

**60L.05 PRUDENCE EVALUATION CRITERIA.**

The factors in clauses (1) to (12) shall be evaluated by the insurer and considered along with its business in determining whether an investment portfolio or investment policy is prudent. The commissioner shall consider the factors in clauses (1) to (12) before making a determination that an insurer's investment portfolio or investment policy is not prudent:

- (1) general economic conditions;
- (2) the possible effect of inflation or deflation;
- (3) the expected tax consequences of investment decisions or strategies;
- (4) the fairness and reasonableness of the terms of an investment considering its probable risk and reward characteristics and relationship to the investment portfolio as a whole;
- (5) the extent of the diversification of the insurer's investments among individual investments, classes of investments, industry concentrations, dates of maturity, and geographic areas;
- (6) the quality and liquidity of investments in affiliates;
- (7) the investment exposure to the following risks, quantified in a manner consistent with the insurer's acceptable risk level identified in section 60L.06, clause (8): liquidity; credit and default; systemic (market); interest rate; call, prepayment and extension; currency; and foreign sovereign;
- (8) the amount of the insurer's assets, capital and surplus, premium writings, insurance in force, and other appropriate characteristics;
- (9) the amount and adequacy of the insurer's reported liabilities;
- (10) the relationship of the expected cash flows of the insurer's assets and liabilities, and the risk of adverse changes in the insurer's assets and liabilities;
- (11) the adequacy of the insurer's capital and surplus to secure the risks and liabilities of the insurer; and
- (12) any other factors relevant to whether an investment is prudent.

**History:** 1998 c 319 s 5