

CHAPTER 444—S. F. No. 892

An act relating to investment of domestic life insurance companies' funds; amending Minnesota Statutes 1953, Section 61.11.

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

Section 1. Minnesota Statutes 1953, Section 61.11, is amended to read :

61.11 Domestic companies, investment of funds. The capital, surplus and other funds of every domestic life insurance company, whether incorporated by special act or under the general law (in addition to investments in real estate as otherwise permitted by law) may be invested only in one or more of the following kinds of securities or property :

(1) Bonds or treasury notes or other obligations of the United States; bonds or other obligations of this state or of any state of the United States, or of 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 obligation of any county, city, town, village, organized school district, municipality, or civil division of this state, or of any state of the United States or of any province of the Dominion of Canada; debentures issued by the federal housing administrator; obligations of national mortgage associations; or obligations payable in United States dollars issued or fully guaranteed by International Bank for Reconstruction and Development not exceeding in aggregate face amount three per cent of the total admitted assets of such life insurance company;

(2) 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 per cent more than the amount of the loan secured thereby, not including any part of the amount of such loan which the United States or any agency or instrumentality thereof has insured or guaranteed or made a commitment to insure or guarantee, but no improvement shall be included in estimating such value 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 mortgage or trust deed upon leasehold estates in improved real property where 40 years or more of the term are unexpired and where 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 per cent of the fair market value thereof at the time of such loan, and the value thereof shall be shown by the sworn certificate of a competent appraiser; notes or bonds secured by mortgage, or trust deed in the nature thereof, which the United States or any agency or instrumentality thereof has insured or guaranteed or made a commitment to insure or guarantee;

(3) Bonds or obligations of railway companies, street railway companies, and other public utility corporations incorporated under the laws of this state, the United States or any state thereof, or the Dominion of Canada or any province thereof, which shall not be in default as to the principal or interest on any outstanding issue of bonds; the debentures of farm mortgage debenture companies organized under the laws of this state, and federal farm loan bonds;

(4) Certificates of deposit of banks organized under the laws of the United States or any state thereof; provided, that not more than five per cent of the admitted assets of the company shall be invested in these certificates of deposit;

(5) Stocks, bonds, notes, or other evidences of indebtedness as set forth in this subdivision, provided that no investment may be made which will increase the aggregate investment in all stocks beyond ten percent of admitted assets as of the end of the preceding calendar year; in applying the standards prescribed in clauses (b), (c), and (d) of this subdivision to the stocks, bonds, notes, or other evidences of indebtedness of a corporation which in the qualifying period preceding purchase of such stocks, bonds, notes or other evidences of indebtedness 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;

(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 four per cent 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, which (1) over the five completed fiscal years immediately preceding date of pur-

chase earned an average amount per annum applicable to dividends on its common stock at least equal to six per cent 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 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 per cent 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. No investment shall be made under this clause (c) 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. *The company shall not invest in more than twenty per cent of the preferred stock of any one corporation and the total investment in the preferred and common stocks of any one corporation shall not exceed ten per cent of the aggregate par or stated value of the preferred and common stocks of such corporation;*

(d) Bonds, notes, debentures, or other evidences of indebtedness, *payable in United States dollars*, issued or guaranteed by a corporation (*other than a corporation designated in subdivision (3) of this section*) 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) or 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. 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.

(6) 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, in United States dollars within the United States, within 15 years from date of issue in approximately equal instalments payable annually or at more frequent intervals and commencing not later than three years after the date of issue.

(7) Promissory notes maturing within six months, secured by the pledge of registered terminal warehouse receipts issued against grain deposited in terminal warehouses, as defined in section 233.01. At the time of investing in these notes, the market value of the grain shall exceed the indebtedness secured thereby, and the note or pledge agreement shall provide that the holder may call for additional like security or sell the grain 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; and the amount invested in the securities mentioned in this subdivision shall not, at any time, exceed 25 per cent of the unassigned surplus and capital of the company;

(8) Certificates, notes, or other obligations issued by trustees or receivers of any institution created or existing under the laws of the United States or of any state, district, or territory thereof, which, or the assets of which, are being administered under the direction of any court having jurisdiction if such obligation is adequately secured as to principal and interest; the amount invested in the securities mentioned in this subdivision shall not, at any time, exceed 25 per cent of the unassigned surplus and capital of the company;

(9) Real estate sales contracts to which the company is not an original party, involving unencumbered real property situated in the United States, having a value of at least 50 per cent more than the amount of the unpaid balance of

the contract, same to be assigned or otherwise transferred to the company or to a trustee or nominee of its choosing. No improvement shall be included in estimating the value unless the same shall be insured against fire by policies payable to and held by the company or a trustee or nominee for its benefit. The foregoing provisions of this subdivision shall not apply to real estate sales contracts to which the company is an original party and shall not prohibit the company from holding such contracts as an investment.

(10) Loans on the security of insurance policies issued by itself to an amount not exceeding the loan value thereof; and loans on the pledge of any of the securities eligible for investment under the provisions of subdivisions (1) to (9) above, but not exceeding 95 per cent of the value of securities enumerated in subdivisions (1), (2) and (3) above and 80 per cent of the value of stocks and other securities; in case of securities enumerated in subdivisions (2), (4) and (9) "value" means principal amount unpaid thereon and in case of other securities market value thereof; in case of securities enumerated in subdivisions (2) and (9) the pledge agreement shall require principal payments by the pledgor at least equal to and concurrent with principal payments on the pledged security; in loans authorized by this subdivision, except as otherwise provided by law in regard to policy loans, the company shall reserve the right at any time to declare the indebtedness due and payable when in excess of such proportions of value or, in case of pledge of securities other than those enumerated in subdivisions (2) and (9), upon depreciation of security.

(11) Investments conforming to the categories, conditions, and standards set forth in the foregoing subdivisions of this section but which exceed in amount the limits prescribed therefor, except that the following limits shall not be exceeded; no stock shall be purchased which will increase the company's aggregate investment in all stocks beyond ten per cent of its admitted assets as of the end of the preceding calendar year. The amount invested pursuant to this subdivision shall not exceed in the aggregate two per cent of the company's admitted assets.

No investment or loan, except policy loans, shall be made by any such life insurance company unless the same shall have been authorized by the board of directors or by a committee charged with the duty of supervising the investment or loan, and in either case accurate records of all authorizations shall be maintained. Any company doing business in a foreign country may invest the funds required to meet its obligations incurred in such foreign country in conformity to

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

Approved April 15, 1955.

CHAPTER 445—S. F. No. 927

[Not Coded]

An act validating agreements heretofore made between certain cities and villages for their joint and cooperative acquisition, ownership, financing and operation of a recreational or sports area; relating to the use of eminent domain therefor; authorizing and relating to revenue bonds for such project; declaring the properties acquired thereunder and the interest on such bonds exempt from taxation; and prescribing the conditions under which certain moneys may be invested in such bonds.

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

Section 1. Cities first class and certain villages, validating agreement. Where any city of the first class and any village have heretofore entered into an agreement for the joint and cooperative acquisition, ownership, financing and operation of lands and improvements thereon for use as a recreational and sports area and have established a commission for such purposes, such agreement is hereby and in all respects legalized and declared to be valid and binding according to its terms.

Sec. 2. Exercise of certain village powers confirmed. The right and power of such village to acquire lands by use