

*applying the provisions of the municipal housing and redevelopment act to Anoka county; providing for local approval of projects.*

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

**Section 1. ANOKA COUNTY; HOUSING AND REDEVELOPMENT.**

Subdivision 1. There is created in the county of Anoka a public body corporate and politic, to be known as the Anoka county housing and redevelopment authority, having all of the powers and duties of a housing and redevelopment authority under the provisions of the municipal housing and redevelopment act, Minnesota Statutes, Section 462.411 to 462.711. For the purposes of applying the provisions of the municipal housing and redevelopment act to Anoka county, the county has all of the powers and duties of a municipality, the county board has all of the powers and duties of a governing body, the chairman of the county board has all of the powers and duties of a mayor, and the area of operation includes the area within the territorial boundaries of the county.

Subd. 2. This section shall not limit or restrict any existing housing and redevelopment authority or prevent a municipality from creating an authority. The county shall not exercise jurisdiction in any municipality where a municipal housing and redevelopment authority is established. If a municipal housing and redevelopment authority requests the Anoka county housing and redevelopment authority to handle the housing duties of the municipal authority, the Anoka county housing and redevelopment authority shall act and have exclusive jurisdiction for housing in the municipality. A transfer of duties relating to housing shall not transfer any duties relating to redevelopment.

Sec. 2. **LOCAL APPROVAL.** Before a housing or redevelopment project of the Anoka county housing and redevelopment authority is undertaken, the project shall be approved by the local governing body with jurisdiction over all or any part of the area in which the proposed project is located.

Sec. 3. **EFFECTIVE DATE.** This act is effective upon approval by the board of county commissioners of Anoka county and upon compliance with Minnesota Statutes, Section 645.021.

Approved March 2, 1978.

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**CHAPTER 465-S.F.No.698**

*An act relating to insurance companies; simplifying language and removing obsolete provisions; clarifying ambiguities; establishing certain responsibilities; requiring performance bonds for certain corporate officers and employees; increasing certain fees; increasing certain capitalization and reserve requirements; providing certain restrictions; authorizing mutual companies to write certain additional kinds of insurance; prescribing certain penalties; amending Minnesota Statutes 1976, Sections 60A.07, Subdivisions 5d and 11; 60A.09, Subdivision 1; 60A.10, Subdivision 1; 60A.11, Subdivision 2; 60A.12, Subdivision 5; 60A.23,*

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*Subdivision 7; 60C.06, Subdivision 1; 61A.40; 66A.08, Subdivision 1; 66A.09; 66A.10; 66A.16, Subdivision 2; Minnesota Statutes, 1977 Supplement, Section 60A.19, Subdivision 1; repealing Minnesota Statutes 1976, Sections 60A.12, Subdivision 6; 63.36; and 63.37.*

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

Section 1. Minnesota Statutes 1976, Section 60A.07, Subdivision 5d, is amended to read:

Subd. 5d. **APPLICATION.** All insurance companies shall meet the revised requirements of ~~Laws 1976, Chapter 243 subdivisions 5a to 5d,~~ except as ~~hereinafter~~ provided in this subdivision. Any company authorized to transact a particular kind ~~or kinds~~ of insurance as specified in section 60A.06, subdivision 1, on April 9, 1976 may continue until January 1, 1983 to conduct the same kind ~~or kinds~~ of insurance by meeting and maintaining the applicable capital, surplus, and guaranty fund requirements which were in effect immediately prior to April 9, 1976. On and after January 1, 1983, all companies shall be required to meet the applicable revised capital, constantly maintained surplus, and guaranty fund requirements of subdivisions 5a, 5b, and 5c; ~~for those kinds of business which it is authorized to transact on January 1, 1983.~~

Notwithstanding the foregoing provisions of this subdivision with respect to the deferred date of compliance, ~~from and~~ after April 9, 1976:

(1) Any insurance company which seeks authority to transact an additional kind ~~or kinds~~ of insurance shall, as a condition to the granting of the authority, immediately comply with the applicable revised capital, constantly maintained surplus, and guaranty fund requirements of subdivisions 5a, 5b, and 5c for all of its authorized kinds of business.

(2) If any person acquires control of a ~~domestic~~ an insurance company, the insurance company shall as of the date of the acquisition of control comply with the applicable revised capital, constantly maintained surplus, and guaranty fund requirements of subdivisions 5a, 5b, and 5c for all of its authorized kinds of business. For purposes of this clause, the term "control" shall be defined as provided in section 60D.01, subdivision 4, and the term "person" shall be defined as provided in section 60D.01, subdivision 7.

Sec. 2. Minnesota Statutes 1976, Section 60A.07, Subdivision 11, is amended to read:

Subd. 11. **OFFICERS AND EMPLOYEES BONDED.** ~~The secretary and the treasurer of~~ Every company shall ~~give~~ provide a fidelity bond; ~~which shall be approved by resolution of the directors for its officers and employees. The bond shall be in the amount deemed necessary by the commissioner to adequately protect the public.~~

Sec. 3. Minnesota Statutes 1976, Section 60A.09, Subdivision 1, is amended to read:

**60A.09 LIMITS OF RISK; REINSURANCE.** Subdivision 1. **MAXIMUM RISK.** No fire company shall insure or reinsure in a single risk a larger sum than one-tenth of its

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net assets; provided, that in the case of a fire company with net assets of more than \$50,000, any portion of any ~~such~~ the risk which ~~shall have~~ has been reinsured, as authorized by the laws of this state, shall be deducted before determining the limitation of risk prescribed by this subdivision; and, provided, that a mutual fire insurance company organized under clause (2) (a) of section 66A.08, subdivision 2, may insure in a single risk, consisting of a creamery or a cheese factory, a sum equal to one percent of its insurance in force.

Sec. 4. Minnesota Statutes 1976, Section 60A.10, Subdivision 1, is amended to read:

**60A.10 DEPOSITS. Subdivision 1. DOMESTIC COMPANIES. (1) DEPOSIT 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, for the protection of both its resident and nonresident policyholders, securities to an amount, the actual market value of which, exclusive of interest, shall never be less than \$100,000. ~~Said~~ The securities shall be retained under the control of the commissioner as long as any policies of the depositing company remain in force as ~~security for both resident and nonresident holders of its policies.~~

(2) **SECURITIES DEFINED.** For the purpose of this subdivision, the word "securities" ~~shall mean~~ means bonds or other obligations of, or bonds or other obligations insured or guaranteed by, the United States, any state of the United States, any municipality of this state, or any agency or instrumentality of the foregoing.

(3) **PROTECTION OF DEPOSIT FROM LEVY.** No judgment creditor or other claimant may levy upon any securities held on deposit with, or for the account of, the commissioner. Upon the entry of an order by a court of competent jurisdiction for the rehabilitation, liquidation or conservation of any depositing company as provided in chapter 60B, that company's deposit together with any accrued income thereon shall be transferred to the commissioner as rehabilitator, liquidator, or conservator.

Sec. 5. Minnesota Statutes 1976, Section 60A.11, Subdivision 2, is amended to read:

Subd. 2. **SECURITIES AND LOANS.** Except as otherwise provided by law, the funds of every domestic company shall be invested in, or loaned upon, one or more of the following kinds of securities or property, and under the restrictions and conditions specified in this subdivision:

(1) Bonds or treasury notes or other obligations of the United States; obligations guaranteed by the United States; obligations payable in United States dollars issued or fully guaranteed by International Bank for Reconstruction and Development not exceeding in aggregate face amount five percent of the total admitted assets of ~~such~~ the company; obligations payable in United States dollars issued or fully guaranteed by the Asian Development Bank not exceeding in aggregate face amount five percent of the total admitted assets of ~~such~~ the company; obligations payable in United States dollars issued or fully guaranteed by the Inter-American Development Bank not exceeding in aggregate face amount five percent of the total admitted assets of ~~such~~ the company; national or

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state bank stock; interest-bearing bonds or certificates of indebtedness or other obligations at market value of this or any other state, or any governmental subdivision or municipal corporation in this or any other state, or of the Dominion of Canada or any province or any governmental subdivision or municipal corporation thereof, having legal authority to issue the same, at market value; or debentures issued by the Federal Housing Administrator or obligations of national mortgage associations;

(2) Notes or bonds secured by first mortgage, or trust deed in the nature thereof, on improved real estate in this or any other state, or in the Dominion of Canada, having a value of at least 50 percent more than the amount of the loan secured thereby or, when the loan is to be fully amortized by installment payments of principal and interest at least annually over a period of not to exceed 30 years, of at least 33 1/3 percent more than the amount of ~~such the~~ loan, not including buildings unless insured by policies payable to and held by the security holder, or by a trustee for the security holder; or notes or bonds secured by mortgage, or trust deed in the nature thereof, or other obligations which the United States or any agency or instrumentality thereof has insured or guaranteed or made a commitment to insure or guarantee;

(3) Common stocks aggregating not more than ten percent of the common stock of any one corporation and upon which dividends of not less than three percent of par or stated value have been regularly paid for three years immediately preceding the investment, or 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 six percent of the par value (or in case of common stock having no par value, of the issued or stated value of ~~such the~~ stock) outstanding at date of purchase, and (2) earned ~~such that~~ amount during each of three of ~~said the~~ five fiscal years; and bonds, not in default, at market value, of any corporation incorporated by or under the laws of the United States, or any state, or the Dominion of Canada, or any province thereof; or preferred stocks at market value of any solvent corporation incorporated by or under the laws of the United States or any state, or the Dominion of Canada or any province thereof provided ~~such the~~ corporation's net income available for fixed charges after deducting federal and state income taxes ~~must have has~~ averaged for the five fiscal years preceding investment at least one and one-half times the sum of annual fixed charges, contingent interest and preferred dividends, all computed as of the date of investment; and upon which bonds or preferred stocks, interest, or dividends have not been in arrears for an aggregate of 90 days within the preceding three years; or in the stock or guaranty fund certificates of any insurance company, whether previously existing or in process of being organized and whether or not engaged in writing the same type of insurance as the acquiring corporation, which investment must be approved by the commissioner; or in the stock or bonds of any real estate holding company, which investment must be approved by the commissioner, whose real estate is used, in whole or in part, in the transacting of the insurance business of ~~such the~~ insurance company, either directly or by reinsurance, or in the fee to real estate used, in whole or in part, in ~~such that~~ business; or in the stock or bonds of any corporation owning investments in foreign countries used for purposes of legal deposit, when the insurance company transacts business therein direct or as reinsurance; provided that nothing in this clause shall be construed to prohibit a domestic company from forming and holding or acquiring and holding at least 51 percent of the capital stock of subsidiaries which are engaged in business that is complementary or

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supplementary to the business of the domestic company, subject to the prior approval of the commissioner;

(4) Promissory notes maturing within six months, secured by the pledge of warehouse receipts issued against commodities deposited in public warehouses; if at the time of investing in ~~such~~ the notes the market value of the commodities ~~shall exceed exceeds~~ the indebtedness secured thereby and the note or pledge agreement ~~shall provide provides~~ that the holder may call for additional like security or sell the commodities without notice upon depreciation of the security; the insurance company may accept, in lieu of the deposit with it of the warehouse receipts, a trustee certificate issued by any national or state bank at a terminal point, certifying that the warehouse receipts have been deposited with it and are held as security for the notes; the amount invested in ~~the these~~ securities ~~mentioned herein~~ shall not, at any time, exceed 25 percent of the capital stock of the company; ~~and~~

(5) Notes, debentures, or evidences of indebtedness other than bonds issued or guaranteed by a corporation 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 par 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~~ the five years and (2) earned ~~such~~ that amount during each of three of ~~said~~ the five fiscal years. No investment shall be made under this clause 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; ~~and~~

(6) Loans on pledge of any ~~such~~ of these securities, but not exceeding 80 percent of the market value of stocks or other securities and 95 percent of the market value of bonds specified in clause (1); ~~and~~. In all loans ~~reserving on~~ pledge of securities the right at any time to declare the indebtedness due and payable when in excess of ~~such~~ proportion allowable proportions or upon depreciation of security shall be reserved.

Sec. 6. Minnesota Statutes 1976, Section 60A.12, Subdivision 5, is amended to read:

Subd. 5. **LOSS RESERVES. (1) FOR OTHER THAN LIABILITY AND WORKER'S COMPENSATION.** The reserve for outstanding losses; under policies other than workers' compensation and liability; policies shall be at least equal to the aggregate estimated amounts due or to become due on account of all the losses and claims of which the corporation has received notice; ~~provided, that such,~~ The loss reserve shall also include the estimated liability on any notices received by the corporation of the occurrence of any event which may result in a loss, and the estimated liability for all losses which have occurred but on which no notice has been received; ~~¶~~ For the purpose of ~~such~~ these reserves, the corporation shall keep a complete and itemized record showing all losses and claims on which it has received notice, including all notices received by it of the occurrence of any event which may result in a loss. )

{ When, in the judgment of the commissioner, the loss reserves, calculated in accordance with the foregoing provisions, are inadequate, he may, in his discretion,

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require the corporation to maintain additional reserves }.

(2) **FOR LIABILITY LOSSES.** The reserve for outstanding losses and loss expenses incurred under insurance against loss or damage from accident to or injuries suffered by the employee or other person and for which the insured is liable, computed as follows:

(a) For all liability suits being defended under policies written more than

(aa) ten years prior to the date as of which the statement is made, \$1,500 for each suit;

(bb) five, and less than ten, years prior to the date as of which the statement is made, \$1,000 for each suit;

(cc) three, and less than five, years prior to the date as of which the statement is made, \$850 for each suit;

(b) For all liability policies during each of the three years immediately preceding the date of the statement written during the three years immediately preceding the date as of which the statement is made, such reserve shall be not less than 60 percent of the earned liability premium of each of such three years for each of the three corresponding years immediately preceding the date of the statement, less all loss and loss expense payments made under claims incurred during each of those years liability policies written in the corresponding years; but, in any event, such reserve shall, for the first of such three years, be not less than \$750 for each outstanding liability suit on that year's policies.

(3) **FOR COMPENSATION CLAIMS.** The reserve for outstanding losses and loss expenses incurred under insurance against loss from liability on account of the death of or injury to an employee not caused by the negligence of an employer computed as follows workers' compensation policies shall be at least equal to the following amounts:

(a) For all compensation claims under policies written more than three years prior to the date as of which the statement is made, the present values, at four percent interest, of the determined and the estimated future payments;

(b) For all compensation claims under policies written in the three years immediately preceding the date as of which the statement is made, such, the reserve shall be not less than 65 percent of the earned compensation premiums of for each of such the three years, less all loss and loss expense payments made in connection with such the claims under policies written in each of the corresponding years; but in any event, in, For the ease of the first year of any such the three-year period, such the reserve shall be not less than the present value, at four percent interest, of the determined and the estimated unpaid compensation claims under policies written during such that year.

Sec. 7. Minnesota Statutes, 1977 Supplement, Section 60A.19, Subdivision 1, is amended to read:

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**60A.19 FOREIGN COMPANIES.** Subdivision 1. **REQUIREMENTS.** Any insurance company of another state, upon compliance with all laws governing such corporations in general and with the foregoing provisions so far as applicable and the following requirements, shall be admitted to do business in this state:

(1) It shall deposit with the commissioner a certified copy of its charter or certificate of incorporation and its bylaws, and a statement showing its financial condition and business, verified by its president and secretary or other proper officers;

(2) It shall furnish the commissioner satisfactory evidence of its legal organization and authority to transact the proposed business and that its capital, assets, deposits with the proper official of its own state, amount insured, number of risks, reserve and other securities, and guaranties for protection of policyholders, creditors, and the public, comply with those required of like domestic companies;

(3) By a duly executed instrument filed in the office of the commissioner, it shall appoint him and his successors in office its lawful attorneys in fact and therein irrevocably agree that legal process in any action or proceeding against it may be served upon them with the same force and effect as if personally served upon it, so long as any of its liability exists in this state;

(4) It shall appoint, as its agents in this state, residents thereof, and obtain from the commissioner a license to transact business ~~therein~~;

(5) Regardless of what lines of business an insurer of another state is seeking to write in this state, the lines of business it is licensed to write in its state of incorporation shall be the basis for establishing the financial requirements it must meet for admission in this state or for continuance of its authority to write business in this state;

(6) No insurer of another state shall be admitted to do business in this state for a line of business that it is not authorized to write in its state of incorporation.

Sec. 8. Minnesota Statutes 1976, Section 60A.23, Subdivision 7, is amended to read:

**Subd. 7. LICENSES REQUIRED FOR EMPLOYERS MAKING DEDUCTIONS FROM WAGES FOR CERTAIN PURPOSES.** (1) **REQUIREMENTS.** No employer shall make deductions from the wages of his employees for the purpose of furnishing them with life insurance, funeral benefits, medical or hospital care, accident, sickness or old age insurance or benefits, unless he first receives from the commissioner of insurance a license for the benefit plan he operates or proposes to operate. ~~Such~~ The license shall be granted only when the commissioner is satisfied that the benefits given are commensurate with the charges made and that the charges will keep the fund solvent. All ~~such~~ licenses shall be for the period of one year. The commissioner may require a statement of the operation of the fund, on a form to be prescribed by him, before granting a renewal. The fee for ~~any such~~ a license is ~~\$4~~ \$25 and for filing the annual statement ~~\$4~~ \$10. Any fees received by the commissioner pursuant to this subdivision shall be paid into the general fund. Before granting a license the commissioner of insurance shall submit the proposed plan to the chairman of the workers' compensation court of appeals in order that he may

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determine whether the benefits are in conjunction with the benefits under the workers' compensation act.

(2) **EXCEPTIONS.** The ~~above~~ requirements of clause (1) shall not apply to deductions made from the employees' wages for group insurance issued by insurers authorized to transact business in this state nor to railroad companies engaged in interstate commerce.

(3) **PENALTY.** Any person, firm, corporation, or association that makes deductions from the wages of ~~his, their, or its employees~~ an employee in violation of clause (1) shall be guilty of a misdemeanor.

Sec. 9. Minnesota Statutes 1976, Section 60C.06, Subdivision 1, is amended to read:

**60C.06 ASSESSMENTS.** Subdivision 1. **DETERMINATION OF AMOUNT.** The assessments of each member insurer shall be in the proportion that the net direct written premiums of the member insurer for the preceding calendar year on the kinds of insurance in the account bear to the net direct written premiums of all member insurers for the preceding calendar year on the kinds of insurance in the account. No member insurer may be assessed in any year on any account in an amount greater than two percent of that member insurer's net direct written premiums for the preceding calendar year on the kinds of insurance in the account. All member insurers licensed to transact insurance business in this state on the date an insurer is placed in liquidation may be assessed as provided by section 60C.06 for necessary payments from the account.

Sec. 10. Minnesota Statutes 1976, Section 61A.40, is amended to read:

**61A.40 QUALIFICATIONS FOR LICENSE; NUMBER OF MEMBERS.** No corporation not now authorized to transact business in this state shall be licensed to transact the business of life or casualty insurance, or both, upon the cooperative or assessment plan, until at least 300 persons eligible to membership ~~therein~~ have made individual applications, in writing, ~~therefor~~, containing warranties of age, health, and other required conditions of membership, and ~~shall have the corporation has~~ on deposit with the commissioner, as security for all its policyholders, stocks or bonds of 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, to an amount the actual market value of which, exclusive of interest, shall never be less than ~~\$10,000~~ \$100,000; provided, that any ~~such~~ corporation which has heretofore procured and filed with the commissioner a part of the total number of applications required by law shall only be required to deposit securities of the market value of \$5,000; and provided, ~~such that~~ a corporation that confines its membership exclusively to the members of volunteer fire departments shall be required to have not less than 100 individual applications, in writing, from persons eligible to membership and the sum of at least \$1,000, which amount shall be liable only for death or indemnity claims made under its policy or membership certificate contracts.

Sec. 11. Minnesota Statutes 1976, Section 66A.08, Subdivision 1, is amended to

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read:

**66A.08 REQUIREMENTS.** Subdivision 1. **CASUALTY LINES.** No mutual insurance company hereafter organized shall be licensed to transact any of the kinds of business specified in section 60A.06, subdivision 1, clauses (3), (5), (6), (8), (9), (10), (12), (13), ~~and (14), or (15)~~, except upon compliance with the following conditions:

(1) It shall have not less than 300 bona fide applications for policies of insurance of each kind sought to be written, signed by at least 300 members, covering at least 300 separate risks, each risk, within the maximum net single risk described ~~herein in clause (2)~~ and one year's premiums thereon paid in cash, and admitted assets of not less than \$100,000, which admitted assets shall not be less than five times the maximum net single risk, ~~as herein defined~~, and shall have on deposit with the commissioner in accordance with section 60A.10, subdivision 4, as security for all of its policyholders, stock or bonds of 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, to an amount the actual market value of which, exclusive of interest, shall never be less than \$100,000.

No such company shall be authorized to insure against loss or damage by the bodily injury or death by accident of any person employed by the insured, for which the insured is liable under the workers' compensation law, unless and until ~~such~~ the company shall ~~comply~~ complies with the provisions of subdivision 4 herein;

(2) It shall not expose itself to any loss on any one risk or hazard, except as ~~hereinafter~~ provided in this clause, in an amount exceeding ten percent of its net assets, actual and contingent; ~~such~~. For the purposes of section 66A.08 contingent assets being mean the aggregate amount of the contingent liability of its members for the payment of loss and expenses not provided for by its cash funds. ~~Such~~ Contingent liability, for the purposes of this section, ~~to be~~ means an amount not to exceed one annual premium as stated in the policy. No portion of any ~~such~~ risk or hazard which ~~shall have~~ has been reinsured, as authorized by the laws of this state, shall be included in determining the limitation of risk prescribed by this section. For the purpose of transacting employers' liability and workers' compensation insurance, each employee shall be considered a separate risk for determining the maximum single risk;

(3) It shall maintain unearned premiums and other reserves, separately for each kind of business, upon the same basis as that required of domestic stock insurance companies transacting the same kind of business;

(4) Except as ~~herein~~ expressly provided in chapter 66A, it shall comply with all the provisions of the laws of this state relating to the organization and internal management of mutual fire insurance companies in so far as the same may be applicable and not inconsistent ~~therewith~~ with chapter 66A.

Sec. 12. Minnesota Statutes 1976, Section 66A.09, is amended to read:

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**66A.09 KINDS OF BUSINESS AUTHORIZED.** Nothing ~~herein~~ in chapter 66A shall be deemed to authorize or permit mutual insurance companies to engage in any kind of insurance not included in section 60A.06, subdivision 1, clauses (1) to ~~(4)~~ (15) or authorized under section 60A.06, subdivision 2.

Sec. 13. Minnesota Statutes 1976, Section 66A.10, is amended to read:

**66A.10 ADDITIONAL REQUIREMENTS.** When the articles of incorporation of any mutual insurance company not having a guaranty fund of the amount required by section 66A.16, subdivision 2, ~~so~~ provide, it may transact any and all kinds of business as set forth in section 60A.06, subdivision 1, clauses (1) to ~~(4)~~ (15), and as authorized under section 60A.06, subdivision 2, subject to the conditions and restrictions as to the kinds of insurance which may be combined by a like stock insurance company and subject to ~~all~~ the restrictions contained in the laws of this state with reference to general writing mutual insurance companies transacting the same kinds of business. Nothing in this section shall be construed as prohibiting a company issuing policies with a contingent liability from creating a guaranty fund as authorized by section 66A.16, subdivision 3. Any mutual company, however organized, may amend its articles ~~so~~ as to provide for the doing of two or more kinds of business specified in section 60A.06, subdivision 1, clauses (1) to ~~(4)~~ (15) or authorized under section 60A.06, subdivision 2.

Sec. 14. Minnesota Statutes 1976, Section 66A.16, Subdivision 2, is amended to read:

**Subd. 2. MUTUAL CASUALTY COMPANIES.** Any mutual insurance company which establishes and maintains, over and above its 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 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 ~~(4)~~ (15) 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 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.

Subdivision 1 shall not apply to this guaranty fund ~~save and~~ except 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~~ these 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

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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 in this subdivision, 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 ~~(4)~~ (15).

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 term policies, wherein the premiums shall be payable in annual or biennial installments 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 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~~ the moneys, together with ~~such~~ the 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~~ the 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

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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 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 chapter 60B.

Sec. 15. Minnesota Statutes 1976, Sections 60A.12, Subdivision 6; 63.36; and 63.37, are repealed.

Sec. 16. This act is effective July 1, 1978.

Approved March 2, 1978.

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#### CHAPTER 466-S.F.No.1004

*An act relating to metropolitan government; providing for the investment of metropolitan airports commission funds; amending Minnesota Statutes 1976, Section 473.606, Subdivision 3.*

Changes or additions indicated by underline deletions by ~~strikeout~~