

If the appropriation of funds for community action agencies shall be equal to or more than that available in the previous fiscal years 1979 and 1980 year, there shall be in place a "hold-harmless" provision for the allocation of funds among community action agencies. For purposes of this section, "hold-harmless" for the Minnesota Economic Opportunity Grant Program is the amount of funding received by a community action agency under the Economic Opportunity Grant Program in the previous fiscal year ~~when calculating an agency's economic opportunity grant~~. When calculating an agency's community services block grant, "hold-harmless" is the amount of funding received by a community action agency from the ~~local initiative or~~ community services block grant act basic allotment in the previous fiscal year.

(c) Allocation of funds to Indian reservations is based on the poverty level population of the reservation.

(d) Allocation of funds to the Minnesota migrant council shall not exceed three percent of the total funds available. The state office of economic opportunity shall negotiate the percentage allocation annually based on the most recent low income population figures.

Sec. 7. **EFFECTIVE DATE.**

Sections 1 to 6 are effective the day following final enactment.

Approved June 14, 1983

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**CHAPTER 340 — H.F.No. 1106**

*An act relating to insurance; correcting certain errors; removing certain deficiencies and ambiguities; correcting certain omissions; expanding certain insurers' investment authority; providing standards for application or reporting requirements; authorizing the commissioner to adopt rules; providing for miscellaneous changes and clarifications; amending Minnesota Statutes 1982, sections 60A.11, subdivisions 9, 10, 14, 18, 20, 21, 23, and 24; 60A.111, subdivision 2, and by adding subdivisions; 61A.28, subdivisions 3, 6, and 12; 61A.29, subdivision 2; 61A.31, subdivision 3; 62A.32; repealing Minnesota Statutes 1982, section 60A.111, subdivision 4.*

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

Section 1. Minnesota Statutes 1982, section 60A.11, subdivision 9, is amended to read:

Subd. 9. **GENERAL CONSIDERATIONS.** The following considerations shall apply in the interpretation of this section:

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(a) This section ~~shall apply~~ applies to the investments of insurance companies other than life insurance companies;

(b) The purpose of this section is to protect and further the interests of policyholders, claimants, creditors and the public by providing standards for the development and administration of programs for the investment of the assets of domestic companies. These standards and the investment programs developed by companies ~~shall~~ must take into account the safety of company's principal, investment yield and growth, stability in the value of the investment, the liquidity necessary to meet the company's expected business needs, and investment diversification;

(c) All financial terms relating to insurance companies ~~shall~~ have the meanings assigned to them under statutory accounting methods. All financial terms relating to noninsurance companies ~~shall~~ have the meanings assigned to them under generally accepted accounting principles;

(d) Investments ~~shall~~ must be valued in accordance with the valuation procedures established by the National Association of Insurance Commissioners, unless the commissioner requires or finds another method of valuation reasonable under the circumstances; and

(e) A company may elect to hold an investment which qualifies under more than one subdivision, under the subdivision of its choice. Nothing herein ~~shall prevent~~ prevents a company from electing to hold an investment under a subdivision different from the one in which it previously held the investment; and

(f) An investment which qualifies under any provision of the law governing investments of insurance companies when acquired will continue to be a qualified investment for as long as it is held by the insurance company.

Sec. 2. Minnesota Statutes 1982, section 60A.11, subdivision 10, is amended to read:

Subd. 10. **DEFINITIONS.** The following terms ~~shall~~ have the meaning assigned in this subdivision for purposes of this section and section 60A.111:

(a) "Admitted assets," for purposes of computing percentage limitations on particular types of investments, means the 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;

(b) "Clearing corporation" means The Depository Trust Company or any other clearing agency registered with the federal securities and exchange commission pursuant to the Federal Securities Exchange Act of 1934, section 17A, Euro-clear Clearance System Limited and CEDEL S.A., and, with the approval of the commissioner, any other clearing corporation as defined in section 336.8-102;

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(c) "Control" has the meaning assigned to that term in, and shall must be determined in accordance with, section 60D.01, subdivision 4;

(d) "Custodian bank" means a bank or trust company or a branch of a bank or trust company that is acting as custodian and is supervised and examined by state or federal authority having supervision over banks and is acting as eustodian the bank or trust company or with respect to a company's foreign investments only by the regulatory authority having supervision over banks or trust companies in the jurisdiction in which the bank, trust company, or branch is located, and specifically includes Euro-clear Clearance System Limited and CEDEL S.A., acting as custodians;

(e) "Issuer" means the corporation, business trust, governmental unit, partnership, association, individual or other entity which issues or on behalf of which is issued any form of obligation;

(f) "Member bank" means a national bank, state bank or trust company which is a member of the Federal Reserve System;

(g) "National securities exchange" means an exchange registered under section 6 of the Securities Exchange Act of 1934 or an exchange regulated under the laws of the Dominion of Canada;

(h) "Obligations" shall include bonds, notes, debentures, transportation equipment certificates, repurchase agreements, bank certificates of deposit, time deposits, bankers' acceptances, and other obligations for the payment of money not in default as to payments of principal and interest on the date of investment, whether constituting general obligations of the issuer or payable only out of certain revenues or certain funds pledged or otherwise dedicated for payment. Leases are considered obligations if the lease is assigned for the benefit of the company and is non-terminable by the lessee or lessees thereunder upon foreclosure of any lien upon the leased property, and rental payments are sufficient to amortize the investment over the primary lease term;

(i) "Qualified assets" means the sum of (1) all investments qualified in accordance with this section other than investments in affiliates and subsidiaries, (2) investments in obligations of affiliates as defined in section 60D.01, subdivision 2 secured by real or personal property sufficient to qualify the investment under subdivision 19 or 23, (3) qualified investments in subsidiaries, as defined in section 60D.01, subdivision 9, on a consolidated basis with the insurance company without allowance for goodwill or other intangible value, and (4) cash on hand and on deposit, agent's balances or uncollected premiums not due more than 90 days, assets held pursuant to section 60A.12, subdivision 2, investment income due and accrued, funds due or on deposit or recoverable on loss payments under contracts of reinsurance entered into pursuant to section 60A.09, premium bills and notes receivable, federal income taxes recoverable, and equities and deposits in pools and associations;

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(j) "Qualified net earnings" means that the net earnings of the issuer after elimination of extraordinary nonrecurring items of income and expense and before income taxes and fixed charges over the five immediately preceding completed fiscal years, or its period of existence if less than five years, has averaged not less than one and one-quarter times its average annual fixed charges applicable to the period;

(k) "Required liabilities" means the sum of (1) total liabilities as required to be reported in the company's most recent annual report to the commissioner of insurance of this state, (2) for companies operating under the stock plan, the minimum paid-up capital and surplus required to be maintained pursuant to section 60A.07, subdivision 5a, (3) for companies operating under the mutual or reciprocal plan, the minimum amount of surplus required to be maintained pursuant to section 60A.07, subdivision 5b, and (4) the amount, if any, by which the company's loss and loss adjustment expense reserves exceed 350 percent of its surplus as it pertains to policyholders as of the same date. In addition to the required amounts pursuant to clauses (1) to (4), the commissioner may, at his or her discretion, require that the amount of any apparent reserve deficiency that may be revealed by one to five year loss and loss adjustment expense development analysis for the five years reported in the company's most recent annual statement to the commissioner be added to required liabilities; and

(l) "Unrestricted surplus" means the amount by which qualified assets exceed 110 percent of required liabilities.

Sec. 3. Minnesota Statutes 1982, section 60A.11, subdivision 14, is amended to read:

Subd. 14. **CERTAIN DEVELOPMENT BANK OBLIGATIONS.** (a) Certificates of deposits, time deposits, and bankers' acceptances issued by and other obligations guaranteed by any bank organized under the laws of the United States or any state thereof or of the Dominion of Canada or any province thereof. A company may not invest more than five percent of its admitted assets in the obligations of any one bank and may not hold at any time more than ten percent of the outstanding obligations of any one bank. A letter of credit issued by a member bank which qualifies under the guidelines of the National Association of Insurance Commissioners as a clean, irrevocable letter of credit which contains an "evergreen clause," may be accepted as a guaranty of other investments and in lieu of cash to secure loans of securities.

(b) Obligations issued or guaranteed by the International Bank for Reconstruction and Development, the Asian Development Bank, the Inter-American Development Bank, the Export-Import Bank, the World Bank or any United States government sponsored organization of which the United States is a member, provided if the principal and interest is payable in United States dollars. A company may not invest more than five percent of its total admitted assets in the obligations of any one of these banks or organizations, and may not invest

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more than a total of 15 percent of its total admitted assets in the obligations of all ~~such~~ these banks and organizations.

Sec. 4. Minnesota Statutes 1982, section 60A.11, subdivision 18, is amended to read:

Subd. 18. **STOCKS.** Stocks issued or guaranteed by any corporation incorporated under the laws of the United States or any state of the United States, or the laws of Canada or any province of Canada, or stocks or stock equivalents listed or regularly traded on a national securities exchange on the following conditions:

(a) A company may invest in preferred stocks traded on a national securities exchange and may also invest in other preferred stocks if the issuer has qualified net earnings and if current or cumulative dividends are not then in arrears;

(b) A company may invest in common stocks, common stock equivalents or securities convertible into common stock or common stock equivalents of any corporation or business trust, provided:

(1) The common stock, common stock equivalent or convertible issue is publicly traded on a national securities exchange, or the corporation or business trust has qualified net earnings;

(2) A company may invest up to two percent of its admitted assets in common stock, common stock equivalents or convertible issues which do not meet the requirements of clause (1);

(3) At no time may a company acquire or hold voting control of a corporation or business trust through its ownership of common stock, common stock equivalents or other securities, except that a company may organize and hold, or acquire and hold more than 50 percent of the common stock of (a) a corporation providing investment advisory, banking, management or sale services to an investment company or to an insurance company, (b) a data processing or computer service company, (c) 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, (d) a corporation if its business is owning and managing or leasing personal property, (e) a corporation providing securities underwriting services or acting as a securities broker or dealer, (f) a real property holding, developing, managing, brokerage or leasing corporation, (g) any domestic or foreign insurance company, (h) any alien insurance company; ~~provided, that~~ if the organization or acquisition and the holding of the company ~~shall be~~ is subject to the prior approval of the insurance commissioner, which approval ~~shall~~ must be given upon good cause shown and ~~which approval shall be~~ is deemed to have been given if the commissioner does not disapprove of the organization or acquisition within 30 days after notification by the company, (i) an investment subsidiary to acquire

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and hold investments which the company could acquire and hold directly, ~~provided that if~~ the investments of the subsidiary ~~shall be~~ are considered direct investments for purposes of this chapter and ~~shall be~~ are subject to the same percentage limitations, requirements and restrictions as are contained herein, or (j) any corporation whose business has been approved by the commissioner as ~~complimentary~~ complementary or supplementary to the business of the company. The percentage of common stock may be less than 50 percent if the prior approval of the commissioner is obtained. A company may invest up to an aggregate of ten percent of its admitted assets under subclauses (a) to (e) of this clause (3); ~~and~~

(4) A company may invest in the common stock of any corporation owning investments in foreign companies used for purposes of legal deposit, when the insurance company transacts business therein direct or as reinsurance; ~~and~~

(c) A company may invest in warrants and rights granted by an issuer to purchase stock of the issuer if the stock of the issuer at the time of the acquisition of the warrant or right to purchase, would qualify as an investment under paragraph (a) or (b) whichever is applicable. A company shall not invest more than two percent of its assets under this paragraph. Any stock actually acquired through the exercise of a warrant or right to purchase may be included in paragraph (a) or (b), whichever is applicable, only if the stock meets the standards prescribed in the clause at the time of acquisition of the stock; and

(d) A company may invest in 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 all these investments other than in securities of money market mutual funds or mutual funds investing primarily in United States government securities, determined at cost, shall not exceed five percent of its admitted assets; investments may be made under this clause without regard to the percentage limitations applicable to investments in voting securities.

(e) A company may invest in any proportion of the shares or investment units of an investment company or investment trust, whether or not registered under the Federal Investment Company Act of 1940, which is managed by an insurance company, member bank, trust company regulated by state or federal authority or an investment manager or adviser registered under the Federal Investment Advisers Act of 1940 or qualified to manage the investments of an investment company registered under the Federal Investment Company Act of 1940, provided that the investments of the investment company or investment trust are qualified investments made under this section and that the articles of incorporation, bylaws, trust agreement, investment management agreement, or some other governing instrument limits its investments to investments qualified under this section.

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Sec. 5. Minnesota Statutes 1982, section 60A.11, subdivision 20, is amended to read:

Subd. 20. **REAL ESTATE.** (a) Except as provided in paragraphs (b) to (d), a company may only acquire, hold, and convey real estate only for the following purposes and in the following manner which:

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

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

(3) ~~Such as shall have~~ has been purchased at sales on judgments, decrees or mortgages obtained or made for the debts; and

(4) ~~Such as shall be~~ is subject to a contract for deed under which the company holds the vendor's interest to secure the payments the vendee is required to make thereunder.

All the real estate specified in clauses (1) to (3) ~~shall must~~ be sold and disposed of within five years after the company ~~shall have~~ has acquired title to ~~the same it~~, or within five years after ~~the same shall have it has~~ ceased to be necessary for the accommodation of ~~its the~~ company's business, and ~~it shall the~~ company must not hold this property for a longer period unless the company elects to hold ~~such the~~ real estate under another section, or unless it ~~shall procure~~ procures 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 the time the commissioner directs in the certificate.

(b) A company may acquire and hold real estate for the convenient accommodation of its business.

(c) A company may acquire real estate or any interest in real estate, including oil and gas and other mineral interests, as an investment for the production of income, and may hold, improve or otherwise develop, subdivide, lease, sell and convey real estate so acquired directly or as a joint venture or through a limited or general partnership in which the company is a partner.

(d) A company may also hold real estate (1) if the purpose of the acquisition is to enhance the sale value of real estate previously acquired and held by the company under this section, and (2) if the company expects the real estate so acquired to qualify under paragraph (b) or (c) above within five years after acquisition.

(e) A company may, after securing the approval of the commissioner, acquire and hold real estate for the purpose of providing necessary living quarters for its employees; ~~provided, that~~. The company ~~shall must~~ dispose of the real estate within five years after it has ceased to be necessary for that purpose unless

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the commissioner agrees to extend the holding period upon application by the company.

(f) A company may not invest more than 25 percent of its total admitted assets in real estate. The cost of any parcel of real estate held for both the accommodation of business and for the production of income shall ~~must~~ be allocated between the two uses annually. No more than three percent of its total admitted assets may be invested in real estate held under paragraph (e).

Sec. 6. Minnesota Statutes 1982, section 60A.11, subdivision 21, is amended to read:

Subd. 21. **FOREIGN INVESTMENTS.** Obligations of and investments in foreign countries, on the following conditions:

(a) A company may acquire and hold ~~other~~ any foreign investments in foreign countries which are required as a condition of doing business in the foreign country or necessary for the convenient accommodation of its foreign business. An investment is considered necessary for the convenient accommodation of the insurance company's foreign business only if it is demonstrably and directly related in size and purpose to the company's foreign insurance operations; and

(b) A company may also invest not more than a total of two percent of its admitted assets in any combination of:

(1) the obligations of foreign governments, corporations, or business trusts;

(2) obligations of federal, provincial, or other political subdivisions backed by the full faith and credit of the foreign governmental unit;

(3) or in the stocks or stock equivalents or obligations of foreign corporations or business trusts not qualifying for investment under subdivision 10, if the obligations, stocks or stock equivalents are listed or regularly traded on the London, Paris, Zurich, or Tokyo stock exchange or any similar regular securities exchange approved not disapproved by the commissioner within 30 days following notice from the company of its intention to invest in these securities.

Sec. 7. Minnesota Statutes 1982, section 60A.11, subdivision 23, is amended to read:

Subd. 23. **COLLATERAL LOANS.** Obligations adequately secured by a qualifying letter of credit issued by a member bank or by cash or by the pledge of any investment authorized by any of the preceding subdivisions, on the following conditions if:

(a) The pledged investment shall be collateral is legally assigned or delivered to the company;

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(b) The company ~~shall reserve~~ has the right to declare the obligation immediately due and payable if the security thereafter depreciates to the point where the investment would not qualify under paragraph (c); provided, that additional qualifying security may be pledged to allow the investment to remain qualified;

(c) The ~~pledged investment shall collateral~~ must at the time of ~~purchase delivery or assignment~~ have a market value of at least, in the case of cash, equal to and, in all other cases, 1-1/4 times the amount of the unpaid balance of the obligations; ~~and.~~

(d) A company may not invest more than five percent of its total admitted assets under this subdivision.

Sec. 8. Minnesota Statutes 1982, section 60A.11, subdivision 24, is amended to read:

Subd. 24. **OPTIONS.** (a) A company may sell exchange-traded call options against stocks or other securities owned by the company and may purchase exchange-traded call options in a closing transaction against a call option previously written by the company.

(b) A company may purchase or sell other exchange-traded call options, and may sell or purchase exchange-traded put options only if, to the extent and on terms and conditions the commissioner determines to be consistent with the purposes of this section.

Sec. 9. Minnesota Statutes 1982, section 60A.111, subdivision 2, <sup>1</sup> is amended to read:

Subd. 2. **PLAN.** If the commissioner determines that the required liabilities of any company are greater than its qualified assets and that the combined financial resources of the insurance company members of any insurance holding company system of which the company is a member are not adequate to counterbalance that fact, the commissioner may require the company to submit to the commissioner for his approval a plan by which the company undertakes to bring the ratio of its required liabilities to its qualified assets, expressed as a percentage, up to at least 100 percent within a reasonable period, usually not exceeding five years.

Sec. 10. Minnesota Statutes 1982, section 60A.111, is amended by adding a subdivision to read:

Subd. 4a. **PROHIBITION.** If the commissioner determines that the company does not have unrestricted surplus, the commissioner may prohibit that company from purchasing any asset which is not a qualified asset as defined in section 60A.11, unless a request is made of the commissioner and the request is not denied within 15 days. The commissioner may, in his discretion, exempt any insurer from the requirements of this subdivision.

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Sec. 11. Minnesota Statutes 1982, section 60A.111, is amended by adding a subdivision to read:

**Subd. 6. FACTORS CONSIDERED.** The commissioner, in exercising his discretion under this section, may take into consideration the size, the lines of business, and the dispersion of risks of the company, and the consolidated assets and surplus as regards policyholders of the other insurers of the insurance holding company system of which the company is a member and any other factors deemed relevant by the commissioner.

Sec. 12. Minnesota Statutes 1982, section 61A.28, subdivision 3, is amended to read:

**Subd. 3. LOANS OR OBLIGATIONS SECURED BY MORTGAGE.** Loans or obligations (hereinafter loans) secured by a first mortgage, or deed of trust (hereinafter mortgage), on improved real estate in the United States, ~~provided if~~ 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 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 40 years, the amount of the loan ~~shall~~ does not exceed (a) 80 percent of the market value of the real estate at the time of the loan; (b) 90 percent of the market value of the real estate at the time of the loan if the loan is secured by a purchase money mortgage made in connection with the disposition of real estate acquired pursuant to section 61A.31, subdivision 1, or, 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 amount of the loan to the 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 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~~ may the loan exceed the market value of the property. No improvement ~~shall~~ may be included in estimating the market value of the real estate unless ~~the same shall be~~ it is insured against fire by policies payable to the security holder or a trustee for its benefit. This requirement may be met by a program of self-insurance established and maintained by a corporation whose debt obligations would qualify for purchase under subdivision 6, paragraph (g), clause (4). Also loans secured by mortgage, upon leasehold estates in improved real property where at the date of investment the lease ~~shall have~~ has 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

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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 the leasehold estate ~~shall~~ may exceed, (a) 66-2/3 percent of the market value thereof at the time of the loan, or (b) 80 percent of the market value thereof at the time of the loan if the real property is to be used for commercial purposes, and the loan must is to be fully amortized by installment payments of principal, which may begin up to within five years from the date of the loan if the leasehold estate is to be used for commercial purposes, and interest is payable at least annually over a the period of the loan which may not to exceed 40 years and the market value thereof shall be of the leasehold estate is shown by the sworn certificate of a competent appraiser, or (c) 90 percent of the market value of the leasehold estate at the time of the loan if the loan is secured by a purchase money mortgage made in connection with the disposition of real estate acquired pursuant to section 61A.31, subdivision 1. 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 other mortgage insurer approved by the commissioner has insured or guaranteed or made a commitment to insure or guarantee; provided, in no event ~~shall~~ may the loan exceed the market value of the leasehold estate. Also loans secured by mortgage, which the United States or any agency or instrumentality thereof or other mortgage insurer approved by the commissioner has insured or guaranteed or made a commitment to insure or guarantee. Also loans secured by mortgage, on improved real estate in the Dominion of Canada ~~provided if~~ 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 40 years, the amount of the loan shall does not exceed, (a) 80 percent of the market value of the real estate at the time of the loan, or (b) 90 percent of the market value of the real estate at the time of the loan if the loan is secured by a purchase money mortgage made in connection with the disposition of real estate acquired pursuant to section 61A.31, subdivision 1. 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~~ may the loan exceed the market value of the property. Also loans secured by mortgage, on real estate in the United States which may be unimproved provided there exists a definite plan for commencement 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

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to exceed 40 years. Also loans secured by second mortgage 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 for commencement 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 loan secured by the second mortgage is equal to the sum of the amount disbursed by the company and the then outstanding indebtedness under the first mortgage loan; and (b) the company has control over the payments under the first mortgage indebtedness; and (c) the total amount of the loan ~~shall~~ does 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 loan, and interest at least annually over a period of not to exceed 40 years, the amount of the loan ~~shall~~ does not exceed 80 percent of the market value of the real estate at the date of the loan.

For purposes of this subdivision, improved real estate includes real estate improved with permanent buildings, used for agriculture or pasture, or income producing real estate, including but not limited to, parking lots and leases, royalty or other mineral interests in properties producing oil, gas, or other minerals and interests in properties for the harvesting of forest products.

A loan or obligation otherwise permitted under this subdivision ~~shall~~ must be permitted notwithstanding the fact that it provides for a payment of the principal balance prior to the end of the period of amortization of the loan.

The vendor's equity in a contract for deed ~~shall~~ qualify qualifies as a loan secured by mortgage for the purposes of this subdivision.

A mortgage participation certificate evidencing an interest in a loan secured by mortgage or pools of the same ~~shall~~ qualify qualifies under this subdivision, ~~provided if~~ the loan secured by mortgage, and in the case of pools of the same that each loan, would otherwise qualify under this subdivision.

Sec. 13. Minnesota Statutes 1982, 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, 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 paragraphs (a) and (b) beyond 20 percent of admitted assets as of the end of the preceding calendar year. In applying the standards prescribed in paragraphs (b), (c), and (d), (f) and (g) ~~of this subdivision~~ to the stocks, bonds, notes, evidences of indebtedness, or other obligations of a corporation which in the qualifying period preceding purchase of the stocks, bonds, notes, evidences of indebtedness, or other obligations acquired its property or a

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substantial part thereof through consolidation, merger, or purchase, the earnings of the several predecessors or constituent corporations shall must be consolidated. In applying any percentage limitations of this subdivision the value of the stock, or warrant or option to purchase stock, shall must be based on cost. For purposes of this subdivision, National Securities Exchange means an exchange registered under section 6 of the Securities Exchange Act of 1934 or an exchange regulated under the laws of the Dominion of Canada.

(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 15 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, common stock equivalents, or securities convertible into common stock or common stock equivalents of any corporation or business trust not designated in paragraph (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, or those traded on a National Securities Exchange, if the net earnings of the corporation after the elimination of extraordinary nonrecurring items of income and expense and 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~~ has averaged not less than one and one-fourth times its average annual fixed charges applicable to the period.

(c) Preferred stock of, or common or preferred stock guaranteed as to dividends by, any corporation not designated in paragraph (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, or those traded on a National Securities Exchange, under the following conditions: (1) No investment shall may be made under this paragraph in a stock upon which any dividend, current or cumulative, is in arrears; and (2) the aggregate investment in stocks under this paragraph and in common stocks under paragraphs (a) and (b) shall may not exceed 25 percent of the life insurance company's admitted assets, provided that no more than 20 percent of the company's admitted assets shall may be invested in common stocks under paragraphs (a) and (b); and (3) if the net earnings of the corporation after the elimination of extraordinary nonrecurring items of income and expenses and 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~~ has averaged not less than one and one-fourth times its average annual fixed charges applicable to the period.

(d) Warrants, options, and rights to purchase stock if the stock, at the time of the acquisition of the warrant, option, or right to purchase, would qualify as an investment under paragraph (a), (b), or (c), whichever is applicable. A domestic life insurance company shall not invest more than two percent of its assets under this paragraph. Any stock actually acquired through the exercise of

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a warrant or option, or rights to purchase may be included in paragraph (a), (b), or (c), whichever is applicable, only if the stock then meets the standards prescribed in the paragraph at the time of acquisition of the stock.

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

(f) Bonds, notes, debentures, repurchase agreements, or other evidences of indebtedness (1) secured by letters of credit issued by a national bank, state bank or trust company which is a member of the federal reserve system or by a bank organized under the laws of the Dominion of Canada or (2) traded on a national securities exchange or (3) issued, assumed, or guaranteed by a corporation or business trust, 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, if the net earnings of the corporation after the elimination of extraordinary nonrecurring items of income and expense and 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 has averaged not less than one and one-fourth times its average annual fixed charges applicable to the period. No investment shall may be made under this paragraph upon which any interest obligation is in default.

(g) Obligations for the payment of money under the following conditions: (1) The obligation shall must 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) the lease or leases shall must be nonterminable by the lessee or lessees upon foreclosure of any lien upon the leased property; and (3) the rents payable under the lease or leases shall must 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 governmental entity or corporation which has assumed or guaranteed any lessee's performance thereunder, shall must be a governmental entity or corporation whose obligations would qualify as an investment under subdivision 2 or paragraph (f).

(h) A company may sell exchange-traded call options against stocks of or other securities owned by the company and may purchase exchange-traded call options in a closing transaction against a call option previously written by the

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company. In addition to the authority granted by paragraph (d) of ~~this subdivision~~, to the extent and on the terms and conditions the commissioner determines to be consistent with the purposes of this chapter, a company may purchase or sell other exchange-traded call options, and may sell or purchase exchange-traded put options.

Sec. 14. Minnesota Statutes 1982, section 61A.28, subdivision 12, is amended to read:

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 ~~(e)~~ (d) of said subdivision 3 ~~shall remain~~ remains 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 \$675,000. Provided, however, that a company's total investment under this section in the common stock of any corporation, other than the stock of the types of corporations specified in subdivision 6(a), shall may 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 other provisions of this chapter, the company may consider ~~such~~ the investment as being held under ~~such~~ the other provision and ~~such~~ the investment need no longer be considered as having been made under the provisions of this subdivision.

Sec. 15. Minnesota Statutes 1982, section 61A.29, subdivision 2, is amended to read:

Subd. 2. **FOREIGN INVESTMENTS.** Any domestic life insurance company may invest in obligations of and investments in foreign countries, other than the Dominion of Canada, on the following conditions:

(a) A company may acquire and hold ~~other~~ any foreign investments in ~~foreign countries~~ which are required as a condition of doing business in the foreign country or necessary for the convenient accommodation of its foreign business. An investment shall be considered necessary for the convenient accommodation of foreign business only if it is demonstrably and directly related in size and purpose to such company's foreign insurance operations; and

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(b) A company may also invest not more than a total of two percent of its admitted assets in any combination of:

(1) the obligations of foreign governments, corporations, or business trusts;

(2) obligations of federal, provincial, or other political subdivisions backed by the full faith and credit of the foreign governmental unit;

(3) or in the stocks or stock equivalents or obligations of foreign corporations or business trusts not qualifying for investment under section 61A.28, subdivision 6, if the obligations, stocks, or stock equivalents are regularly traded on the London, Paris, Zurich, or Tokyo stock exchange or any similar regular securities exchange approved not disapproved by the commissioner within 30 days following notice from the company of its intention to invest in these securities.

Sec. 16. Minnesota Statutes 1982, section 61A.31, subdivision 3, is amended to read:

Subd. 3. **ACQUISITION OF PROPERTY.** Any domestic life insurance company may:

(a) acquire real property or any interest in real property, including oil and gas and other mineral interests, 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 either directly or as a joint venturer or through a limited or general partnership in which the company is a partner, subject to the following conditions and limitations: (1) The cost to the company of each parcel of real property acquired pursuant to this paragraph, 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 clause, shall may not exceed 15 percent of its admitted assets as of the end of the preceding calendar year, and (2) the cost to the company of each parcel of real property acquired pursuant to this paragraph, including the estimated costs to the company of the improvement or development thereof, shall may not exceed two percent of its admitted assets as of the end of the preceding calendar year;

(b) acquire 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 if: (1) either the fair value of the property exceeds the company's investment in it or 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 the useful life of the property, whichever is less; and (3) in no event shall does the total investment in personal property under this

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

(c) acquire and hold real estate (1) if the purpose of the acquisition is to enhance the sale value of real estate previously acquired and held by the company under this section and (2) if the company expects the real estate so acquired to qualify and be held by the company under paragraph (a) within five years after acquisition; and

(d) not acquire real property under paragraphs (a) to (c) 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~~ must 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. 17. Minnesota Statutes 1982, section 62A.32, is amended to read:

**62A.32 MEDICARE SUPPLEMENT 1+; COVERAGE.**

Medicare supplement 1+ must have a level of coverage so that it will be certified as a qualified plan pursuant to chapter 62E, and will provide:

(a) Coverage of part A medicare eligible expenses for hospitalization to the extent not covered by medicare to at least 50 percent of the deductible and co-payment required under medicare for the first 60 days of any medicare benefit period;

(b) Coverage of part A medicare eligible expenses for hospitalization to the extent not covered by medicare from the 61st day through the 90th day in any medicare benefit period;

(c) Coverage of part A medicare eligible expenses incurred as daily hospital charges during use of medicare's lifetime hospital inpatient reserve days to the extent not covered by medicare;

(d) Upon exhaustion of all medicare hospital inpatient coverage including the lifetime reserve days, coverage of 90 percent of all medicare part A eligible expenses for hospitalization not covered by medicare subject to a lifetime maximum benefit of an additional 365 days;

(e) Coverage of 20 percent of the amount of medicare eligible expenses under part B regardless of hospital confinement and coverage of ~~at least 50~~ 100 percent of the medicare calendar year part B deductible;

(f) 80 percent of charges for covered services described in section 62E.06, subdivision 1, which charges are not paid by medicare or pursuant to paragraphs (a) to (e); and

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(g) ~~Shall include~~ A limitation of \$1,000 per person on total annual out-of-pocket expenses for the covered services. The coverage must be subject to a maximum lifetime benefit of not less than \$100,000.

Sec. 18. **REPEALER.**

Minnesota Statutes 1982, section 60A.111, subdivision 4, is repealed.

Approved June 14, 1983

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**CHAPTER 341 — H.F.No. 1224**

*An act relating to occupations and professions; regulating the period of time between professional boxing contests, matches, or exhibitions; amending Minnesota Statutes 1982, section 341.115; proposing new law coded in Minnesota Statutes, chapter 341.*

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

Section 1. **[341.045] DEFINITION.**

For the purposes of this chapter, the terms "boxing and sparring" shall include full contact karate and kick boxing.

Sec. 2. Minnesota Statutes 1982, section 341.115, is amended to read:

**341.115 PROFESSIONAL BOXING.**

Any contest, match or exhibition in which cash prizes of \$5 or more or other prizes worth \$100 or more are offered to any boxer shall comply with all rules of the board of boxing governing professional boxing. For purposes of this section, trophies, travel expenses and subsistence expenses shall not be considered prizes. No boxer participating in these contests, matches, or exhibitions shall engage in consecutive contests with less than a seven more than 15 rounds of boxing in a 14-day interval period. If the boxer loses due to a technical knockout or is knocked unconscious, he cannot fight for a 30-day period. No boxer shall participate in these contests, matches, or exhibitions unless the boxer has submitted an affidavit of physical fitness, subscribed and sworn to under oath, to the board and has been examined by a physician designated by the board. The affidavit shall state: (a) that the boxer has previously participated in ten amateur or professional matches sanctioned by the board of boxing or sanctioned by a board which regulates boxing in another jurisdiction; or (b) that the boxer has regularly trained for at least 90 days under the supervision of a second licensed by the board of boxing, or a second or trainer or the equivalent licensed in another jurisdiction. The examination shall include, but not be limited to, an electroencephalogram, unless the boxer has submitted to the examining physician (a) the results of an electroencephalogram administered within one year of the

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