

60D.16 SUBSIDIARIES OF INSURERS.

Subdivision 1. **Authorization.** A domestic insurer, either by itself or in cooperation with one or more persons, may organize or acquire one or more subsidiaries engaged in the following kinds of business:

- (1) any kind of insurance business authorized by the jurisdiction in which it is incorporated;
- (2) acting as an insurance broker or as an insurance agent for its parent or for any of its parent's insurer subsidiaries;
- (3) investing, reinvesting, or trading in securities for its own account, that of its parent, any subsidiary of its parent, or any affiliate or subsidiary;
- (4) management of any investment company subject to or registered pursuant to the Investment Company Act of 1940, as amended, including related sales and services;
- (5) acting as a broker-dealer subject to or registered pursuant to the Securities Exchange Act of 1934, as amended;
- (6) rendering investment advice to governments, government agencies, corporations, or other organizations or groups;
- (7) rendering other services related to the operations of an insurance business including, but not limited to, actuarial, loss prevention, safety engineering, data processing, accounting, claims, appraisal, and collection services;
- (8) ownership and management of assets that the parent corporation could itself own or manage;
- (9) acting as administrative agent for a governmental instrumentality which is performing an insurance function;
- (10) financing of insurance premiums, agents, and other forms of consumer financing;
- (11) any other business activity determined by the commissioner to be reasonably ancillary to an insurance business; and
- (12) owning a corporation or corporations engaged or organized to engage exclusively in one or more of the businesses specified in this section.

Subd. 2. **Additional investment authority.** In addition to investments in common stock, preferred stock, debt obligations, and other securities otherwise permitted, a domestic insurer may also:

(a) Invest, in common stock, preferred stock, debt obligations, and other securities of one or more subsidiaries, amounts that do not exceed the lesser of ten percent of the insurer's assets or 50 percent of the insurer's surplus as regards policyholders, provided that after the investments, the insurer's surplus as regards policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs. In calculating the amount of these investments, investments in domestic or foreign insurance subsidiaries must be excluded, and there must be included:

(1) total net money or other consideration expended and obligations assumed in the acquisition or formation of a subsidiary, including all organizational expenses and contributions to capital and surplus of the subsidiary whether or not represented by the purchase of capital stock or issuance of other securities; and

(2) all amounts expended in acquiring additional common stock, preferred stock, debt obligations, and other securities and all contributions to the capital or surplus, of a subsidiary subsequent to its acquisition or formation.

(b) Invest any amount in common stock, preferred stock, debt obligations, and other securities of one or more subsidiaries engaged or organized to engage exclusively in the ownership and management of assets authorized as investments for the insurer provided that the subsidiary agrees to limit its investments in any asset so that the investments will not cause the amount of the total investment of the insurer to exceed any of the investment limitations specified in paragraph (a) or other statutes applicable to the insurer. For the purpose of this paragraph, "the total investment of the insurer" includes:

(1) any direct investment by the insurer in an asset; and

(2) the insurer's proportionate share of any investment in an asset by any subsidiary of the insurer, which must be calculated by multiplying the amount of the subsidiary's investment by the percentage of the ownership of the subsidiary.

(c) With the approval of the commissioner, invest any greater amount in common stock, preferred stock, debt obligations, or other securities of one or more subsidiaries, if after the investment the insurer's surplus as regards policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

Subd. 3. Exemption from investment restrictions. Investments in common stock, preferred stock, debt obligations, or other securities of subsidiaries made pursuant to subdivision 2 are not subject to any of the otherwise applicable restrictions or prohibitions applicable to these investments of insurers.

Subd. 4. **Qualification of investment; when determined.** Whether any investment pursuant to subdivision 2 meets the applicable requirements is to be determined before the investment is made, by calculating the applicable investment limitations as though the investment had already been made, taking into account the then outstanding principal balance on all previous investments in debt obligations, and the value of all previous investments in equity securities as of the day they were made, net of any return of capital invested, not including dividends.

Subd. 5. **Cessation of control.** If an insurer ceases to control a subsidiary, it shall dispose of any investment in it made pursuant to this section within three years from the time of the cessation of control or within any further time the commissioner prescribes, unless at any time after the investment has been made, the investment meets the requirements for investment under any other provision of law, and the insurer has notified the commissioner of this fact.

History: 1991 c 325 art 14 s 3