine any person, association, or corporation which is subject to regular examination by another division of the commerce department of this state. The commissioner shall notify ~~such~~ the other division when, ~~in his opinion,~~ an examination is deemed advisable.

Sec. 2. Minnesota Statutes 1980, Section 60A.031, is amended by adding a subdivision to read:

Subd. 2a. PURPOSE, SCOPE, AND NOTICE OF EXAMINATION. An examination may, but need not, cover comprehensively all aspects of the examinee's affairs, practices, and conditions. The commissioner shall determine the nature and scope of each examination and in doing so shall take into account all available relevant factors concerning the financial and business affairs, practices and conditions of the examinee. For examinations undertaken pursuant to this section, the commissioner shall issue an order stating the scope of the examination and designating the person responsible for conducting the examination. A copy of the order shall be provided to the examinee.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 3. Minnesota Statutes 1980, Section 60A.031, Subdivision 3, is amended to read:

Subd. 3. **SCOPE AND PURPOSE; FOREIGN AND DOMESTIC EXAMINATIONS ACCESS TO EXAMINEE.** The commissioner, or the designated person making the examination at his direction, shall have free access during normal business hours to all books, records, securities, documents, and any or all papers relating to the property, assets, business, and affairs of any company, applicant, association, or person which may be examined pursuant to this act for the purpose of ascertaining, appraising, and evaluating the assets, conditions, affairs, operations, ability to fulfill obligations, and compliance with all the provisions of law of such the company or person insofar as any of the above pertain to the business of insurance of a person, association organization, or corporation transacting, having transacted, or being organized to transact such business in this state. ~~Whenever he deems it necessary, the commissioner shall make appraisal of any or all of the company's assets.~~ Every company or person being examined, its officers, directors, and agents, shall provide to the commissioner or the designated person convenient and free access at all reasonable hours at its office to all its books, records, securities, documents, any or all papers relating to the property, assets, business, and affairs of such the company or person. The officers, directors, and agents of such the company or person shall facilitate such the examination and aid in such the examination so far as it is in their power to do so.

The commissioner in examining a company before he has issued the company its first certificate of authority may examine and verify the property of the company in a physical inventory and may appraise or cause to be appraised by competent appraisers appointed by him all assets in which the insurer has or claims an interest or which is security in any form for the payment of any debt or obligation to any person or company, which appraisal may be at the company's expense.

Sec. 4. Minnesota Statutes 1980, Section 60A.031, Subdivision 4, is amended to read:

Subd. 4. **EXAMINATION REPORT; FOREIGN AND DOMESTIC COMPANIES.** The commissioner shall make a full and true report of every examination conducted pursuant to this chapter, which shall include (1) a statement of findings of fact relating to the financial status and other matters ascertained from the books, papers, records, documents, and other evidence obtained by investigation and examination or ascertained from the testimony of officers, agents, or other persons examined under oath concerning the business, affairs, assets, obligations, ability to fulfill obligations, and compliance with all the provisions of the law of such the company, applicant, organization, or person subject to this chapter and (2) a summary of important points noted in the report, conclusions, recommendations and suggestions as may reasonably

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

be warranted from the facts so ascertained in ~~such~~ the examinations. The report of examination shall be verified by the oath of the examiner in charge thereof, and shall be prima facie evidence in any action or proceedings in the name of the state against the company, ~~its officers~~ applicant, organization, or agent's person upon the facts stated therein.

Sec. 5. Minnesota Statutes 1980, Section 60A.031, Subdivision 5, is amended to read:

Subd. 5. **ORDER AND NOTIFICATION; FOREIGN AND DOMESTIC COMPANIES.** ~~The commissioner upon receipt of a verified examiner's report shall notify the company or person examined of the summary of important points noted in the report, conclusions, recommendations, and suggestions of the examiner. Within ten days a reasonable time of receipt of a verified examiner's an examination report the commissioner shall, when he deems it necessary, prepare and forward to the company a written may issue an order to comply the examinee directing compliance within a time specified in the order or by law with one or more of the following:~~

(a) to ~~make good~~ restore within the time and extent prescribed by law or the commissioner's order any deficiency, whenever its capital, reserves or surplus have become impaired,

(b) to cease and desist from transaction of any business or from any business practice which if transacted or continued might result in the ~~company's~~ examinee's condition or further transaction of business being hazardous to its policyholders, its creditors, or the public,

(c) to cease and desist from any other violation of its charter or any law of the state.

Sec. 6. Minnesota Statutes 1980, Section 60A.031, is amended by adding a subdivision to read:

Subd. 7. **ALTERNATIVES TO EXAMINATIONS. (1) AUDITS OR ACTUARIAL EVALUATIONS.** In lieu of all or part of an examination under this chapter, or in addition to it, the commissioner may require an independent audit by certified public accountants approved by the commissioner or an actuarial evaluation by actuaries approved by the commissioner of any persons subject to the examination requirement of subdivision 1.

(2) REPORTS. In lieu of all or part of an examination under this section, the commissioner may accept the report of an audit made by certified public accountants approved by the commissioner or actuarial evaluation by actuaries approved by the commissioner or the report of an examination made by the insurance department of another state, of the examination made by another government agency in this state, the federal government or another state.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 7. Minnesota Statutes 1980, Section 60A.031, is amended by adding a subdivision to read:

Subd. 8. POWER TO MAKE RULES. The commissioner may promulgate any rules which may be necessary to the administration of section 60A.031, subdivisions 1 to 7.

Sec. 8. Minnesota Statutes 1980, Section 60A.05, is amended to read:

60A.05 SUSPENSION OF AUTHORITY; FOREIGN COMPANIES AND THEIR AGENTS.

If the commissioner is of the opinion, upon examination or other evidence, that a foreign or domestic insurance company is in an unsound condition or, if a life insurance company, that its actual funds are less than its liabilities, or that it is insolvent; or if a foreign or domestic insurance company has failed to comply with the law, or if it, its officers, or agents, refuse to submit to examination, or to perform any legal obligation in relation thereto, and he believes protection of the interests of policyholders, claimants, or the general public requires summary action, he ~~shall~~ may revoke or suspend all certificates of authority granted to it or its agents, and shall cause notification thereof to be published in a newspaper authorized to publish annual statements of insurance companies, and no new business shall thereafter be done by it, or its agents, in this state while ~~such~~ the default or disability continues, nor until its authority to do business is restored by the commissioner. ~~Unless~~ The revocation or suspension will be effective ten days after notice to the company unless the ground for revocation or suspension relates only to the financial condition or soundness of the company or to a deficiency in its assets, ~~the commissioner shall notify the company, not less than ten days before revoking its authority to do business in this state; and he in which case revocation and suspension will be effective upon notice to the company.~~ The notice shall specify in the notice the particulars of the supposed violation. The district court of any county, upon petition of the company, ~~brought within the ten-day period,~~ shall summarily hear and determine the question whether ~~such violation has been committed~~ the ground for revocation or suspension exists, and shall make any proper order or decree therein, and enforce the same by any appropriate process. If the order or decree is adverse to the petitioning company, an appeal therefrom may be taken to the supreme court; and, in the case of ~~such~~ appeal, the commissioner may issue his order revoking the right of the petitioning company to do business in this state until the final determination of the question by the supreme court. Neither this section nor any proceedings thereunder shall affect any criminal prosecutions or proceeding for the enforcement of any fine, penalty, or forfeiture.

Sec. 9. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 9. GENERAL CONSIDERATIONS. The following considerations shall apply in the interpretation of this section:

(a) This section shall apply to the investments of insurance companies other than life insurance companies;

(b) The purpose of this section is to protect and further the interests of policyholders, claimants, creditors and the public by providing standards for the development and administration of programs for the investment of the assets of domestic companies. These standards and the investment programs developed by companies shall take into account the safety of company's principal, investment yield and growth, stability in the value of the investment, the liquidity necessary to meet the company's expected business needs, and investment diversification;

(c) All financial terms relating to insurance companies shall have the meanings assigned to them under statutory accounting methods. All financial terms relating to non-insurance companies shall have the meanings assigned to them under generally accepted accounting principles;

(d) Investments shall be valued in accordance with the valuation procedures established by the National Association of Insurance Commissioners, unless the commissioner requires or finds another method of valuation reasonable under the circumstances; and

(e) A company may elect to hold an investment which qualifies under more than one section, under the section of its choice. Nothing herein shall prevent a company from electing to hold an investment under a section different from the one in which it previously held the investment.

Sec. 10. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 10. DEFINITIONS. The following terms shall have the meaning assigned in this subdivision for purposes of this section:

(a) "Admitted assets", for purposes of computing percentage limitations on particular types of investments, means the assets as shown by the company's annual statement, required by section 60A.13, as of the December 31 immediately preceding the date the company acquires the investment;

(b) "Clearing corporation" means The Depository Trust Company and, with the approval of the commissioner, any other clearing corporation as defined in section 336.8-102;

(c) "Control" has the meaning assigned to that term in, and shall be determined in accordance with, section 60D.01, subdivision 4;

(d) "Custodian bank" means a bank or trust company that is supervised and examined by state or federal authority having supervision over banks and is acting as custodian;

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(e) "Issuer" means the corporation, business trust, governmental unit, partnership, association, individual or other entity which issues or on behalf of which is issued any form of obligation;

(f) "Member bank" means a national bank, state bank or trust company which is a member of the Federal Reserve System;

(g) "National securities exchange" means an exchange registered under section 6 of the Securities Exchange Act of 1934 or an exchange regulated under the laws of the Dominion of Canada;

(h) "Obligations" shall include bonds, notes, debentures, transportation equipment certificates, repurchase agreements, and obligations for the payment of money not in default as to payments of principal and interest on the date of investment, whether constituting general obligations of the issuer or payable only out of certain revenues or certain funds pledged or otherwise dedicated for payment. Leases are considered obligations if the lease is assigned for the benefit of the company and is non-terminable by the lessee or lessees thereunder upon foreclosure of any lien upon the leased property, and rental payments are sufficient to amortize the investment over the primary lease term;

(i) "Qualified assets" means the sum of (1) all investments qualified in accordance with section 60A.11 other than investments in affiliates and subsidiaries, (2) investments in obligations of affiliates as defined in section 60D.01, subdivision 2 secured by real or personal property sufficient to qualify the investment under subdivision 11 or subdivision 15, (3) qualified investments in subsidiaries, as defined in section 60D.01, subdivision 9, on a consolidated basis with the insurance company without allowance for goodwill or other intangible value, and (4) cash on hand and deposit, agent's balances or uncollected premiums not due more than 90 days, assets held pursuant to section 60A.12, subdivision 2, investment income due and accrued, funds due or on deposit or recoverable on loss payments under contracts of reinsurance entered into pursuant to section 60A.09, premium bills and notes receivable, federal income taxes recoverable, and equities and deposits in pools and associations;

(j) "Qualified net earnings" means that the net earnings of the issuer after elimination of extraordinary non-recurring items of income and expense and before income taxes and fixed charges over the five immediately preceding completed fiscal years, or its period of existence if less than five years, has averaged not less than one and one-quarter times its average annual fixed charges applicable to the period;

(k) "Required liabilities" means the sum of (1) total liabilities as required to be reported in the company's most recent annual report to the commissioner of insurance of this state, (2) for companies operating under the stock plan, the minimum paid-up capital and surplus required to be maintained pursuant to section 60A.07, subdivision 5a, (3) for companies operating under the mutual or

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

reciprocal plan, the minimum amount of surplus required to be maintained pursuant to section 60A.07, subdivision 5b, and (4) the amount, if any, by which the company's loss and loss adjustment expense reserves exceed 350 percent of its surplus as it pertains to policyholders as of the same date. In addition to the required amounts pursuant to clauses (1) to (4), the commissioner may, at his or her discretion, require that the amount of any apparent reserve deficiency that may be revealed by one to five year loss and loss adjustment expense development analysis for the five years reported in the company's most recent annual statement to the commissioner be added to required liabilities; and

(1) "Unrestricted surplus" means the amount by which qualified assets exceed 110 percent of required liabilities.

Sec. 11. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 11. INVESTMENTS IN NAME OF COMPANY OR NOMINEE AND PROHIBITIONS. A company's investments shall be held in its own name or the name of its nominee, except that:

(a) Investments may be held in the name of a clearing corporation or of a custodian bank or in the name of the nominee of either on the following conditions:

(1) The clearing corporation, custodian bank, or nominee must be legally authorized to hold the particular investment for the account of others;

(2) Where the investment is evidenced by a certificate and held in the name of a custodian bank or the nominee by a custodian bank, a written agreement shall provide that certificates so deposited shall at all times be kept separate and apart from other deposits with the depository, so that at all times they may be identified as belonging solely to the company making the deposit; and

(3) Where a clearing corporation is to act as depository, the investment may be merged or held in bulk in the clearing corporation's or its nominee name with other investments deposited with the clearing corporation by any other person, if a written agreement provides that adequate evidence of the deposit is to be obtained and retained by the company or a custodian bank;

(b) A company may loan stocks or obligations held by it under this chapter to a broker-dealer registered under the Securities and Exchange Act of 1934 or a member bank. The loan must be evidenced by a written agreement which provides:

(1) That the loan will be fully collateralized by cash or obligations issued or guaranteed by the United States or an agency or an instrumentality thereof, and that the collateral will be adjusted each business day during the term of the

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

loan to maintain the required collateralization in the event of market value changes in the loaned securities or collateral;

(2) That the loan may be terminated by the company at any time, and that the borrower will return the loaned stocks or obligations or their equivalent within five business days after termination;

(3) That the company has the right to retain the collateral or use the collateral to purchase investments equivalent to the loaned securities if the borrower defaults under the terms of the agreement and that the borrower remains liable for any losses and expenses incurred by the company due to default that are not covered by the collateral;

(c) A company may participate through a member bank in the Federal Reserve book-entry system, and the records of the member bank shall at all times show that the investments are held for the company or for specific accounts of the company; or

(d) An investment may consist of an individual interest in a pool of obligations or a fractional interest in a single obligation if the certificate of participation or interest or the confirmation of participation or interest in the investment shall be issued in the name of the company or the name of the custodian bank or the nominee of either and if the certificate or confirmation must, if held by a custodian bank, be kept separate and apart from the investments of others so that at all times the participation may be identified as belonging solely to the company making the investment.

Where an investment is not evidenced by a certificate, except as provided in paragraph (c), adequate evidence of the company's investment shall be obtained from the issuer or its transfer or recording agent and retained by the company, a custodian bank, or clearing corporation. Adequate evidence, for purposes of this subdivision, shall mean a written receipt or other verification issued by the depository or issuer or a custodian bank which shows that the investment is held for the company. Transfers of ownership of investments held as described in paragraphs (a), clause (3), (c) and (d) may be evidenced by bookkeeping entry on the books of the issuer of the investment or its transfer or recording agent or the clearing corporation without physical delivery of certificates, if any, evidencing the company's investment.

Sec. 12. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 12. INVESTMENTS. The investments authorized under the following subdivisions of this section shall constitute admitted assets for a company.

Sec. 13. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 13. U.S. GOVERNMENT OBLIGATIONS. Obligations issued or guaranteed by the United States or an agency or instrumentality of the United States, including rights to purchase these obligations if those rights are traded upon a contract market designated and regulated by a federal agency.

Sec. 14. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 14. CERTAIN DEVELOPMENT BANK OBLIGATIONS. Obligations issued or guaranteed by the International Bank for Reconstruction and Development, the Asian Development Bank, the Inter-American Development Bank, the Export-Import Bank, the World Bank or any United States government sponsored organization of which the United States is a member, provided the principal and interest is payable in United States dollars. A company may not invest more than five percent of its total admitted assets in the obligations of any one of these banks or organizations, and may not invest more than a total of 15 percent of its total admitted assets in the obligations of all such banks and organizations.

Sec. 15. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 15. STATE OBLIGATIONS. Obligations issued or guaranteed by any state of the United States or by any political subdivision thereof or by any instrumentality of any state or political subdivision.

Sec. 16. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 16. CANADIAN GOVERNMENT OBLIGATIONS. Obligations issued or guaranteed by the Dominion of Canada or by any agency or province thereof, or by any political subdivision of any province or by an instrumentality of any province or political subdivision thereof.

Sec. 17. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 17. CORPORATE AND BUSINESS TRUST OBLIGATIONS. Obligations issued, assumed or guaranteed by a corporation or business trust organized under the laws of the United States or any state of the United States, or the laws of Canada or any province of Canada, or obligations traded on a national securities exchange on the following conditions:

(a) A company may invest in any obligations traded on a national securities exchange;

(b) A company may also invest in any obligations which are secured by adequate security located in the United States or Canada;

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(c) A company may also invest in previously outstanding or newly issued obligations not qualifying for investment under paragraphs (a) or (b) if the corporation or business trust has qualified net earnings. If the obligations are not newly issued, neither principal nor interest payments on the obligations shall have been in arrears (1) for an aggregate of 90 days during the three year period preceding the date of investment, or (2) where the obligations have been outstanding for less than 90 days, during the period the obligations have been outstanding;

(d) A company may invest in federal farm loan bonds and may invest up to 20 percent of its total admitted assets in the obligations of farm mortgage debenture companies; and

(e) A company may not invest more than five percent of its admitted assets in the obligations of any one corporation or business trust.

Sec. 18. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 18. STOCKS. Stocks issued or guaranteed by any corporation incorporated under the laws of the United States or any state of the United States, or the laws of Canada or any province of Canada, or stocks or stock equivalents traded on a national securities exchange on the following conditions:

(a) A company may invest in preferred stocks traded on a national securities exchange and may also invest in other preferred stocks if the issuer has qualified net earnings and if current or cumulative dividends are not then in arrears;

(b) A company may invest in common stocks, common stock equivalents or securities convertible into common stock or common stock equivalents of any corporation or business trust, provided:

(1) The common stock, common stock equivalent or convertible issue is publicly traded on a national securities exchange, or the corporation or business trust has qualified net earnings;

(2) A company may invest up to two percent of its admitted assets in common stock, common stock equivalents or convertible issues which do not meet the requirements of clause (1);

(3) At no time may a company acquire or hold voting control of a corporation or business trust through its ownership of common stock, common stock equivalents or other securities, except that a company may organize and hold, or acquire and hold more than 50 percent of the common stock of (a) a corporation providing advisory, banking, management or sale services to an investment company or to an insurance company, (b) a data processing or computer service company, (c) a mortgage loan corporation engaged in the

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

business of making, originating, purchasing or otherwise acquiring or investing in, and servicing or selling or otherwise disposing of loans secured by mortgages on real property, (d) a corporation if its business is owning and managing or leasing personal property, (e) a corporation providing securities underwriting services or acting as a securities broker or dealer, (f) a real property holding, developing, managing, brokerage or leasing corporation, (g) any domestic or foreign insurance company, (h) any alien insurance company; provided, that the organization or acquisition and the holding of the company shall be subject to the prior approval of the insurance commissioner, which approval shall be given upon good cause shown and which approval shall be deemed to have been given if the commissioner does not disapprove of the organization or acquisition within 30 days after notification by the company, (i) an investment subsidiary to acquire and hold investments which the company could acquire and hold directly, provided that the investments of the subsidiary shall be considered direct investments for purposes of this chapter and shall be subject to the same percentage limitations, requirements and restrictions as are contained herein, or (j) any corporation whose business has been approved by the commissioner as complimentary or supplementary to the business of the company. The percentage of common stock may be less than 50 percent if the prior approval of the commissioner is obtained. A company may invest up to an aggregate of ten percent of its admitted assets under subclauses (a) to (e) of this clause (3); and

(4) A company may invest in the common stock of any corporation owning investments in foreign companies used for purposes of legal deposit, when the insurance company transacts business therein direct or as reinsurance; and

(c) A company may invest in warrants and rights granted by an issuer to purchase stock of the issuer if the stock of the issuer at the time of the acquisition of the warrant or right to purchase, would qualify as an investment under paragraph (a) or (b) whichever is applicable. A company shall not invest more than two percent of its assets under this subparagraph. Any stock actually acquired through the exercise of a warrant or right to purchase may be included in paragraph (a) or (b), whichever is applicable, only if the stock meets the standards prescribed in the clause at the time of acquisition of the stock.

Sec. 19. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 19. MORTGAGES ON REAL ESTATE. Loans or obligations secured by a mortgage or a trust deed on real estate located in any state of the United States or in any province of the Dominion of Canada, on the following conditions:

(a) A leasehold estate constitutes real estate under this section if its unexpired term on the date of investment is at least five years longer than the

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

term of the obligation secured by it. The obligation must be repayable within the leasehold term in annual or more frequent installments, except that obligations for commercial purposes may begin up to five years after the date of the obligations. The mortgage must entitle the company upon default to be subrogated to all rights of the lessor under the leasehold;

(b) The real estate to which the mortgage applies must be (1) improved with permanent buildings, or (2) used for agriculture or pasture, or (3) income-producing, including but not limited to parking lots and leases, royalty or other mineral interests in properties producing oil, gas or other minerals and interests in properties for the harvesting of forest products, or (4) subject to a definite plan for the commencement of development within five years;

(c) The real estate to which the mortgage applies must be otherwise unencumbered when the mortgage loan is funded except as provided in paragraph (d) and except for encumbrances which do not unreasonably interfere with the intended use of the real estate as security;

(d) The real estate to which the mortgage applies may be subject to a prior mortgage or trust deed if (1) the amount of the obligation is equal to the sum of the company's loan and the other outstanding indebtedness and (2) the company has control over the payments under the prior mortgage or trust deed;

(e) The amount of the obligation may not exceed 80 percent of the real estate. If the amount of the obligation exceeds 66 2/3 percent of the market value of the real estate, principal payments must commence within five years after the date of the mortgage loan and principal and interest on the loan shall be fully amortized by regular installments payable during the term of the loan without irregular or balloon payments, unless the schedule of irregular or balloon payments is more favorable to the insurer than regular installments of equal amount would be. The market value shall be established by the written certification of a real estate appraiser qualified to appraise the particular type of real estate involved;

(f) The maximum term of any obligation shall be 40 years, except as provided in paragraph (g) and except for obligations secured by a mortgage or trust deed which are or are to be insured by a private mortgage insurance company approved by the commissioner;

(g) The maximum amount and term limitations in paragraphs (e) and (f) shall not apply to obligations secured by mortgage or trust deed which are insured or guaranteed by the United States or any agency or instrumentality of the United States;

(h) A company may invest in mortgage participation certificates and pools issued or administered by a bank or banks and secured by first mortgages or trust deeds on improved real estate located in the United States provided the private placement memorandum, prospectus or other offering circular, or a

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

written agreement with the issuer of the certificate or other pool interest provides that each loan meets the requirements of this subdivision;

(i) Notwithstanding the restrictions in paragraph (e), if a company disposes of real estate acquired by it under section 20, it may take back a purchase money mortgage from its vendee in an amount up to 90 percent of the purchase price; and

(j) The vendor's equity in a contract for deed shall be treated as a mortgage for purposes of this subdivision.

Sec. 20. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 20. REAL ESTATE. (a) Except as provided in paragraphs (b) to (d), a company may acquire, hold, and convey real estate only for the following purposes and in the following manner:

(1) Such as shall have been mortgaged to it in good faith by way of security for loans previously contracted, or for moneys due;

(2) Such as shall have been conveyed to it in satisfaction of debts previously contracted in the course of its dealings;

(3) Such as shall have been purchased at sales on judgments, decrees or mortgages obtained or made for the debts; and

(4) Such as shall be subject to a contract for deed under which the company holds the vendor's interest to secure the payments the vendee is required to make thereunder.

All the real estate specified in clauses (1) to (3) shall be sold and disposed of within five years after the company shall have acquired title to the same, or within five years after the same shall have ceased to be necessary for the accommodation of its business, and it shall not hold this property for a longer period unless the company elects to hold such real estate under another section, or unless it shall procure a certificate from the commissioner of insurance that its interest will suffer materially by the forced sale thereof, in which event the time for the sale may be extended to the time the commissioner directs in the certificate.

(b) A company may acquire and hold real estate for the convenient accommodation of its business.

(c) A company may acquire real estate or any interest in real estate as an investment for the production of income, and may hold, improve or otherwise develop, subdivide, lease, sell and convey real estate so acquired directly or as a joint venture or through a limited or general partnership in which the company is a partner.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(d) A company may also hold real estate (1) if the purpose of the acquisition is to enhance the sale value of real estate previously acquired and held by the company under this section, and (2) if the company expects the real estate so acquired to qualify under paragraph (b) or (c) above within five years after acquisition.

(e) A company may, after securing the approval of the commissioner, acquire and hold real estate for the purpose of providing necessary living quarters for its employees; provided, that the company shall dispose of the real estate within five years after it has ceased to be necessary for that purpose unless the commissioner agrees to extend the holding period upon application by the company.

(f) A company may not invest more than 25 percent of its total admitted assets in real estate. The cost of any parcel of real estate held for both the accommodation of business and for the production of income shall be allocated between the two uses annually. No more than three percent of its total admitted assets may be invested in real estate held under paragraph (e).

Sec. 21. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 21. FOREIGN INVESTMENTS. Obligations of and investments in foreign countries, on the following conditions:

(a) A company may acquire and hold other investments in foreign countries which are required as a condition of doing business in the foreign country; and

(b) A company may also invest not more than a total of two percent of its admitted assets in the obligations of foreign governments, corporations or business trusts, or in the stocks or stock equivalents of foreign corporations or business trusts not qualifying for investment under subdivision 10, if the obligations, stocks or stock equivalents are regularly traded on the London, Paris, Zurich, or Tokyo stock exchange or any similar exchange approved by the commissioner.

Sec. 22. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 22. PERSONAL PROPERTY UNDER LEASE. Personal property for intended lease or rental in the United States or Canada. A company may not invest more than five percent of its admitted assets under section 22.

Sec. 23. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 23. COLLATERAL LOANS. Obligations secured by the pledge of any investment authorized by any of the preceding subdivisions, on the following conditions:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(a) The pledged investment shall be legally assigned or delivered to the company;

(b) The company shall reserve the right to declare the obligation immediately due and payable if the security thereafter depreciates to the point where the investment would not qualify under paragraph (c); provided, that additional qualifying security may be pledged to allow the investment to remain qualified;

(c) The pledged investment shall at the time of purchase have a market value of at least one and one-quarter times the amount of the unpaid balance of the obligations; and

(d) A company may not invest more than five percent of its total admitted assets under this subdivision.

Sec. 24. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 24. OPTIONS. (a) A company may sell exchange-traded call options against stocks or other securities owned by the company and may purchase exchange-traded call options in a closing transaction against a call option previously written by the company.

(b) A company may purchase other exchange-traded call options, and may sell or purchase exchange-traded put options only if, to the extent and on terms and conditions the commissioner determines to be consistent with the purposes of this section.

Sec. 25. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 25. UNRESTRICTED SURPLUS. A company may invest its unrestricted surplus, in securities or property of any kind, without restriction or limitation except as may be imposed on business corporations in general.

Sec. 26. Minnesota Statutes 1980, Section 60A.11, is amended by adding a subdivision to read:

Subd. 26. RULES. The commissioner may promulgate appropriate rules to carry out the purpose and provisions of this section.

Sec. 27. **[60A.111] QUALIFIED ASSETS TO REQUIRED LIABILITIES; RATIO.**

Subdivision 1. REPORT. Annually, or more frequently if determined by the commissioner to be necessary for the protection of policyholders, each foreign, alien and domestic insurance company other than a life insurance company shall report to the commissioner the ratio of its qualified assets to its required liabilities.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 2. PLAN. If the commissioner determines that the required liabilities of any company are greater than its qualified assets, the commissioner may require the company to submit to the commissioner for his approval a plan by which the company undertakes to bring the ratio of its required liabilities to its qualified assets, expressed as a percentage, up to at least 100 percent within a reasonable period, usually not exceeding five years.

Subd. 3. POWER OF COMMISSIONER. If, following a hearing on notice to the company, the commissioner determines that a company's plan is inadequate or the insurer is not making satisfactory progress toward increasing the ratio of its qualified assets to its required liabilities and that no satisfactory alternatives are available, the commissioner may institute rehabilitation proceedings against a domestic company under chapter 60B. Where the company is not a domestic insurance company, the commissioner may impose restrictions on the company as a condition to the company obtaining a new or renewal certificate of authority to transact business in this state, and may where circumstances so justify revoke or rescind any certificate previously issued.

Subd. 4. LIMITATION ON PURCHASES OF ASSETS. An insurer which does not have unrestricted surplus shall not purchase any asset which is not a qualified asset as defined in section 60A.11 unless a request is made of the commissioner and the request is not denied within 15 days.

Subd. 5. DENIAL OF CERTIFICATE. No insurer other than a life insurer which does not have unrestricted surplus as of December 31 of the immediately preceding year shall be issued a certificate of authority.

Sec. 28. Minnesota Statutes 1980, Section 60A.13, Subdivision 1, is amended to read:

Subdivision 1. ANNUAL STATEMENTS REQUIRED. Every insurance company, including fraternal beneficiary associations, and reciprocal exchanges, doing business in this state, shall transmit to the commissioner, annually, on or before March first, upon blanks furnished in the form prescribed by him the commissioner, a verified statement of its entire business and condition during the preceding calendar year, but limited in case of a foreign company, except one engaged in life insurance. In addition, the commissioner may require the filing of any other information determined to be reasonably necessary for the continual enforcement of these laws. The statement may be limited to its the insurer's business and condition in the United States unless the commissioner finds that the business conducted outside the United States may detrimentally affect the interests of policyholders in this state. Such The statements shall also contain in a separate verified schedule, showing all details required by law for assessment, for and taxation. Such The statement or schedules shall be in such the form and shall contain such all matters as the commissioner shall may prescribe, and it may be varied as to different types of insurers, so as shall seem to him best adapted to elicit a true exhibit of the condition of each such insurer.

Changes or additions are indicated by underline, deletions by strikethrough.

Sec. 29. Minnesota Statutes 1980, Section 60A.13, is amended by adding a subdivision to read:

Subd. 3a. ANNUAL AUDIT. Every insurance company doing business in this state, including fraternal beneficiary associations, reciprocal exchanges, service plan corporations licensed pursuant to chapter 62G, and legal service plans licensed pursuant to chapter 62G, unless exempted by the commissioner pursuant to section 30 or by subdivision 7 shall have an annual audit of the financial activities of the most recently completed fiscal year performed by an independent certified public accountant as prescribed by the commissioner, and shall file the report of this audit with the commissioner not more than six months following the close of the company's fiscal year. Any insurer required by this subdivision to file an annual audit which does not currently have its financial statement audited shall file its first audit with the commissioner not later than June 30, 1983. All other insurers shall file their annual audits beginning June 30, 1982.

Sec. 30. Minnesota Statutes 1980, Section 60A.13, is amended by adding a subdivision to read:

Subd. 4a. RULES. The commissioner shall promulgate any rules which may be necessary to administer section 29.

Sec. 31. Minnesota Statutes 1980, Section 60A.13, Subdivision 6, is amended to read:

Subd. 6. COMPANY OR AGENT CANNOT CONTINUE BUSINESS UNLESS STATEMENT IS FILED. No company or agent thereof shall transact any new business in this state after May thirty-first in any year unless it shall have previously transmitted ~~such~~ the statement to the commissioner and filed the statement with the National Association of Insurance Commissioners with the required filing fee.

Sec. 32. Minnesota Statutes 1980, Section 61A.28, Subdivision 2, is amended to read:

Subd. 2. GOVERNMENT OBLIGATIONS. Bonds or other obligations of, or bonds or other obligations insured or guaranteed by, (a) the United States or any state thereof; (b) the Dominion of Canada or any province thereof; (c) any county, city, town, statutory city formerly a village, organized school district, municipality, or other civil or political subdivision of this state, or of any state of the United States or of any province of the Dominion of Canada; (d) any agency or instrumentality of the foregoing, including but not limited to, debentures issued by the federal housing administrator, obligations of national mortgage associations; and (e) obligations payable in United States dollars issued or fully guaranteed by the International Bank for Reconstruction and Development ~~not exceeding in aggregate face amount five percent of the total admitted assets of such life insurance company;~~ (f) obligations payable in

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

United States dollars issued or fully guaranteed by, the Inter-American Development Bank not exceeding in aggregate face amount five percent of the total admitted assets of such life insurance company; (g) obligations payable in United States dollars issued or fully guaranteed by, the Asian Development Bank not exceeding in aggregate face amount five percent of the total admitted assets of such life insurance company; (h) if approved by the commissioner, obligations payable in United States dollars issued or fully guaranteed by, the Export-Import Bank, or any other United States government sponsored organization of which the United States is a member; not exceeding in aggregate face amount five percent of the total admitted assets of such life insurance company; provided, that the life insurance company may not invest more than five percent of its total admitted assets in the obligations of any one of these banks or organizations and may not invest more than 15 percent of its total admitted assets in the obligations of all banks or organizations described in paragraph (e).

As used in this subdivision with respect to the United States or any agency or instrumentality of the United States, "bonds or other obligations" shall include rights or options to purchase the obligations if those rights or options are traded upon a contract market designated and regulated by a federal agency.

Sec. 33, Minnesota Statutes 1980, Section 61A.28, Subdivision 3, is amended to read:

Subd. 3. **NOTES OR BONDS LOANS OR OBLIGATIONS SECURED BY MORTGAGE.** Notes or bonds Loans or obligations (hereinafter loans) secured by a first mortgage, or trust deed in the nature thereof or deed of trust (hereinafter mortgage), on improved real estate in the United States, provided the amount of the loan secured thereby is not in excess of 66 2/3 percent of the market value of the real estate at the time of the loan, or, when the loan is to be fully amortized by installment payments of principal, which may begin up to five years from the date of the loan if the real estate is to be used for commercial purposes, and interest at least annually over a period of not to exceed ~~35~~ 40 years, the amount of the loan shall not exceed (a) ~~75~~ 80 percent of the market value of the real estate at the time of the loan; (b) ~~80~~ 90 percent of the market value of the real estate at the time of the loan if such real estate is to be used for commercial purposes; or (c) 90 percent of the market value of the real estate at the time of the loan if the loan is secured by a purchase money mortgage made in connection with the disposition of real estate acquired pursuant to section 39, or, if (1) the real estate is used for commercial purposes, and (2) the loan is additionally secured by an assignment of lease or leases, and (3) the lessee or lessees under the lease or leases, or a guarantor or guarantors of the lessee's obligations, is a corporation whose obligations would qualify as an investment under subdivision 6(f), and (4) the rents payable during the primary term of the lease or leases are sufficient to

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

amortize at least 60 percent of the loan. In calculating the ratio of the amount of the loan to the value of the property, no part of the amount of any loan is to be included which the United States or any agency or instrumentality thereof or ~~such~~ other mortgage insurer as may be approved by the commissioner has insured or guaranteed or made a commitment to insure or guarantee; provided, in no event shall the loan exceed the market value of the property. No improvement shall be included in estimating the market value of ~~such~~ the real estate unless the same shall be insured against fire by policies payable to ~~and held by~~ the security holder or a trustee for its benefit. This requirement may be met by a program of self-insurance established and maintained by a corporation whose debt obligations would qualify for purchase under subdivision 6, paragraph (g), clause (4). Also ~~notes or bonds loans~~ loans secured by first mortgage, ~~or trust deed in the nature thereof,~~ upon leasehold estates in improved real property where at the date of investment the ~~ground~~ lease shall have an unexpired term of at least five years longer than the term of the loan secured thereby, and where the leasehold estate is unencumbered except by the lien reserved in the lease for the payment of rentals and the observance of the other covenants, terms and conditions of the lease and where the mortgagee, upon default, is entitled to be subrogated to, or to exercise, all the rights and to perform all the covenants of the lessee, provided that no loan on ~~such~~ the leasehold estate shall exceed, (a) ~~75 percent of the market value thereof at the time of such loan,~~ 75 percent of the market value thereof at the time of the loan if ~~such~~ the real property is to be used for commercial purposes, and the loan must be fully amortized by installment payments of principal, which may begin up to five years from the date of the loan if ~~the real estate is used for commercial purposes,~~ and interest at least annually over a period of not to exceed ~~35~~ 40 years and the market value thereof shall be shown by the sworn certificate of a competent appraiser. In calculating the ratio of the amount of the loan to the value of the leasehold estate, no part of the amount of any loan is to be included which the United States or any agency or instrumentality thereof or ~~such~~ other mortgage insurer as may be approved by the commissioner has insured or guaranteed or made a commitment to insure or guarantee; provided, in no event shall the loan exceed the market value of the leasehold estate. Also ~~notes or bonds loans~~ loans secured by first mortgage, ~~or trust deed in the nature thereof,~~ which the United States or any agency or instrumentality thereof or ~~such~~ other mortgage insurer as may be approved by the commissioner has insured or guaranteed or made a commitment to insure or guarantee. Also ~~notes or bonds loans~~ loans secured by first mortgage, ~~or trust deed in the nature thereof,~~ on improved real estate in the Dominion of Canada provided the amount of the loan is not in excess of $66 \frac{2}{3}$ percent of the market value of the real estate at the time of the loan, or, when the loan is to be fully amortized by installment payments of principal, which may begin up to five years from the date of the loan if the real estate is used for commercial purposes, and interest at least annually over a period of not to exceed ~~35~~ 40 years, the amount of the loan shall not exceed, (a) ~~75 percent of the market value of the real estate at the~~

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

time of the loan, or (b) 80 percent of the market value of the real estate at the time of the loan if such real estate is to be used for commercial purposes. In calculating the ratio of the amount of the loan to the value of the property, no part of the amount of any loan is to be included which the Dominion of Canada or any agency or instrumentality thereof has insured or guaranteed or made a commitment to insure or guarantee; provided in no event shall the loan exceed the market value of the property. Also ~~notes or bonds~~ loans secured by ~~first mortgage, or trust deed in the nature thereof,~~ on real estate in the United States which may be unimproved provided there exists a definite plan for commencement of development for commercial purposes within not more than five years where the amount of the loan does not exceed 80 percent of the market value of the unimproved real estate at the time of the loan and the loan is to be fully amortized by installment payments of principal, which may begin up to five years from the date of the loan, and interest at least annually over a period of not to exceed ~~35~~ 40 years. Also ~~notes or bonds~~ loans secured by second mortgage or ~~second trust deed in the nature thereof,~~ on improved or unimproved real estate used, or to be used, for commercial purposes; provided, that if unimproved real estate there exists a definite plan for commencement of development within not more than five years, in the United States or the Dominion of Canada under the following conditions: (a) the amount of the ~~note or bond~~ loan secured by the second mortgage is equal to the sum of the ~~company loan amount disbursed by the company~~ and the then outstanding indebtedness under the first mortgage or first trust deed loan; and (b) the company has control over the payments under the first mortgage or first trust deed indebtedness; and (c) the total amount of the ~~note or bond~~ loan shall not exceed $66 \frac{2}{3}$ percent of the market value of the real estate at the date of the loan or, when the note or bond is to be fully amortized by installment payments of principal, beginning not more than five years from the date of the ~~note or bond~~ loan, and interest at least annually over a period of not to exceed ~~35~~ 40 years, the amount of the ~~note or bond~~ loan shall not exceed 80 percent of the market value of the real estate at the date of the loan.

For purposes of this subdivision, improved real estate includes real estate improved with permanent buildings, used for agriculture or pasture, or income producing real estate, including but not limited to, parking lots and leases, royalty or other mineral interests in properties producing oil, gas, or other minerals and interests in properties for the harvesting of forest products.

A loan or obligation otherwise permitted under this subdivision shall be permitted notwithstanding the fact that it provides for a payment of the principal balance prior to the end of the period of amortization of the loan.

The vendor's equity in a contract for deed shall qualify as a loan secured by mortgage for the purposes of this subdivision.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

A mortgage participation certificate evidencing an interest in a loan secured by mortgage or pools of the same shall qualify under this subdivision, provided the loan secured by mortgage, and in the case of pools of the same that each loan, would otherwise qualify under this subdivision.

Sec. 34. Minnesota Statutes 1980, Section 61A.28, Subdivision 6, is amended to read:

Subd. 6. STOCKS, OBLIGATIONS, AND OTHER INVESTMENTS. Stocks, warrants or options to purchase stocks, bonds, notes, evidences of indebtedness, or other investments as set forth in this subdivision, provided that no investment may be made which will increase the aggregate investment in all common stocks under ~~clauses~~ paragraphs (a) and (b) beyond ~~ten~~ 20 percent of admitted assets as of the end of the preceding calendar year. In applying the standards prescribed in ~~clauses~~ paragraphs (b), (c), and (d), (f) and (g) of this subdivision to the stocks, bonds, notes, evidences of indebtedness, or other obligations of a corporation which in the qualifying period preceding purchase of ~~such~~ the stocks, bonds, notes, evidences of indebtedness, or other obligations acquired its property or a substantial part thereof through consolidation, merger, or purchase, the earnings of the several predecessors or constituent corporations shall be consolidated. In applying any percentage limitations of this subdivision the value of the stock, or warrant or option to purchase stock, shall be based on cost. For purposes of this subdivision, National Securities Exchange means an exchange registered under section 6 of the Securities Exchange Act of 1934 or an exchange regulated under the laws of the Dominion of Canada.

(a) Stocks of banks, insurance companies, and municipal corporations organized under the laws of the United States or any state thereof; but not more than ~~seven~~ 15 percent of the admitted assets of any domestic life insurance company may be invested in stocks of other insurance corporations and banks.

(b) Common stocks, common stock equivalents, or securities convertible into common stock or common stock equivalents of any corporation or business trust not designated in ~~clause~~ paragraph (a) of this subdivision, organized under the laws of the United States or any state thereof, or of the Dominion of Canada or any province thereof, or those traded on a National Securities Exchange, if the net earnings of ~~such~~ the corporation ~~before~~ after the elimination of extraordinary nonrecurring items of income and expense and before income taxes and fixed charges over the five immediately preceding completed fiscal years, or its period of existence if less than five years, shall have averaged not less than one and one-fourth times its average annual fixed charges applicable to ~~such~~ the period; and, if the corporation has been in existence for a period of two or more years, such net earnings for either of the last two years of such period shall have been not less than one and one-fourth

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

times its fixed charges for such year; provided that if said corporation shall have been in existence for less than five years its net worth shall be not less than \$1,000,000. The company shall not invest in more than 10 percent of the common stock of any one such corporation.

(c) Preferred stock of, or common or preferred stock guaranteed as to dividends by, any corporation not designated in clause paragraph (a) of this subdivision, organized under the laws of the United States or any state thereof, or of the Dominion of Canada or any province thereof, or those traded on a National Securities Exchange, under the following conditions: (1) No investment shall be made under this clause paragraph in a stock upon which any dividend, current or cumulative, is in arrears or has been in arrears for an aggregate of 90 days within the immediately preceding three-year period; and (2) the aggregate investment in stocks under this clause paragraph and in common stocks under clauses paragraphs (a) and (b) shall not exceed 45 25 percent of the life insurance company's admitted assets, provided that no more than 40 20 percent of the company's admitted assets shall be invested in common stocks under clauses paragraphs (a) and (b); and (3) if the net earnings of such the corporation before after the elimination of extraordinary nonrecurring items of income and expenses and before income taxes and fixed charges over the five immediately preceding completed fiscal years, or its period of existence if less than five years, shall have averaged not less than one and one-fourth times its average annual fixed charges applicable to such the period; and, if the corporation has been in existence for a period of two or more years, such net earnings for either of the last two years of such period shall have been not less than one and one-fourth times its fixed charges for such year; provided that if said corporation shall have been in existence for less than five years its net worth shall be not less than \$1,000,000.

(d) Warrants or, options, and rights to purchase stock of any corporation organized under the laws of the United States or any state thereof, or of the Dominion of Canada or any province thereof, if the stock of such corporation if the stock, at the time of the acquisition of such the warrant or, option to purchase, or right to purchase, would qualify as an investment under clause paragraph (a), (b), or (c), whichever is applicable. A domestic life insurance company shall not invest more than one two percent of its assets in warrants or options to purchase stock under this paragraph. Any stock actually acquired through the exercise of a warrant or option to purchase, or rights to purchase shall may be included in clause paragraph (a), (b), or (c), whichever is applicable, whether or not only if such the stock then meets the standards prescribed in such the clause paragraph at the time of acquisition of the stock.

(e) The securities of any face amount certificate company, unit investment trust, or management type investment company, registered or in the process of registration under the federal Investment Company Act of 1940 as from time to time amended, provided that the aggregate of such the invest-

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

ments, determined at cost, by the life insurance company shall not exceed five percent of its admitted assets, and ~~such~~ the investments may be made without regard to the percentage limitations applicable to stocks, and warrants or options or rights to purchase stock. In addition, the company may transfer assets into one or more of its separate accounts for the purpose of establishing, or supporting its contractual obligations under, ~~such~~ the accounts in accordance with the provisions of sections 61A.13 to 61A.21.

(f) Bonds, notes, debentures, repurchase agreements, or other evidences of indebtedness; (1) secured by letters of credit issued by a national bank, state bank or trust company which is a member of the federal reserve system or by a bank organized under the laws of the Dominion of Canada or (2) traded on a national securities exchange or (3) issued, assumed, or guaranteed by a corporation or business trust, other than a corporation designated in subdivision 4, organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, if the net earnings of such the corporation before after the elimination of extraordinary nonrecurring items of income and expense and before income taxes and fixed charges over the five immediately preceding completed fiscal years, or its period of existence if less than five years, shall have averaged not less than one and one-fourth times its average annual fixed charges applicable to such the period; and, if the corporation has been in existence for a period of two or more years, such net earnings for either of the last two years of such period shall have been not less than one and one-fourth times its fixed charges for such year; provided that if said corporation shall have been in existence for less than five years its net worth shall be not less than \$1,000,000. No investment shall be made under this clause paragraph upon which any interest obligation is in default or which has been in default for an aggregate of 90 days within the immediately preceding three-year period.

(g) Obligations for the payment of money under the following conditions: (1) The obligation shall be secured, either solely or in conjunction with other security, by an assignment of a lease or leases on property, real or personal; and (2) ~~such~~ the lease or leases shall be nonterminable by the lessee or lessees upon foreclosure of any lien upon the leased property; and (3) the rents payable under ~~such~~ the lease or leases shall be sufficient to amortize at least 90 percent of the obligation during the primary term of the lease; and (4) the lessee or lessees under the lease or leases, or a governmental entity or corporation which has assumed or guaranteed any lessee's performance thereunder, shall be a governmental entity or corporation whose obligations would qualify as an investment under subdivision 2 or clause paragraph (f).

(h) A company may sell exchange-traded call options against stocks of other securities owned by the company and may purchase exchange-traded call options in a closing transaction against a call option previously written by the company. In addition to the authority granted by paragraph (d) of this

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

subdivision, to the extent and on the terms and conditions the commissioner determines to be consistent with the purposes of this chapter, a company may purchase other exchange-traded call options, and may sell or purchase exchange-traded put options.

Sec. 35. Minnesota Statutes 1980, Section 61A.282, is amended to read:

61A.282 INVESTMENTS IN NAME OF COMPANY OR NOMINEE AND PROHIBITIONS.

Subdivision 1. REQUIREMENTS. All of the funds of a domestic life insurance company including funds held in separate account A company's investments shall be held in its corporate name or its nominee name, except that investments may be held under the name of a nominee of a bank or trust company if the securities are kept under a custodial arrangement with such bank or trust company. Such custodial arrangements shall be evidenced by an agreement and shall meet the following requirements:

(1) The securities shall be held by a bank or trust company licensed by the United States or any state thereof; and

(2) The agreement shall provide that the securities so deposited shall at all times be kept separate and apart from other deposits with the depository, so that at all times they may be identified as belonging solely to the company making the deposit.

(a) Investments may be held in the name of a clearing corporation or of a custodian bank or in the name of the nominee of either under the following conditions:

(1) The clearing corporation, custodian bank, or nominee must be legally authorized to hold the particular investment for the account of others;

(2) Where the investment is evidenced by a certificate and held in the name of a custodian bank or the nominee of a custodian bank, a written agreement shall provide that certificates so deposited shall at all times be kept separate and apart from other deposits with the depository, so that at all times they may be identified as belonging solely to the company making the deposit; or

(3) Where a clearing corporation is to act as depository, the investment may be merged or held in bulk in the clearing corporation's name, or in the name of its nominee, together with any other investments deposited with the clearing corporation by any other person, if a written agreement provides that adequate evidence of the deposit will be obtained and retained by the company or a custodian bank.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

As used in this subdivision, "clearing corporation" means The Depository Trust Company and, with the approval of the commissioner, any other clearing corporation as defined in section 336.8-102; the term "custodian bank" means a bank or trust company licensed by the United States or any state thereof.

(b) A company may participate, through a bank or trust company which is a member of the Federal Reserve System, in the Federal Reserve's book-entry system, if the records of the member bank or trust company at all times show that the investments are held for the company and/or for specific accounts of the company.

(c) If an investment consists of an individual interest in a pool of obligations, or of a fractional interest in a single obligation, the certificate of participation or interest, or the confirmation of participation or interest in the investment, shall be held in the manner set forth in paragraph (a) or held in the name of the company.

(d) Where an investment is not evidenced by a certificate, except as provided in paragraph (b), adequate evidence of the company's investment shall be obtained from the issuer or its transfer or recording agent and retained by the company, a custodian bank, or clearing corporation. Adequate evidence, for purposes of this section, shall mean a written receipt or other verification issued by the depository or issuer or a custodian bank which shows that the investment is held for the company. Transfers of ownership of investments held as described in paragraphs (a) (3), (b), and (c) may be evidenced by bookkeeping entry on the books of the issuer of the investment or its transfer or recording agent or the clearing corporation without physical delivery of certificates, if any, evidencing the company's investment.

Subd. 2. LENDING OF SECURITIES. A company may loan securities held by it under this chapter to a broker-dealer registered under the Securities and Exchange Act of 1934 or to a bank which is a member of the Federal Reserve System. The market value of loaned securities outstanding at any one time, excluding securities held in a separate account established pursuant to section 61A.14, subdivision 1, shall not exceed 50 percent of the company's capital and surplus as of the December 31 immediately preceding. Each loan must be evidenced by a written agreement which provides:

(a) That the loan will be fully collateralized by cash or obligations issued or guaranteed by the United States or an agency or an instrumentality thereof, and that the collateral will be adjusted each business day during the term of the loan to maintain the required collateral in the event of market value changes in the loaned securities or collateral;

(b) That the loan may be terminated by the company at any time, and that the borrower must return the loaned securities or their equivalent within five business days after termination;

Changes or additions are indicated by underline, deletions by strikethrough.

(c) That the company has the right to retain the collateral or to use the collateral to purchase securities equivalent to the loaned securities if the borrower defaults under the terms of the agreement; and

(d) That the borrower remains liable for any losses and expenses, not covered by the collateral, which are incurred by the company due to default.

Subd. 3. CONFLICTS OF INTEREST. No officer, director, or member of any committee passing on investments shall borrow any of ~~such~~ the funds, or become, directly or indirectly, liable as a surety or endorser for or on account of loans thereof to others, or receive to his own use any fee, brokerage, commission, gift or other consideration for, or on account of, any loan made by or on behalf of the company.

Sec. 36. [61A.284] INVESTMENTS; CAPITAL STOCK OF OTHER INSURANCE COMPANIES.

Subdivision 1. PURCHASE OF INSURANCE COMPANY. A domestic life insurance company may acquire and hold all or part of the capital stock of another insurance company whether or not in the same line of insurance for cash or through the issuance of its own stock in payment of all or part of the purchase price. The limits contained in the other investment provisions shall not apply to these holdings providing the acquiring company secures the prior approval of the purchase agreement by the commissioner.

Subd. 2. ORGANIZATION OF SUBSIDIARY INSURANCE COMPANY. A domestic life insurance company may organize and hold all or part of the capital stock of another insurance company whether or not in the same line of insurance. The limits contained in the other investment provisions shall not apply to these holdings providing the organizing company secures the prior approval of the commissioner.

Sec. 37. Minnesota Statutes 1980, Section 61A.29, Subdivision 2, is amended to read:

Subd. 2. FOREIGN INVESTMENTS. Any domestic life insurance company doing business in a foreign country may invest the funds required to meet its obligations incurred in such foreign country in conformity to the laws thereof in the kind of securities of such foreign country in which the company is authorized to invest in this state. Any domestic life insurance company may invest in obligations of and investments in foreign countries, other than the Dominion of Canada, on the following conditions:

(a) A company may acquire and hold other investments in foreign countries which are required as a condition of doing business in the foreign country; and

(b) A company may also invest not more than a total of two percent of its admitted assets in the obligations of foreign governments, corporations, or

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

business trusts, or in the stocks or stock equivalents of foreign corporations or business trusts not qualifying for investment under section 61A.28, subdivision 6, if the obligations, stocks, or stock equivalents are regularly traded on the London, Paris, Zurich, or Tokyo stock exchange or any similar exchange approved by the commissioner.

Sec. 38. Minnesota Statutes 1980, Section 61A.30, is amended to read:

61A.30 INVESTMENTS; JOINT.

No domestic life insurance company shall subscribe to or participate in any underwriting of the purchase or sale of securities or other property, or enter into any transactions for ~~such~~ the purchase or sale on account of the company jointly with any other person, firm, or corporation; nor shall ~~any such company~~ enter into any agreement to withhold from sale any of its property, ~~but unless~~ the disposition of ~~its~~ the property shall be, at all times, within the control of its board of directors. Nothing contained herein shall be construed to invalidate or prohibit an agreement by two or more investors to join and share in the purchase of investments for bona fide investment purposes; ~~provided that~~. In ~~such~~ the investments secured by mortgage or deed of trust, provisions shall be made for a method of resolving any matters relating thereto as to which the investors are not in agreement.

Sec. 39. Minnesota Statutes 1980, Section 61A.31, Subdivision 1, is amended to read:

Subdivision 1. **PURPOSES.** Except as provided in subdivisions 2, 3, and 4, every domestic life insurance company may acquire, hold and convey real property only for the following purposes and in the following manner:

(1) Such as shall have been mortgaged to it in good faith by way of security for loans previously contracted, or for moneys due;

(2) Such as shall have been conveyed to it in satisfaction of debts previously contracted in the course of its dealings;

(3) Such as shall have been purchased at sales on judgments, decrees or mortgages obtained or made for such debts;

(4) Such as shall have been subject to a contract for deed under which the company held the vendor's interest to secure the payment by the vendee.

All the real property specified in clauses (1), (2), ~~and~~ (3), and (4), which shall not be necessary for its accommodation in the convenient transaction of its business, shall be sold and disposed of within five years after the company shall have acquired title to the same, or within five years after the same shall have ceased to be necessary for the accommodation of its business, and it shall not hold this property for a longer period unless it shall hold real property pursuant to subdivision 3, or shall procure a certificate from the commissioner

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

of insurance that its interest will suffer materially by the forced sale thereof, in *which event the time for the sale may be extended to such time as* the commissioner shall direct in the certificate.

Sec. 40. Minnesota Statutes 1980, Section 61A.31, Subdivision 3, is amended to read:

Subd. 3. **ACQUISITION OF PROPERTY.** Any domestic life insurance company may:

(a) acquire real property or any interest in real property in the United States or any state thereof, or in the Dominion of Canada or any province thereof, as an investment for the production of income, and hold, improve or otherwise develop, and lease, sell, and convey the same either directly or as a joint venturer or through a limited or general partnership in which the company is a partner, subject to the following conditions and limitations: (1) The cost to the company of each parcel of real property acquired pursuant to this clause paragraph, including the estimated cost to the company of the improvement or development thereof, when added to the book value of all other real property *then held by it pursuant to this clause, shall not exceed five* 15 percent of its admitted assets as of the end of the preceding calendar year, and (2) the cost, to the company of each parcel of real property acquired pursuant to this clause paragraph, including the estimated costs to the company of the improvement or development thereof, shall not exceed ~~one~~ two percent of its admitted assets as of the end of the preceding calendar year ~~and (3) the prior approval of the commissioner shall be required if the property is to be used primarily for recreational, amusement, hotel, or club purposes.;~~

(b) acquire ~~real or~~ personal property in the United States or any state thereof, or in the Dominion of Canada or any province thereof, under lease or leases or commitment for lease or leases provided that: (1) The lessee, or at least one of the lessees, or a guarantor, or at least one of the guarantors, of the lease is a corporation with a net worth of \$1,000,000 or more; and (2) the lease provides for rent sufficient to amortize the investment with interest over the primary term of the lease or 40 years, whichever is less; and (3) ~~in no event shall the total investment in real estate under this clause exceed 10 percent of the domestic life insurance company's admitted assets, but a domestic life insurance company shall be permitted to invest in real estate under this clause without regard to the limitations of clause (a) above; and (4) the cost of each parcel of real property acquired under this clause shall not exceed one percent of the domestic life insurance company's admitted assets; and (5) in no event shall the total investment in personal property under this clause paragraph exceed three percent of the domestic life insurance company's admitted assets.~~

(c) acquire and hold real estate (1) if the purpose of the acquisition is to enhance the sale value of real estate previously acquired and held by the company under this section and (2) if the company expects the real estate so

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

acquired to qualify and be held by the company under paragraph (a) within five years after acquisition; and

(e) (d) not acquire real property under clauses paragraphs (a) and (b) to (c) if the property is to be used primarily for agricultural, horticultural, ranch, mining, or church purposes.

All real property acquired or held under this subdivision shall be carried at a value equal to the lesser of (1) cost plus the cost of capitalized improvements, less normal depreciation, or (2) market value.

Sec. 41. [61A.315] INVESTMENTS AND HOLDINGS; LIMITATIONS.

The sum of the value of assets permitted to be acquired pursuant to sections 61A.31, subdivision 3 and 61A.28, subdivision 6, paragraphs (a) and (b) shall not exceed 30 percent of admitted assets as of the end of the preceding calendar year.

Sec. 42. REPEALER.

Minnesota Statutes 1980, Sections 60A.031, Subdivision 2; and 60A.11, Subdivisions 2, 3, 4, 5, 6, 7, and 8, are repealed.

Approved May 15, 1981

CHAPTER 212 — H.F.No. 192

An act relating to labor; regulating migrant labor; requiring employers and recruiters to provide employment statements to migrant workers; setting requirements for employment statements and for payment of wages to migrant workers; providing for private causes of action; proposing new law coded in Minnesota Statutes, Chapter 181.

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

Section 1. [181.85] DEFINITIONS.

Subdivision 1. GENERALLY. For the purposes of sections 1 to 6, the terms defined in this section have the meanings given them.

Subd. 2. AGRICULTURAL LABOR. "Agricultural labor" means field labor associated with the cultivation and harvest of fruits and vegetables and work performed in processing fruits and vegetables for market.

Subd. 3. MIGRANT WORKER. "Migrant worker" means an individual at least 17 years of age who travels more than 100 miles to Minnesota from some other state to perform seasonal agricultural labor in Minnesota.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.