

CHAPTER 494—S. F. No. 1608

[Coded in Part]

An act relating to deposits and investments of insurance companies; amending Minnesota Statutes 1967, Sections 60A.02, by adding subdivisions; 60A.10, Subdivision 1; 60A.11, Subdivisions 3, 5, 5a, as created by Laws 1969, Chapter 7, Section 16, 5b, as created by Laws 1969, Chapter 7, Section 16, 6, as amended by Laws 1969, Chapter 7, Section 15, 7, and by adding a subdivision; 61A.28, Subdivisions 2, 3, 6, 7 and 12; 61A.29, Subdivision 1; 61A.31, Subdivisions 1, 2, and 3, and by adding a subdivision; amending Minnesota Statutes 1967, Chapter 61A, by adding sections; repealing Minnesota Statutes 1967, Section 60A.10, Subdivision 5.

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

Section 1. Minnesota Statutes 1967, Section 60A.02, is amended by adding a subdivision to read:

Subd. 17. Insurance; deposits and investments of companies; leasehold estate. The term "leasehold estate" means an estate in land which includes the ground lease covering the land and any improvements thereon.

Sec. 2. Minnesota Statutes 1967, Section 60A.02, is amended by adding a subdivision to read:

Subd. 18. State of the United States. "State" means any state of the United States of America, the District of Columbia, the commonwealth of Puerto Rico and any other possessions of the United States.

Sec. 3. Minnesota Statutes 1967, Section 60A.10, Subdivision 1, is amended to read:

60A.10 Deposits. Subdivision 1. Deposit by domestic companies as security for all policyholders required. No company in this state, other than fire, marine or fire and marine, hail, farmers' mutual, or real estate title insurance companies, shall do business in this state unless it has on deposit with the commissioner, as security for all its policyholders, ~~stocks or bonds of~~ *or other obligations of, or bonds or other obligations insured or guaranteed by, this state, or of the United States, or bonds of any of the municipalities of this state, or personal obligations secured by first mortgage on real estate within this state, worth, exclusive of buildings, the amount of the lien, and bearing interest of not less than three percent per annum, any agency*

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or instrumentality of the foregoing, to an amount, the actual market value of which, exclusive of interest, shall never be less than \$100,000, ~~except in case of companies organized to insure bicycles against loss from theft, the amount of such deposits for such companies shall never be less than \$10,000, which stocks, bonds, or mortgages~~ *other obligations* shall be retained by the commissioner and be disposed of as directed by law.

The deposit of mortgages on real estate shall not exceed the amount of \$50,000. As long as any policies of the depositing company remain in force, the commissioner shall hold the deposit as security for all holders of its policies.

Sec. 4. *Minnesota Statutes 1967, Section 60A.10, Subdivision 5, is repealed.*

Sec. 5. Minnesota Statutes 1967, Section 60A.11, Subdivision 3, is amended to read:

Subd. 3. **Debentures of farm mortgage debenture companies.** The debentures of farm mortgage debenture companies shall be lawful investments for any trust company; ~~life or fire insurance company~~ organized under the laws of this state, and for trust funds in charge of any trustee, unless expressly restricted by the person or persons creating such trust; provided, that not more than 20 percent of the capital of any such company or of any such trust funds may be so invested.

Sec. 6. Minnesota Statutes 1967, Section 60A.11, Subdivision 5, is amended to read:

Subd. 5. **Additional investments permitted.** The funds of any insurance company ~~or fraternal beneficiary association~~, organized under the laws of this state or licensed to do business therein, in addition to the investments ~~already~~ *otherwise* authorized by law, may be invested in: (a) federal farm loan bonds; ~~or, if approved by the commissioner, in~~ (b) loans upon leasehold estates in improved real property for a term of 99 years or more ~~where 40 years or more of the term is unexpired and where unencumbered except by rentals accruing therefrom to the owner of the fee, 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 all the rights under the leasehold;~~

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provided, that no loan on such ~~real property or such~~ leasehold estate shall exceed, ~~50~~ (a) 75 percent of the fair market value thereof at the time of such loan, or (b) 80 percent of the market value thereof at the time of such loan if such real property is to be used for commercial purposes and a certificate of the value of such property shall be executed before making such loan by the person or persons making or authorizing such loan on behalf of the corporation, which certificate shall be recorded on the books of the company. *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 to be used for commercial purposes; and interest at least annually over a period not to exceed 35 years and the value thereof shall be shown by sworn certificate of a competent appraiser; (c) obligations payable in United States dollars issued or fully guaranteed by The Inter-American Development Bank not exceeding in aggregate face amount 5 percent of the total admitted assets of such company, less the sum of such company's investments in obligations issued or fully guaranteed by The International Bank for Reconstruction and Development.*

Sec. 7. Minnesota Statutes 1967, Section 60A.11, Subdivision 5a, as created by Laws 1969, Chapter 7, Section 16, is amended to read:

Subd. 5a. **Purchase of insurance company.** A domestic ~~stock~~ insurance 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.

Sec. 8. Minnesota Statutes 1967, Section 60A.11, Subdivision 5b, as created by Laws 1969, Chapter 7, Section 16, is amended to read:

Subd. 5b. **Organization of subsidiary insurance company.** A domestic ~~stock~~ insurance 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. 9. Minnesota Statutes 1967, Section 60A.11, Subdivision

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6, as amended by Laws 1969, Chapter 7, Section 15, is amended to read:

Subd. 6. **Real estate.** The real estate acquired or held by any domestic company, ~~including other than~~ a life company, for the convenience and accommodation of its business shall not exceed in value 25 percent of its cash 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. 10. Minnesota Statutes 1967, Section 60A.11, Subdivision 7, is amended to read:

Subd. 7. **Investments in name of company or nominee and prohibitions.** All of the funds of an insurance company *other than a life insurance company* shall be ~~invested~~ held in its corporate name; ~~and no~~ *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.*

No officer, director, or member of any committee passing on investments shall borrow any of such funds, or become, directly or indi-

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

Subd. 8. Life insurance company investments not included. The investment provisions of this section, other than subdivisions 5a and 5b, shall not apply to investments of life insurance companies.

Sec. 12. Minnesota Statutes 1967, Section 61A.28, Subdivision 2, is amended to read:

Subd. 2. Government obligations. Bonds or ~~treasury notes~~ or other obligations of, ~~the United States; bonds or other obligations of this state or of insured or guaranteed by, (a) the United States or any state of the United States, or of thereof; (b) the Dominion of Canada or any province thereof; bonds or other obligations of, or insured or guaranteed by any of the foregoing or by any agency or instrumentality thereof; bonds or other obligations of (c) any county, city, town, village, organized school district, municipality, or other civil division 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; or, not exceeding in aggregate face amount five percent of the total admitted assets of such life insurance company, in obligations payable in United States dollars issued or fully guaranteed by The International Bank for Reconstruction and Development, The Inter-American Development Bank or, if approved by the commissioner, any other United States government sponsored organization of which the United States is a member. not exceeding in aggregate face amount three percent of the total admitted assets of such life insurance company.~~

Sec. 13. Minnesota Statutes 1967, Section 61A.28, Subdivision 3, is amended to read:

Subd. 3. Notes or bonds secured by mortgage. Notes or bonds secured by first mortgage, or trust deed in the nature thereof, on improved real estate in the United States, ~~having a value of at least 50 percent more than the amount of the loan secured thereby, 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~~

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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 30 35 years, ~~or at least 33-1/3 percent more than the amount of such loan.~~ the amount of the loan shall not exceed (a) 75 percent of the market value of the real estate at the time of the loan; (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; or (c) 90 percent of the market value of the real estate at the time of the loan, 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 amortize at least 60 percent of the loan.* In calculating the ratio of the ~~value~~ amount of ~~property~~ the loan to the ~~loan secured thereby,~~ 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 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. Also, ~~if approved by the commissioner,~~ notes or bonds secured by *first mortgage, or trust deed in the nature thereof,* upon leasehold estates in improved real property where ~~40 years or more of the term are unexpired~~ and 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 leasehold estate shall exceed, 50 (a) 75 percent of the fair market value thereof at the time of such loan, or (b) 80 percent of the market value thereof at the time of the loan if such 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 years and the market value thereof shall be shown by the*

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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. Notes Also notes or bonds 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 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 66-2/3 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 years, the amount of the loan shall not exceed, (a) 75 percent of the market value of the real estate at the 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 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 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 years. Also notes or bonds 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 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 is equal to the sum of the company's loan, and the then outstanding indebtedness under the first mortgage or first trust deed; and (b) the company has control over the payments under the first mortgage or first*

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trust deed indebtedness; and (c) the total amount of the note or bond shall not exceed 66-2/3 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, and interest at least annually over a period of not to exceed 35 years, the amount of the note or bond shall not exceed 80 percent of the market value of the real estate at the date of the loan.

Sec. 14. Minnesota Statutes 1967, 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, ~~or other~~ 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 (a) and (b)* beyond ten percent of admitted assets as of the end of the preceding calendar year; ~~in~~ *In* applying the standards prescribed in clauses (b), (c), and (d), ~~(f) and (g)~~ *(f) and (g)* of this subdivision to the stocks, bonds, notes, ~~or other~~ evidences of indebtedness, or other obligations of a corporation which in the qualifying period preceding purchase of such stocks, bonds, notes, ~~or other~~ 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.*

(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 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 of any corporation not designated in clause (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, which (1) over the five completed fiscal years immediately preceding date of purchase earned an average amount per annum applicable to dividends on its common stock at least equal to six percent of the par value of its common stock (or in case of common stock having no par value, of the issued or stated value of such stock) outstanding at date of purchase; and (2) earned such amount during each of three of said five fiscal years; but the company shall not invest in more than ten percent of the common stock of any one*

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~~such corporation; if the net earnings of such corporation before 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 1-1/4 times its average annual fixed charges applicable to such 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 1-1/4 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 per cent 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 (a) of this subdivision, organized under the laws of the United States or any state thereof, ~~which (1) over the five completed fiscal years immediately preceding date of purchase earned an average amount per annum applicable to dividends at least equal to five percent of the par value of its common and preferred stocks (or, in the case of stocks having no par value, of its issued or stated value) outstanding at date of purchase, and (2) earned such amount during each of three of said five fiscal years; or which (1) over such period earned an average amount per annum at least equal to two times the total of its annual fixed charges and preferred dividends, determined with reference to the date of purchase and (2) earned such amount during each of three of said five fiscal years; or of the Dominion of Canada or any province thereof, under the following conditions: (1) No investment shall be made under this clause (e) in a stock upon which any dividend is in arrears or has been in arrears for an aggregate of 90 days within the immediately preceding three-year period; but the company shall not invest in more than 20 percent of the preferred stock of any one such corporation and (2) the total aggregate investment in the preferred and common stocks of any one such corporation shall not exceed ten percent of the aggregate par or stated value of the preferred and common stocks of such corporation; stocks under this clause and in common stocks under clauses (a) and (b) shall not exceed 15 percent of the life insurance company's admitted assets, provided that no more than 10 percent of the company's admitted assets shall be invested in common stocks under clauses (a) and (b); and (3) if the net earnings of such corporation before 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 1-1/4 times its average annual fixed charges applicable to such 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~~

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period shall have been not less than 1-1/4 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 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, at the time of the acquisition of such warrant or option to purchase, would qualify as an investment under clause (a), (b), or (c), whichever is applicable. A domestic life insurance company shall not invest more than one percent of its assets in warrants or options to purchase stock. Any stock actually acquired through the exercise of a warrant or option to purchase shall be included in clause (a), (b), or (c), whichever is applicable, whether or not such stock then meets the standards prescribed in such clause.

(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 investments, determined at cost, by the life insurance company shall not exceed five percent of its admitted assets, and such investments may be made without regard to the percentage limitations applicable to stocks, and warrants or options 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 accounts in accordance with the provisions of section 61A.13 to 61A.21.

(d) (f) Bonds, notes, debentures, or other evidences of indebtedness, issued or guaranteed by a corporation, 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, which (1) over the five completed fiscal years immediately preceding date of purchase, earned an average amount per annum applicable to dividends at least equal to four percent upon the per value (or in case of stock having no par value, then upon its issued or stated value) of all its capital stock outstanding in each of such five years and (2) earned such amount during each of three of said five fiscal years; if the net earnings of such corporation 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 1-1/4 times its average annual fixed charges applicable to such period, and, if the corporation has been in

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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 1-1/4 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 (d) 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 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 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 corporation which has assumed or guaranteed any lessee's performance thereunder, shall be a corporation whose obligations would qualify as an investment under clause (f).*

Sec. 15. Minnesota Statutes 1967, Section 61A.28, Subdivision 7, is amended to read:

Subd. 7. Transportation equipment obligations. *Railroad equipment obligations, comprising bonds, notes, certificates, conditional sales contracts or other adequately secured instruments, not exceeding the cost or fair value of such railroad equipment whichever is less, which when issued are secured by standard gauge rolling stock purchased or leased by any railroad incorporated in the United States or in Canada, or by the receiver or trustee of any such railroad, or by any corporation engaged in the business of leasing or furnishing railroad rolling stock, provided, that the entire issue of such obligations is required to be paid within 15 years from date of issue in approximately equal installments payable annually or at more frequent intervals and commencing not later than three years after the date of issue. Equipment trust obligations or certificates which are adequately secured or other adequately secured instruments evidencing an interest in transportation equipment wholly or in part within the United States and a right to receive determined portions of rental, purchase or other fixed obligatory payments for the use or purchase of such transportation equipment.*

Sec. 16. Minnesota Statutes 1967, Section 61A.28, Subdivision 12, is amended to read:

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Subd. 12. **Additional investments.** Investments of any kind, without regard to the categories, conditions, standards, or other limitations set forth in the foregoing subdivisions *and section 61A.31, subdivision 3, except that the prohibitions in clause (c) of said subdivision 3 shall remain applicable*, may be made by a domestic life insurance company in an amount not to exceed the lesser of the following:

(1) Five percent of the company's total admitted assets as of the end of the preceding calendar year, or

(2) Fifty percent of the amount by which its capital and surplus as of the end of the preceding calendar year exceeds ~~\$350,000~~ *\$675,000*. Provided, however, that a company's total investment under *section 61A.28* in the common stock of any corporation, other than the stock of the types of corporations specified in subdivision 6(a), shall not exceed ten percent of the common stock of the corporation. Provided, further, that no investment may be made under the authority of this clause (2) or clause (1) by a company that has not completed five years of actual operation since the date of its first certificate of authority.

If, subsequent to being made under the provisions of this subdivision, an investment is determined to have become qualified or eligible under any of the ~~foregoing subdivisions~~, *other provisions of this chapter*, the company may consider such investment as being held under the ~~applicable provisions of such foregoing subdivision~~ *such other provision* and such investment need no longer be considered as having been made under the provisions of this subdivision.

Sec. 17. Minnesota Statutes 1967, Chapter 61A, is amended by adding a section to read:

[61A.281] Investments; subsidiaries. *Subdivision 1. Special purpose corporations. A domestic life insurance company may organize and hold, or acquire and hold, more than 50 percent of the capital stock of any corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, or if approved by the commissioner, elsewhere, which is: (1) a corporation providing investment advisory, management or sales services to an investment company or to an insurance company; or (2) a data processing or computer service corporation; or (3) a real property holding, developing, managing or leasing corporation; or (4) a mortgage loan corporation engaged in the 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; or (5) a corporation*

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whose business is owning and managing or leasing personal property; or (6) a corporation other than a bank or an insurance company, whose business has been approved by the commissioner as complementary or supplementary to the business of a domestic life insurance company. Provided, however, that such percentage of stock may, with the approval of the commissioner, be fifty percent or less. The limits contained in the investment sections of the insurance code shall not apply to such holdings, provided that the aggregate of the investments under this subdivision shall not exceed five percent of the domestic life insurance company's admitted assets.

Subd. 2. General purpose corporations. *A domestic life insurance company may organize and hold, or acquire and hold, more than 50 percent of the capital stock of any corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, or if approved by the commissioner, elsewhere, whether or not of the type of corporation enumerated in subdivision 1 or approved by the commissioner under subdivision 1; provided that the aggregate investment under authority of this subdivision shall not exceed ten percent of the capital and surplus of the domestic life insurance company.*

Subd. 3. Regulations. *The commissioner may issue such reasonable rules and regulations as may be appropriate to carry out the purposes of this section.*

Sec. 18. Minnesota Statutes 1967, Chapter 61A, is amended by adding a section to read:

[61A.282] Investments in name of company or nominee and prohibitions. *All of the funds of a domestic life insurance company including funds held in separate account 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.*

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No officer, director, or member of any committee passing on investments shall borrow any of such 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. 19. Minnesota Statutes 1967, Chapter 61A, is amended by adding a section to read:

[61A.283] Admitted assets. *For the purpose of applying any investment limitation based on the amount of a domestic life insurance company's admitted assets, the term "admitted assets" shall mean such 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, with an adjustment in such admitted asset figure to exclude amounts which on such December 31 are allocated to separate accounts; and the value of stocks and warrants and options to purchase stocks owned by the company on such December 31 shall be based on cost. For other purposes the term "admitted assets" shall mean such assets as shown by the company's annual statement on such December 31, valued in accordance with the valuation regulations prescribed by the National Association of Insurance Commissioners.*

Sec. 20. Minnesota Statutes 1967, Section 61A.29, Subdivision 1, is amended to read:

61A.29 Investments; authorization; foreign investments. Subdivision 1. **Authorization.** No investment or loan, except policy loans, shall be made by any domestic life insurance company unless the same shall have been authorized *or be approved* by the board of directors or by a committee of directors, officers or employees of the company designated by the board charged with the duty of supervising the investment or loan, and in either case accurate records of all ~~authorization~~ *authorizations and approvals* shall be maintained.

Sec. 21. Minnesota Statutes 1967, Section 61A.31, Subdivision 1, is amended to read:

61A.31 Real estate holdings. Subdivision 1. **Purposes.** Except as provided in subdivision 2, ~~and 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 be requisite for convenient accommodation in the transaction of its business;~~

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~~(2)~~ (1) Such as shall have been mortgaged to it in good faith by way of security for loans previously contracted, or for moneys due;

~~(3)~~ (2) Such as shall have been conveyed to it in satisfaction of debts previously contracted in the course of its dealings;

~~(4)~~ (3) Such as shall have been purchased at sales on judgments, decrees or mortgages obtained or made for such debts.

All the real property specified in clauses ~~(2)~~, ~~(3)~~ and ~~(4)~~ (1), (2), and (3), 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 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 such time as the commissioner shall direct in the certificate.

Sec. 22. Minnesota Statutes 1967, Section 61A.31, Subdivision 2, is amended to read:

Subd. 2. **Building projects.** In order to promote and supplement public and private efforts to provide an adequate supply of decent, safe, and sanitary dwelling accommodations for persons of low and moderate income; to relieve unemployment; to alleviate the shortage of rental residences; and to assist in relieving the emergency in the housing situation in ~~cities and their environs~~ in this country through investment of funds, any ~~domestic~~ life insurance company, ~~prior to December 1, 1951,~~ may purchase or lease from any owner or owners (including states and political subdivisions thereof), real property in; ~~or within ten miles from, any city having a population of 25,000 or more in~~ any state in which such company is licensed to transact the business of life insurance; and on any real property so acquired or on real property so located and acquired otherwise in the conduct of its business, such company may erect apartment, ~~tenement,~~ or other dwelling houses, not including hotels, but including accommodations for retail stores, shops, offices, and other community services reasonably incident to such projects; or, to provide such housing or accommodations, may construct, reconstruct, improve, or remove any buildings or other improvements thereon. Such company may thereafter own, improve, maintain, manage, collect or receive income from, sell, lease, or convey any such real property and the improvements thereon. The aggregate investment by any such domestic life insurance company in all such projects, including the cost of all

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real property so purchased or leased and the cost of all improvements to be made upon such real property and upon real property otherwise acquired, shall not, at the date of purchase or other acquisition of such real property, exceed ten percent of the total admitted assets of such company on the last day of the previous calendar year. ~~The purchase or lease of, or investment in, any such housing projects shall be subject to the approval of the commissioner of insurance.~~

Sec. 23. Minnesota Statutes 1967, Section 61A.31, Subdivision 3, is amended to read:

Subd. 3. **Acquisition of property.** Any domestic life insurance company may:

(a) ~~acquire real property other than property to be used primarily for agricultural, horticultural, ranch, mining, recreational, amusement, hotel, club, or church purposes, 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, subject to the following conditions and limitations: (1) The cost of each parcel of real property acquired pursuant to this subdivision clause, 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 subdivision clause, shall not exceed five percent of its admitted assets as of the end of the preceding calendar year, and (2) the cost of each parcel of real property acquired pursuant to this subdivision clause, including the estimated costs to the company of the improvement or development thereof, shall not exceed one half of one 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. Each parcel of real property held by the company under this subdivision shall be valued on its books as of the end of each calendar year at an amount that will include a write-down of the cost of such property, including all improvement or development costs, at a rate that will average not less than two percent per annum of such cost for each year or part thereof that the property has been so held, and (3) if, as of the end of any calendar year, the aggregate net income before depreciation from all the properties held by the company under this subdivision, less the sum of all previous write-downs applied with respect to such properties, shall exceed five and one half percent per annum on the total book value of all such properties for the entire period during which such properties have been so held, the amount of such excess shall be applied, in such amounts as to such properties as the~~

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company shall determine, as a further write-down of such total book value. In order to enable the commissioner to obtain comparable information from all companies with respect to their operations under this subdivision and to determine compliance therewith, he may, by regulation, prescribe a uniform classification of all items of investment, income and expense, and a uniform method of reporting such operations.

(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 exceed three percent of the domestic life insurance company's admitted assets.*

(c) *not acquire real property under clauses (a) and (b) 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. 24. Minnesota Statutes 1967, Section 61A.31, is amended by adding a subdivision to read:

Subd. 4. Convenience and accommodation of business. The real estate acquired or held by any domestic life insurance company for the convenience and accommodation of its business shall not exceed in value 25 percent of its cash and invested assets, not including real estate acquired or held for the convenience and accommodation of its business. Any domestic life 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

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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, (a) 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, or (b) such real property qualifies as an investment under the terms of subdivision 3 of this section in which event the company may, at its option consider such real property as held under the provisions of said subdivision, subject to the conditions, standards, or other limitations of said subdivision as though it had been originally acquired thereunder.

Approved May 20, 1969.

CHAPTER 495—S. F. No. 214

An act relating to courts; fixing and regulating the collection and disposition of fees of the clerk of district court; amending Minnesota Statutes 1967, Section 357.021; and repealing Laws 1961, Chapters 313, as amended, and 632; Laws 1963, Chapter 744; Laws 1965, Chapters 468, 554, 634, and 665; and Laws 1967, Chapter 826.

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

Section 1. Minnesota Statutes 1967, Section 357.021, is amended to read:

357.021 District courts; clerk of district court; fees. *Subd. 1a. Every person, including the state of Minnesota and all bodies politic and corporate, who shall transact any business in the district court, shall pay to the clerk of said court, for the use of said county, the sundry fees hereinafter prescribed; provided, however, that no county to which this section applies, being a party to any action or proceeding in the district court established in such county, shall be required to pay fees to the clerk thereof.*

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