

**CHAPTER 554—S.F.No. 1358**

*An act relating to insurance; clarifying provisions regarding acquisition of control of domestic insurers; changing the time period after which a hearing must be held under the insurance holding company systems act; changing the time period under which discovery must be completed for these hearings; eliminating an exemption from the insurance holding company systems act; amending Minnesota Statutes 1978, Section 60D.02, Subdivisions 4 and 6.*

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

Section 1. Minnesota Statutes 1978, Section 60D.02, Subdivision 4, is amended to read:

Subd. 4. **APPROVAL BY COMMISSIONER; HEARINGS.** (1) Pursuant to the powers granted under section 60A.03, subdivision 2, the commissioner shall approve any acquisition of control unless, after a public hearing, he finds that the acquiring party has failed to sustain the burden of showing that none of the following conditions exist:

(i) after the change of control the domestic insurer would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;

(ii) the effect of the acquisition of control would be substantially to lessen competition in insurance in this state or tend to create a monopoly;

(iii) the financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders or the interests of any securityholders who are unaffiliated with such the acquiring party;

(iv) the terms of the offer, request, invitation, agreement or acquisition are unfair and unreasonable to the securityholders of the insurer;

(v) the plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest; or

(vi) the competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the acquisition of control.

(2) The hearing shall be held within 30 60 days after the statement is filed, and at least 20 days' notice shall be given by the commissioner to the person filing the statement. Not less than seven days' notice shall be given by the person filing the statement to the insurer and to such any other persons as may be designated by the commissioner. The insurer shall give notice of the hearing to its securityholders. The commissioner shall make a determination within 30 days after the

conclusion of the hearing. At the hearing, the person filing the statement, the insurer, any person to whom notice of hearing was sent, and any other person whose interests may be affected, shall have has the right to present evidence, examine and cross-examine witnesses, offer oral and written arguments according to the procedure for contested cases under chapter 15. The persons participating may conduct discovery proceedings in the same manner as prescribed for the district courts of this state. All discovery proceedings shall be concluded not later than three five days prior to the commencement of the public hearing.

Sec. 2. Minnesota Statutes 1978, Section 60D.02, Subdivision 6, is amended to read:

Subd. 6. **EXEMPTIONS.** The provisions of this section shall do not apply to the acquisition of any voting security

(1) which immediately prior to the acquisition was not issued and outstanding;

(2) (1) by will or by the laws of descent and distribution;

(3) (2) in the regular course of securing or collecting a debt previously contracted in good faith, but any voting security so acquired shall be disposed of within a period of two years from the date on which it was acquired;

(4) (3) issued by any person which is not either a domestic insurer or engaged primarily in the business of insurance; no person shall be deemed to be engaged primarily in the business of insurance unless 50 percent or more of the gross income received by it and its affiliates during the last fiscal year was derived from the business of insurance;

(5) (4) by any person engaged in an underwriting of the securities, if the securities are held only for such a period of time as will permit the sale thereof on a reasonable basis;

(6) (5) by reason of a transaction which is subject to the provisions of section 60A.16;

(7) (6) if, and to the extent, the commissioner has exempted from this section as not being for the purpose of and having the effect of changing or influencing the control of a domestic insurer, or as otherwise not comprehended within the purposes of this section.

Sec. 3. This act is effective the day following its final enactment.

Approved April 11, 1980

Changes or additions indicated by underline deletions by strikeout