

Sec. 41. Minnesota Statutes 1967, Section 325.907, Subdivision 4, is amended in line 3 by deleting "72.20 to 72.33" and inserting in lieu thereof "*72A.17 to 72A.30*".

Sec. 42. Minnesota Statutes 1967, Section 333.52, is amended in lines 1 and 2 by deleting "333.14 and 333.15" and inserting in lieu thereof "*333.50 and 333.51*".

Sec. 43. Minnesota Statutes 1967, Section 340.02, Subdivision 10 is amended in line 7 by deleting "340.413" and inserting in lieu thereof "*340.11, subdivision 15*"

Sec. 44. Minnesota Statutes 1967, Section 340.942 is amended in line 3 by deleting "340.03" and inserting in lieu thereof "*340.035*"

Sec. 45. Minnesota Statutes 1967, Section 352.01, Subdivision 2B is amended in clause (14) by deleting "Laws 1941, Chapter 478" and inserting in lieu thereof "*section 16.07, subdivision 4*".

Sec. 46. Minnesota Statutes 1967, Section 475.53, Subdivision 4, is amended in line 8 by deleting "124.21, subdivision 4" and inserting in lieu thereof "*124.211, subdivision 3*".

Sec. 47. Minnesota Statutes 1967, Section 609.116 is amended in line 3 by deleting "617.01, 617.02, 617.08" and inserting in lieu thereof "*609.291, 609.292, 609.293, subdivision 4, 609.295, 609.296*".

Approved February 11, 1969.

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## CHAPTER 7—H. F. No. 111

[Coded in Part]

*An act relating to conflicts in Minnesota Statutes; providing for the integration of certain amendatory acts into the insurance law; amending Minnesota Statutes 1967, Chapter 60A, by adding a section; Sections 60A.03, Subdivision 5; 60A.04, Subdivision 3; 60A.06, Subdivision 1; 60A.07, Subdivision 10, and by adding subdivisions; 60A.11, Subdivisions 4 and 6, and by adding subdivisions; 60A.14, Subdivision 1; 60A.17, Subdivisions 2 and 10, and by adding a subdivision; 61A.14, by adding subdivisions; 61A.20; 64A.34, Subdivision 1; 64A.37, Subdivision 1; 66A.16, Subdivision 2; 67A.40, Subdivision 3; 68A.01, Subdivision 2; repealing Minnesota Statutes 1967,*

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*Sections 60A.03, Subdivision 4; 60A.07, Subdivision 5; 68A.01, Subdivision 1; and Laws 1967, Chapters 357, Sections 1, 2, and 5; 360, Sections 4, and 5; 371; 410; 422, Sections 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, and 12; 431; 447; 572; 586; 589; 620; 699; and 737.*

[Revisor's Bill]

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1967, Chapter 60A, is amended by adding a section to read:

**[60A.032] Revisor's bill; collection act; insurance; commissioner's orders, report.** *When, upon receipt of an examination report, the commissioner forwards to the company an order based on the report, he shall immediately report the fact to the governor and the attorney general. Within 20 days after submission of the report the commissioner shall submit to the governor and attorney general a supplementary report if the company has not complied with his order.*

Sec. 2. *Minnesota Statutes 1967, Section 60A.03, Subdivision 4, is repealed.*

Sec. 3. Minnesota Statutes 1967, Section 60A.03, Subdivision 5, is amended to read:

Subd. 5. **Examination fees and expenses.** When any visitation, examination, or appraisal is made by the commissioner, his deputy, actuary other than a consulting actuary appointed under subdivision 3(3) hereof, ~~or chief examiner, or certified public accountant retained by the insurance department,~~ the company so examined, including fraternal, township mutuals and reciprocal exchanges, shall pay a fee to the department of insurance of ~~\$35~~ \$45 per day for each and every day necessarily occupied by such a person, and each one thereof, in making the examination, or in making an appraisal of any of the assets of the company. When the visitation, examination, or appraisal is made, or engaged in, by any other person regularly employed in the division of insurance and receiving a salary from the state, the company so examined, including fraternal, township mutuals and reciprocal exchanges, shall pay as fees to the division of insurance the sum of ~~\$25~~ \$35 per day for each and every day necessarily occupied by such other person, and each one thereof, in making or assisting to make the examination, or in making an appraisal of any of the assets of the company. In addition to the fees mentioned herein, the company so examined shall also pay to the division of insurance the necessary expenses of any such person so engaged in connection with any such examination or appraisal. All of these fees

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and expenses shall be accounted for and turned in to the state treasury. The necessary expenses of any such person or persons so engaged in connection with any such examination or appraisal shall be paid by the state treasurer to any such person so engaged in connection with the examination or appraisal, upon vouchers of the same, on condition that such expenses shall have been previously charged to such company so examined.

Sec. 4. Minnesota Statutes 1967, Section 60A.04, Subdivision 3, is amended to read:

**Subd. 3. Rehabilitation of domestic insurers.** The commissioner may apply, in accordance with the provisions of subdivision 22, for an order directing him to rehabilitate a domestic insurer on one or more of the following grounds; that such insurer

- (1) Is insolvent,
- (2) Has refused to permit the examination of its books, papers, accounts or affairs by the commissioner or his deputy or his examiners,
- (3) Has neglected or refused to observe an order of the commissioner to make good within the time and to the extent prescribed by law any deficiency, whenever its capital, *surplus* or reserves shall have become impaired, *or shall be less than the minimum requirements provided by law,*
- (4) Has, by contract, of reinsurance or otherwise, transferred or attempted to transfer substantially its entire property or business, or entered into any transaction the effect of which is to merge substantially its entire property or business in the property or business of any other insurer, without having first complied with the provisions of section 60A.16 and subdivision 5 of section 60A.09, or obtained the approval of the commerce commission pursuant to the provisions of clause (2) of subdivision 2 of section 60A.03,
- (5) Is found, after an examination, to be in such condition that its further transaction of business will be hazardous to its policyholders, or to its creditors, or to the public;
- (6) Has wilfully violated its charter or any law of the state,
- (7) Has an officer who has refused to be examined under oath, touching its affairs,
- (8) Has ceased to transact business for a period of five years,
- (9) Has commenced or attempted to commence or prosecute

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any action or proceeding to liquidate its business or affairs, or to dissolve its corporate charter, or to procure the appointment of a receiver, custodian, or sequestrator under any law except this chapter.

(10) Has been the subject of an application for the appointment of a receiver, custodian or sequestrator of the insurer or its property, or if a receiver, custodian or sequestrator, is appointed by a federal court or such appointment is imminent,

(11) Has consented to such an order through a majority of its directors, stockholders, or members, or

(12) Has not organized or obtained a certificate authorizing it to commence the transaction of its business as provided by law.

Sec. 5. Minnesota Statutes 1967, Section 60A.06, Subdivision 1, is amended by deleting paragraph (15).

Sec. 6. *Minnesota Statutes 1967, Section 60A.07, Subdivision 5, is repealed.*

Sec. 7. Minnesota Statutes 1967, Section 60A.07, is amended by adding a subdivision to read:

*Subd. 5a. Financial requirements; stock companies. No insurance company operating upon the stock plan shall be authorized to transact any one of the kinds of business enumerated in section 60A.06, subdivision 1, clauses (1) to (14), unless it shall have paid-up capital stock and surplus of not less than the amounts specified below; provided that after initial authorization has been granted, the surplus shall thereafter be constantly maintained in an amount equal to not less than one-half of the surplus originally required for that kind of business.*

*Paid Up Capital Stock*

	<i>Paid Up Capital Stock</i>	<i>Surplus</i>
<i>Clause (1),</i>	<i>\$200,000</i>	<i>\$200,000</i>
<i>Clause (2),</i>	<i>\$200,000</i>	<i>\$200,000</i>
<i>Clause (3),</i>	<i>\$200,000</i>	<i>\$200,000</i>
<i>Clause (4),</i>	<i>\$300,000</i>	<i>\$300,000</i>
<i>Clause (5),</i>	<i>\$200,000</i>	<i>\$200,000</i>
<i>Clause (6),</i>	<i>\$350,000</i>	<i>\$350,000</i>
<i>Clause (7),</i>	<i>\$200,000</i>	<i>\$200,000</i>
<i>Clause (8),</i>	<i>\$200,000</i>	<i>\$200,000</i>
<i>Clause (9),</i>	<i>\$200,000</i>	<i>\$200,000</i>
<i>Clause (10),</i>	<i>\$200,000</i>	<i>\$200,000</i>
<i>Clause (11),</i>	<i>\$200,000</i>	<i>\$200,000</i>
<i>Clause (12),</i>	<i>\$350,000</i>	<i>\$350,000</i>
<i>Clause (13),</i>	<i>\$200,000</i>	<i>\$200,000</i>
<i>Clause (14),</i>	<i>\$200,000</i>	<i>\$200,000</i>

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Sec. 8. Minnesota Statutes 1967, Section 60A.07, is amended by adding a subdivision to read:

*Subd. 5b. Financial requirements; mutual companies. No insurance company operating upon the mutual plan as provided in Minnesota Statutes, Chapter 66A, shall be authorized to transact any one of the kinds of business enumerated in section 60A.06, subdivision 1, clauses (1) to (3) and (5) to (14), unless in addition to the requirements specified in chapter 66A it shall have met the following requirements as to surplus: As to a mutual company operating on a non-assessable basis, an initial surplus of not less than the amount of surplus enumerated in subdivision 5a for a stock company authorized to transact that kind of business, provided that after initial authorization has been granted, the surplus shall thereafter be constantly maintained in an amount equal to not less than one-half of such initial surplus; as to a mutual company operating on an assessable basis, an initial surplus of not less than one-half of the amount of surplus enumerated in subdivision 5a for a stock company authorized to transact that kind of business, provided that after initial authorization has been granted, the surplus shall thereafter be constantly maintained in an amount equal to not less than one-half of such initial surplus.*

*No insurance company operating upon the mutual plan shall be authorized to transact the kind of business enumerated in section 60A.06, subdivision 1, clause (4), unless it shall have surplus of not less than \$600,000; provided that after initial authorization has been granted, the surplus shall thereafter be constantly maintained in an amount of not less than \$450,000.*

Sec. 9. Minnesota Statutes 1967, Section 60A.07, is amended by adding a subdivision to read:

*Subd. 5c. Authorization to transact more than one kind of business. Any insurance corporation authorized to transact the kinds of business specified in section 60A.06, subdivision 1, clause (4) may also transact the kinds of business specified in section 60A.06, subdivision 1, clause (5), upon meeting the following financial requirements: As to companies operating upon the stock plan, paid-up capital stock of not less than \$450,000 and an initial surplus of not less than \$450,000 which surplus shall thereafter be constantly maintained in the amount of not less than \$225,000; as to companies operating on the mutual plan, an initial surplus of not less than \$900,000 which shall thereafter be constantly maintained in the amount of \$675,000.*

*Any insurance corporation which prior to January 1, 1949 was*

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*authorized to transact personal injury liability insurance and also the kinds of business specified in section 60A.06, subdivision 1, clauses (4) and (5) shall continue to be authorized to transact personal injury liability insurance.*

*Any stock company may, when authorized by its articles of incorporation, transact any two or all of the kinds of business specified in section 60A.06, subdivision 1, clauses (1) to (3) and (5) to (14), upon meeting the following financial requirements: paid-up capital stock of not less than \$500,000 and an initial surplus of not less than \$500,000 which surplus shall thereafter be constantly maintained in the amount of not less than \$350,000; provided, however, that if the sum of the capital stock and surplus requirements specified in subdivision 5a for the kinds of business to be transacted is less than the amount of the capital stock and surplus requirements stated in the foregoing clauses of this sentence, then the company may transact those kinds of business upon meeting the capital stock and surplus requirements specified in subdivision 5a for those kinds of business. Any insurance company operating upon the mutual plan as provided in Minnesota Statutes, Chapter 66A, may, when authorized by its articles of incorporation, transact any two or all of the kinds of business specified in section 60A.06, subdivision 1, clauses (1) to (3) and (5) to (14), upon meeting the following requirements as to surplus which shall be in addition to the requirements specified in chapter 66A: as to mutual companies operating on a non-assessable basis, an initial surplus of not less than \$500,000, which surplus shall thereafter be constantly maintained in the amount of not less than \$350,000; as to mutual companies operating on an assessable basis, an initial surplus of not less than \$250,000, which surplus shall thereafter be constantly maintained in the amount of not less than \$175,000; provided, however, that if the sum of the surplus requirements specified in subdivisions 5a and 5b for the kinds of business to be transacted is less than the amount of the surplus requirements stated in the foregoing clauses of this sentence, then the company may transact those kinds of business upon meeting the surplus requirements specified in subdivisions 5a and 5b for those kinds of business.*

Sec. 10. Minnesota Statutes 1967, Section 60A.07, is amended by adding a subdivision to read:

*Subd. 5d. **Effective date; application.** Subdivisions 5a to 5e shall be effective August 13, 1967, and thereafter all insurance companies shall meet the revised requirements, provided, however, that any company authorized to transact a particular kind or kinds of insurance as specified in section 60A.06, subdivision 1, on August 13, 1967, may continue to do so without complying with the revised re-*

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*quirements. After August 13, 1967, any insurance company which seeks authority to transact an additional kind or kinds of insurance shall, as a condition to the granting of such authority, comply with the revised requirements of subdivisions 5a to 5e as to such additional kind or kinds of insurance that it is authorized to transact.*

Sec. 11. Minnesota Statutes 1967, Section 60A.07, is amended by adding a subdivision to read:

*Subd. 5e. Minimum requirements; deficiency. Whenever the commissioner finds that the capital or surplus of a stock company, or the surplus of a mutual company, is less than the minimum requirements prescribed by this section, he shall determine the amount of the deficiency and issue an order in writing requiring the insurance company to restore the deficiency within such reasonable period as he shall designate. The commissioner may, by order served upon the insurance company, prohibit the insurance company from issuing any new policies while the deficiency exists. If at the expiration of the designated period the insurance company has not restored the deficiency and filed proof satisfactory to the commissioner, he shall proceed against the insurance company as provided in Minnesota Statutes, Section 60A.04; provided, however, that if the surplus of a mutual company operating on the nonassessable basis declines below the minimum requirement prescribed by this section for such a company, and if its surplus is equal to or greater than the minimum requirement for a mutual company operating on the assessable basis, it may continue to write on the assessable basis by issuing only assessable policies.*

Sec. 12. Minnesota Statutes 1967, Section 60A.07, Subdivision 10, Clause (3), is amended to read:

(3) **Temporary capital stock of mutual life companies.** *A new mutual life insurance company ~~may be organized with, and~~ which has complied with the provisions of section 60A.07, subdivision 10, clause (1) or an existing mutual life insurance company may establish, a temporary capital of, such amount not less than \$100,000, ~~which~~ as may be approved by the commissioner. Such temporary capital shall be invested by the company in the same manner as is provided for the investment of its other funds. Out of the net surplus of the company the holders of the temporary capital stock may receive a dividend of not more than eight percent per annum, which may be cumulative. This capital stock shall not be a liability of the company except that it shall be retired as soon as, but not before, the surplus of the company remaining after its retirement shall be not less than the temporary capital so established. At the time for the retirement of this capital stock, the holders shall be entitled to receive*

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from the company the par value thereof and any dividends thereon due and unpaid, and thereupon the stock shall be surrendered and canceled, and the right to vote thereon shall cease.

Sec. 13. Minnesota Statutes 1967, Section 60A.07, Subdivision 10, is amended in line 2 by inserting "*mutual*" after "No" and before "life".

Sec. 14. Minnesota Statutes 1967, Section 60A.11, Subdivision 4, is amended to read:

Subd. 4. **Requirements for investment in bonds of foreign countries.** Any domestic insurance company authorized to ~~transact the business of fire insurance or fire and marine insurance, and other than a life insurance company~~ lawfully transacting business in any foreign state or country, may invest its funds in the bonds or other equivalent obligations issued by the national government of the foreign state or country, and for the payment of which the faith and credit of the foreign state or country is pledged.

Sec. 15. Minnesota Statutes 1967, Section 60A.11, Subdivision 6, is amended to read:

Subd. 6. **Real estate.** The real estate acquired or held by any domestic company, *including a life company*, for the convenience and accommodation of its business shall not exceed in value 25 percent of its cash assets, ~~nor shall any foreign company acquire or hold for like purposes real property in this state in greater proportion and invested assets, not including real estate acquired or held for the convenience and accommodation of its business.~~ Any domestic insurance company, after having secured approval of the commissioner of insurance therefor, may also acquire and hold real estate for the sole purpose of providing necessary homes and living quarters for its employees. Such real estate shall never exceed three percent of the company's cash assets as shown by its annual statement last filed with the commissioner of insurance. All real property which shall not be necessary for its accommodation in the convenient transaction of its business, or the housing of its employees, shall be sold and disposed of within five years after the same shall have ceased to be necessary for the accommodation of its business, or the housing of its employees, and it shall not hold this property for a longer period 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 sale may be extended to such time as the commissioner shall direct in the certificate.

Sec. 16. Minnesota Statutes 1967, Section 60A.11, is amended by adding subdivisions to read:

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*Subd. 5a. Purchase of insurance company. A domestic stock company of any kind, including a 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 investment sections of the insurance code shall not apply to such holdings providing the acquiring company secures the prior approval of the purchase agreement by the commissioner.*

*Subd. 5b. Organization of subsidiary insurance company. A domestic stock company of any kind, including a 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 investment sections of the insurance code shall not apply to such holdings providing the organizing company secures the prior approval of the commissioner.*

Sec. 17. Minnesota Statutes 1967, Section 60A.14, Subdivision 1, is amended to read:

**60A.14. Fees.** Subdivision 1. **Fees other than examination fees.** In addition to the fees and charges provided for examinations, there shall be paid to the commissioner, and by him accounted for and paid into the state treasury, the following fees:

(1) **By township mutual fire insurance companies.** By township mutual fire insurance companies:

(a) For filing certificate of incorporation ~~\$25~~ and ~~of~~ amendments thereto, ~~\$5~~ **\$10**;

(b) For filing annual statements, ~~\$7.50~~ **\$15**;

(c) For each annual certificate of authority, ~~\$7.50~~ **\$15**;

(d) For filing bylaws ~~\$25~~ and amendments thereto, ~~\$5~~ **\$10**.

(2) **By other domestic and foreign companies including fraternal and reciprocal exchanges.** By other domestic and foreign companies including fraternal and reciprocal exchanges:

(a) For filing certified copy of certificate or articles of incorporation, ~~\$30~~ **\$50**;

(b) For filing annual statement, **\$30**;

(c) For filing certified copy of amendment to certificate or articles of incorporation, ~~\$20~~ **\$50**;

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- (d) For filing bylaws or amendments thereto, ~~\$5~~ \$10;
- (e) Each company's certificate of authority, ~~\$40~~ \$30, annually;
- (f) For abstract or summary of annual statement for publication when required, ~~\$20~~ \$50.

(3) **General fees.** General fees:

(a) For each certificate, including certified copy of certificate of authority, renewal, valuation of life policies, corporate condition or qualification, ~~\$2.50~~ \$5;

(b) For each copy of paper on file in his office ~~25~~ 50 cents per page, and \$2.50 for certifying the same;

(c) For license to procure insurance in unadmitted foreign companies, \$10;

(d) For receiving and forwarding copy of summons or process served upon commissioner of insurance, as attorney for any insurance company, including reciprocal exchanges, ~~\$3~~ \$5 (which amount shall be paid by the party serving same and may be taxed as other costs in the action);

(e) For valuing the policies of life insurance companies, one cent per one thousand of insurance so valued;

(The commissioner may, in lieu of a valuation of the policies of any foreign life insurance company admitted, or applying for admission, to do business in this state, accept a certificate of valuation from such company's own actuary or from the commissioner of insurance of the state or territory in which such company shall be domiciled);

(f) For receiving and filing certificates of valuation of policies by the company's actuary, or by the commissioner of insurance of any other state or territory, \$50.

(4) **Fees to be paid into state treasury.** All fees received by the commissioner pursuant to the provisions of this section shall be paid by him into the state treasury.

Sec. 18. Minnesota Statutes 1967, Section 60A.17, Subdivision 2, is amended to read:

Subd. 2. **License procedure and requirements.** (1) **Requisition by insurer.** A license to any person to act as insurance agent shall only be granted by the commissioner, upon the written requisition of an insurer, to a qualified person.

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(2) **Examination.** To become qualified, a person shall complete a written application furnished by the commissioner, and he shall take and pass the examination prescribed for one or more of the following lines of insurance: fire and marine, automobile, accident and health, life, general casualty, fidelity and surety, farm windstorm and hail. *The examination shall be given only after the applicant has completed a program of studies in a school, which shall include a school conducted by an admitted insurer, a correspondence course given by an admitted insurer, or other such course of study. Said course of study shall consist of a minimum of ten hours study for each line for which a license application is made. If the applicant has been previously licensed for the particular line of insurance in the state of Minnesota, the requirement of a program of studies or a study course shall be waived. A certification of compliance by an admitted insurer shall accompany the agent's license application. This program of studies in a school or a study course shall not apply to farm windstorm and hail applicants, or to agents writing such other lines of insurance as the commissioner may exempt from examination by directive.*

(3) **Fees.** Prior to his taking the examination, the applicant shall transmit to the commissioner of insurance, by money order or cashier's check payable to the state treasurer, a fee of \$10 for taking the examination for one line of insurance and an additional \$5 \$10 fee for each examination for additional lines of insurance or for re-examination in any one line; ~~provided however, the fee for taking an examination for windstorm shall be only \$5; but if such agent takes a subsequent examination for any other line; his fee for his first subsequent examination shall be \$10.~~

The insurer shall remit for each agent a fee of \$2 in the case of a foreign insurer and 50 cents in the case of a domestic insurer. The license issued shall expire May 31 of each year, unless renewed by written request of the insurer with payment of renewal fee of \$2 in the case of a foreign insurer and 50 cents in the case of a domestic insurer. *Further the insurer shall remit \$1 for each amendment requested on a license.*

*Any applicant who has held a license as an agent for a specific line within three years prior to his application or renewal application shall be entitled to a renewal of his license for that line without examination.*

(4) **Exceptions.** (a) Any officer of a licensed insurer may, without license or other qualification, act in its behalf in the negotiation and consummation of insurance and appoint agents for the company.

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(b) Where the agent or solicitor has previously filed with the commissioner such an application, the commissioner may renew his license without requiring further application.

(c) No agent or solicitor licensed on January 1, 1944, shall be required to take an examination to determine his competence to transact business in the lines of insurance for which he was licensed on that date.

*(d) No examination or program of studies or study course shall be required of an applicant for a license as a non-resident agent who is duly licensed as an agent or broker in the state of his residence, provided such state requires no like examination of licensed agents of this state.*

Sec. 19. Minnesota Statutes 1967, Section 60A.17, Subdivision 10, is amended to read:

**Subd. 10. Commissions or compensation.** No commission or other compensation shall be paid or allowed by any person, firm, or corporation to any other person, firm, or corporation acting, or assuming to act, as an insurance agent or solicitor without a license therefor. *A duly licensed agent or solicitor may pay his commissions or direct that his commissions be paid to a partnership of which he is a member, employee or agent, or to a corporation of which he is an officer, employee or agent. This section shall not prevent the payment or receipt of renewal or other deferred commissions to or by any person solely because such person has ceased to hold a license to act as an insurance agent.*

Sec. 20. Minnesota Statutes 1967, Section 60A.17, is amended by adding a subdivision to read:

**Subd. 2a. Temporary licenses.** *The commissioner may grant a 90 day temporary license to act as an insurance agent to any one of the following persons to continue the business in one or more lines of insurance of a deceased or disabled agent:*

- (a) The agent's spouse;*
- (b) The agent's next of kin;*
- (c) An employee of the agent;*
- (d) The legal guardian of a disabled agent; or*
- (e) The legal representative of deceased agent's estate.*

*No examination or fee shall be required for a temporary license.*

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*A temporary license granted in accordance with this subdivision shall not be renewed.*

Sec. 21. Minnesota Statutes 1967, Section 61A.14, is amended by adding a subdivision to read:

*Subd. 4 Reserves and payments. For purposes of determining whether the capital, surplus and other funds of a domestic life insurance company, other than assets held in a separate account pursuant to section 61A.14 are invested in accordance with sections 61A.28 to 61A.30, assets held by the company in a separate account in accordance with section 61A.14 shall be disregarded.*

Sec. 22. Minnesota Statutes 1967, Section 61A.14, is amended by adding a subdivision to read:

*Subd. 5. Assets held in separate account, application. The assets held in a separate account pursuant to section 61A.14 shall not be chargeable with liabilities arising out of any other business the company may conduct, but shall be held and applied exclusively for the benefit of the holders of those contracts on a variable basis for which the separate account has been established.*

Sec. 23. Minnesota Statutes 1967, Section 61A.14, is amended by adding a subdivision to read:

*Subd. 6. Management of separate accounts. A company which has established or hereafter establishes a separate account or accounts pursuant to section 61A.14 and issues contracts on a variable basis, may provide that the separate account shall be managed by a committee, the members of which need not be otherwise affiliated with the company or its board of directors, and may further grant to the holders of the contracts the voting rights it deems necessary under the Investment Company Act of 1940 of the United States, as amended.*

Sec. 24. Minnesota Statutes 1967, Section 61A.20, is amended to read:

**61A.20 Group contracts.** A group contract on a variable basis (1) which meets the requirements of the Federal Internal Revenue Code of 1954, as amended, for qualification of a pension, profit-sharing, or annuity plan and (2) which does not permit the allocation to a separate account of any payment or contribution made by an employee and (3) which covers at least 25 employees at the time of its execution and (4) under which the promised payments are payable in fixed-dollar or variable dollar amounts, or both, shall be exempt from the requirement of registration pursuant to the provi-

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sions of said chapter 80, and the sale thereof shall be exempt from the licensing requirements of said chapter 80.

Sec. 25. Minnesota Statutes 1967, Section 64A.34, Subdivision 1, is amended to read:

**64A.34 Foreign associations; examinations; revocation of licenses.** Subdivision 1. **Examinations.** The commissioner, or any person whom he may appoint, may examine any foreign association transacting, or applying for admission to transact, business in this state. *The commissioner shall conduct an examination at least once in every three years.*

(1) The commissioner may employ assistants for the purpose of examination and he, or any person he may appoint, shall have free access to all the books, papers, and documents that relate to the business of the association and may summon and qualify as witnesses, under oath, and examine its officers, agents, employees, and other persons in relation to the affairs, transactions, and condition of the association.

(2) He may, in his discretion, accept in lieu of this examination the examination of the insurance department of the state, territory, district, province, or country where the association is organized.

Sec. 26. Minnesota Statutes 1967, Section 64A.37, Subdivision 1, is amended to read:

**64A.37 Domestic associations; examination; rehabilitation; dissolution.** Subdivision 1. **Visitation and examination.** The commissioner, or any person he may appoint, shall have the power of visitation and examination into the affairs of any domestic association. *The commissioner shall conduct an examination at least once in every three years.* He may:

(1) Employ assistance for the purposes of examination and he, or any person he may appoint, shall have free access to any books, papers, and documents that relate to the business of the association; and

(2) Summon and qualify as witnesses, under oath, and examine its officers, agents, and employees, or other persons, in relation to the affairs, transactions, and condition of the association.

Sec. 27. Minnesota Statutes 1967, Section 66A.16, Subdivision 2, is amended to read:

**Sud. 2. Mutual casualty companies.** Any mutual insurance company which establishes and maintains, over and above its

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liabilities and the reserves required by law of a like stock insurance company, a guaranty fund available for the payment of losses and expenses at least equal to the capital stock ~~and surplus, if any~~, required of a like stock insurance company may issue policies of insurance without contingent liability, and when the articles of incorporation of any mutual insurance company having this guaranty fund so provide the company may transact any and all of the kinds of business as set forth in section 60A.06, subdivision 1, clauses (1) to (14) subject to the restrictions and limitations imposed by law on a like stock insurance company, and any domestic mutual company having a guaranty fund equal to the amount of capital stock ~~and surplus~~ required of a like stock insurance company may insure the same kinds of property and conduct and carry on its business, subject only to the restrictions and limitations applicable to like domestic stock insurance companies.

Section 66A.16, subdivision 1, shall not apply to this guaranty fund save and accept that the guaranty fund of the company shall be invested in the same manner as is provided by law for the investment of its other funds. Every such company shall in its annual statement show as separate items the amount of the guaranty fund and the remaining divisible surplus, and the aggregate of such items shall be shown as surplus to policyholders.

A guaranty fund may be created, in whole or in part, in either or both of the following ways:

(1) Where an existing mutual company has a surplus, the members of the company may at any regular or special meeting set aside from and out of its surplus such sum as shall be fixed by resolution to be transferred to and thereafter constitute, in whole or in part, the guaranty fund of the company; or

(2) By the issuance of guaranty fund certificates, as specified in this subdivision, the same to be issued upon the conditions and subject to the rights and obligations specified in this subdivision.

Any such company establishing a guaranty fund, as hereinbefore provided, may, subject to the restrictions and limitations imposed by law as to a like stock insurance company, amend its articles so as to provide for the doing by it of one or more of the kinds of insurance business specified in section 60A.06, subdivision 1, clauses (1) to (14).

The policy liability of any such mutual company issuing policies without a contingent liability shall, as to these policies, be computed upon the same basis as is applicable to like policies issued by stock insurance companies. Where any such company shall issue five-year

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term policies, wherein the premiums shall be payable in annual or biennial instalments and no premium note is taken by the company as payment of the full term premium, the company then shall be required to maintain a reserve fund on only the portion of premiums actually collected from time to time under these term policies and no company so creating a guaranty fund shall issue policies without a contingent liability after the guaranty fund shall be impaired or reduced below the capital and surplus required of a like stock insurance company doing the same kind or kinds of insurance. Any company having a guaranty fund may insure, without a contingent liability, any kind or class of property which a like stock company may insure.

Any director, officer, or member of any mutual insurance company, or any other person, may advance to the company any sum of money necessary for the purposes of its business or to enable it to comply with any of the requirements of the law, including the creation, in whole or in part, of a guaranty fund to enable it to do one or more of the kinds of business specified in this subdivision, and for the creation by a company issuing policies with a contingent liability of a guaranty fund, in such amount as the board of directors shall determine, for the protection of policyholders of the company, and such moneys, together with such interest thereon as may have been agreed upon, not exceeding ten percent per annum, shall be repaid only out of the surplus remaining after providing for all reserves, if any, and other liability, and which shall not otherwise be a liability or claim against the company or any of its assets. No commission or promotion expenses shall be paid in connection with the advance of any such money to the company, and the amount of the advance remaining unpaid shall be reported in each annual statement.

The company shall issue to each person so advancing money for the creation of a guaranty fund a certificate or certificates specifying the amount so advanced. These certificates may be assigned by the holder thereof and a transfer thereof recorded upon the books of the company. The holders of the guaranty fund certificates shall be entitled to annual interest thereon at the rate agreed upon, if the net profits of the company, after all losses, expenses, liabilities, and legal reserves, if any, have been paid or provided for, are sufficient to pay the same. If the net profits of the company in any year are insufficient to pay the full amount of interest agreed upon, the difference may be paid in any subsequent year from the net profits of the subsequent years.

The guaranty fund shall be applied to the payment of losses and expenses when necessary and, if the guaranty fund be impaired, the directors may make good the whole or any part of the impairment

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from future net profits of the company or by the issue and sale of additional guaranty fund certificates, but no interest shall be paid on the guaranty fund certificates while the guaranty fund is impaired. No certificate shall be issued except for money actually paid to the company, which amount shall be plainly and legibly stated therein. The company shall issue certificates only in sums of \$10, or multiples thereof; it shall keep a record of the name and address of the person to whom issued and of all assignments thereof. Upon surrender of a certificate duly assigned in writing, the company shall cancel the same and issue a new certificate to the assignee.

Each certificate holder of record shall be entitled to one vote in person or by proxy at any meeting of the members of the company, for each \$10 investment by him in the guaranty fund certificates.

The guaranty fund may be reduced or retired by vote of the board of directors of the company, if the net assets of the company, above its legal reserves, if any, and all other claims and obligations are sufficient therefor. The certificate holders shall be entitled to choose and elect from among their own members or from among the policyholders at least one-half of the total number of directors.

In case the members of any company by resolution adopted at any regular meeting or special meeting called for that purpose shall determine to wind up and liquidate the business of any such company, the assets thereof shall be applied (1) to the payment of the expense of the liquidation; (2) to the payment of any accrued liability, including losses, if any; (3) to the payment of any unearned premiums on policies in force at the time of the liquidation; (4) to the payment of guaranty fund certificates, if any, together with accrued interest thereon, if any; and (5) the residue shall be distributed according to the provisions of section 60A.04.

Sec. 28. Minnesota Statutes 1967, Section 67A.40, Subdivision 3, is amended to read:

Subd. 3. **Corporate Powers.** In addition to the powers conferred by sections 67A.40 to 67A.44, every such association shall have the power to reinsure any part or all of any risk or risks assumed by it, and every such association shall have the corporate powers which are granted to corporations under the general corporation laws of this state. *Any such association having a surplus of at least \$300,000 may, at any regular meeting or at a special meeting called for that purpose, transform itself into a mutual insurance company by amending its articles of incorporation to provide for the doing of one or more of the kinds of business specified in section 60A.06, subdivision 1, clauses (1) to (14). Such transformed company shall be subject to*

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*the general corporation laws contained in Minnesota Statutes, Chapter 300, and subject to the conditions and restrictions as to the kinds of insurance which may be combined by a like stock insurance company and to all restrictions contained in the laws of this state with reference to general mutual insurance companies transacting the same kinds of business. The bylaws may also provide for voting rights to be based on one vote for each policyholder, plus one vote for each \$100 of premium paid within 12 months prior to the meeting at which the votes are cast.*

Sec. 29. Minnesota Statutes 1967, Section 68A.01, Subdivision 2, is amended to read:

Subd. 2. **Guaranty fund and investment thereof.** Before issuing any policy or other contract of guaranty or insurance, it *every real estate title insurance company* shall set apart and keep separate not less than two-fifths of its capital stock and not less than ~~\$100,000~~ \$120,000 in any case, as a guaranty fund, and invest the same according to law. Two-fifths of every increase of its capital stock shall be likewise added to this fund so that the same shall always be at least two-fifths of its entire capital stock and it shall make no contract of guaranty or insurance when it is less.

Sec. 30. *Minnesota Statutes 1967, Section 68A.01, Subdivision 1, is repealed.*

Sec. 31. *Laws 1967, Chapters 357, Sections 1, 2, and 5; 360, Sections 4 and 5; 371; 410; 422, Sections 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, and 12; 431; 447; 572; 586; 589; 620; 699; and 737, are repealed.*

Approved February 11, 1969.

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## CHAPTER 8—H. F. No. 121

*An act relating to agriculture; brucellosis testing of cattle offered for sale; amending Minnesota Statutes 1967, Section 35.245, Subdivision 1.*

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1967, Section 35.245, Subdivision 1, is amended to read:

35.245 **Agriculture; brucellosis; cattle; sale, lease, loan.**  
Subdivision 1. **Limitation on sale.** No person shall sell or

**Changes or additions indicated by italics, deletions by ~~strikeout~~.**