

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

MJM AVK 10-19-92

RULE REVIEW CHECKLIST

File No. 1958
DATE RECEIVED 10-15-92
REVIEW DATE ~~10-26-92~~ 10-26-92
DUE DATE 10-29-92
~~(DIS)~~APPROVED 10 29 92
WITHDRAWN _____

Docket No. 05 0009 0119
ADOPTED W/O HEARING _____
EMERGENCY RULE _____
TO REVISOR ON 10-19-92
REVISOR (DIS)APPROVED 10-20-92
FILED W/SEC. OF STATE 10-29-92
RETURNED TO AGENCY 10-30

✓ Rule as adopted (4 copies)

_____ Notice to Solicit Outside Information/Opinion (if applicable)
_____ Date published in State Register
_____ Comments

_____ Petition ~~for~~ Adoption of a Rule

_____ Board's Authorizing Resolution
_____ Date adopted

✓ Proposed Rule
✓ Revisor's Certificate

✓ Notice of Intent to Adopt Rule
45.023 60D.23 Statutory Authority
No statement Small Business Statement
_____ Expenditure of public money statement
July 13, 1992 Signature

✓ Statement of Need and Reasonableness (if applicable)
✓ Small Business Statement
✓ Fees - § 16A.128

✓ Affidavit of Mailing Notice of Intent to Adopt Rule
July 22, 1992 Dated 30/25 days before adoption
_____ Notice attached indicates it is attached

_____ Copy of rule or summary attached

✓ Publication in State Register
August 3, 1992 Date 30/25 days before adoption

✓ 180-day deadline from:
_____ Effective date of law requiring rule (14.12) (both rules) amendments don't apply not mandatory
✓ end of comment period (§ 14.26) (rules without hearing)
_____ effective date of statutory authority (§ 14.29) (emergency rules)

_____ Resolution Adopting
_____ Date adopted

✓ Findings of Fact, Conclusions & Order Adopting
Oct 13, 1992 Date

✓ Written Requests, Submissions or Comments

✓ Declaration of Attorney
Carolyn Ham Name of SAAG representing agency

_____ Notice of Submission to Attorney General (if applicable)

_____ Affidavit of Mailing Notice to Attorney

STATE OF MINNESOTA

Office of the Attorney General

TO : DONNA M. WATZ
Staff Attorney
Minnesota Department of Commerce
133 East Seventh Street
St. Paul

DATE : October 29, 1992

FROM : MARY JO MURRAY
Special Assistant
Attorney General

PHONE : 296-3258

SUBJECT : In the Matter of the Adopted Rule Relating to Insurance Holding Company Systems

The above-referenced rule has been approved as to its legality by the Attorney General on October 29, 1992.

Enclosed is your copy of the approved rule. This office has already filed two copies with the Secretary of State, who will forward one copy to the Revisor of Statutes. The fourth is being retained by this division of the Attorney General's Office for its records.

Also enclosed are any petitions, requests, submissions or comments along with any extra copies of documents which you submitted to the Attorney General.

Your next step is to arrange for publication of the Notice of Adoption in the State Register. In a day or two, you should receive from the Revisor's Office three copies of the notice of adoption of your rule. You should submit two copies of the Notice of Adoption to the State Register for publication. A permanent rule without a hearing does not become effective until five days after a notice of adoption is published in the State Register in accordance with Minn. Stat. § 14.27. An emergency rule becomes effective five working days after approval by the Attorney General; however, the agency must publish a notice in the State Register in accordance with Minn. Stat. § 14.34.

If you have any questions in this regard, please contact me.

Enclosures
cc: Carolyn Ham
William Brown, Chief Judge
MaryAnn Hruby

MJM:jj.rules.bc6

Department of Commerce

Adopted Permanent Rules Relating to Insurance Holding Company Systems

Rules as Adopted

2720.0100 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of this chapter, the terms defined in this part have the meanings given them.

Subp. 2. **Acquisition filing statement.** "Acquisition filing statement" means the statement that must be filed prior to the acquisition of control or an attempt to acquire control, as specified in Minnesota Statutes, section 60D.17.

Subp. 3. [See repealer.]

Subp. 4. [See repealer.]

Subp. 5. **Executive officer.** "Executive officer" means any individual charged with active management and control in an executive capacity of a person, whether incorporated or unincorporated, including a chief executive officer, chief operating officer, chief financial officer, treasurer, secretary, controller, and any other individual performing functions corresponding to those performed by the foregoing officers under any title.

[For text of subp 6, see M.R.]

Subp. 7. **Registration statement.** "Registration statement" means the statement that must be filed pursuant to Minnesota Statutes, section 60D.19.

Subp. 8. **Ultimate controlling person.** "Ultimate controlling person" means that person within an insurance holding company system that is not controlled by any other person; provided, however, that if the commissioner so determines, the ultimate controlling person shall be the affiliated person about which the disclosures required hereunder would be most meaningful and would best serve to effectuate the purposes of Minnesota Statutes, chapter 60D.

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2720.0350 SEVERABILITY CLAUSE.

If any provision of this chapter or the application of it to any person or circumstance is held invalid, the determination shall not affect other provisions or applications of these rules which can be given effect without the invalid provision or application and to that end, the provisions of these rules are severable.

2720.0400 APPROVAL OF ACQUISITION OF CONTROL.

The commissioner may order a public hearing prior to approval of an acquisition of control, but the hearing is not mandatory prior to approval except as provided in Minnesota Statutes, chapter 60D.

2720.0500 EXTRAORDINARY DIVIDENDS AND OTHER DISTRIBUTIONS.

Subpart 1. **Format for request.** Requests for approval of extraordinary dividends or any other extraordinary distribution to shareholders shall include the following:

A. the amount of the proposed dividend;

B. the date established for payment of the dividend;

C. a statement as to whether the dividend is to be in cash or other property and, if in property, a description thereof, its cost, and its fair market value, together with an explanation of the basis for valuation;

D. a copy of the calculations determining that the proposed dividend is extraordinary. The work paper must include the following information:

(1) the amounts, dates, and form of payment of all dividends or distributions, including regular dividends but excluding distributions of the insurer's own securities, paid within the period of 12 consecutive months ending on the date fixed for payment of the proposed dividend for which approval is sought and commencing on the day after the same day of the same month in the preceding year;

(2) surplus as regards policyholders, or total capital and surplus, as of the preceding December 31;

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(3) if the insurer is a life insurer, the net gain from operations for the 12-month period ending on the preceding December 31;

(4) if the insurer is not a life insurer, the net income less realized capital gains for the 12-month period ending on the preceding December 31 and the two preceding 12-month periods; and

(5) if the insurer is not a life insurer, the dividends paid to stockholders excluding distributions of the insurer's own securities in the preceding two calendar years;

E. a balance sheet and statement of income for the period intervening from the last annual statement filed with the commissioner and the end of the month preceding the month in which the request for dividend approval is submitted; and

F. a brief statement as to the effect of the proposed dividend upon the insurer's surplus and the reasonableness of surplus in relation to the insurer's outstanding liabilities and the adequacy of surplus relative to the insurer's financial needs.

Subp. 2. **Report of distributions.** Subject to Minnesota Statutes, section 60D.20, subdivision 2, each registered insurer shall report to the commissioner all dividends and other distributions to shareholders within 15 business days following the declaration of them, including the same information required by subpart 1, item D, subitems (4) and (5).

2720.0600 ADEQUACY OF SURPLUS.

The factors set forth under Minnesota Statutes, section 60D.20, subdivision 4, are not intended to be an exhaustive list. In determining the adequacy and reasonableness of an insurer's surplus no single factor shall be controlling. The commissioner, instead, will consider the net effect of all of these factors plus other factors bearing on the financial condition of the insurer. In comparing the surplus maintained by other insurers, the commissioner will consider the extent to which each of these factors varies from company to company, and

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in determining the quality and liquidity of investments in subsidiaries the commissioner will consider the individual subsidiary and may discount or disallow its valuation to the extent that the individual investments so warrant.

2720.1100 FORMS.

The forms described in parts 2720.9910 to 2720.9940 are intended to be guides in the preparation of the statements required by Minnesota Statutes, chapter 60D, and are not intended to be blank forms to be filled in. The statements filed shall contain the numbers and captions of all items, but the text of the items may be omitted provided the answers thereto are prepared in such a manner as to indicate to the reader the scope and coverage of the items without the necessity of referring to the text of the items or the instructions thereto. All instructions, whether appearing under the items of the form or elsewhere thereon, are to be omitted. Unless expressly provided otherwise, if any item is inapplicable or the answer thereto is in the negative, an appropriate statement to that effect shall be made.

Two complete copies of each form or statement, including exhibits and all other papers and documents filed as a part of the form or the statement, shall be filed with the commissioner by personal delivery or mail addressed to the Commissioner of Commerce. A copy of form C, part 2720.9930, shall be filed in each state in which an insurer is authorized to do business if the commissioner of that state has notified the insurer of its request in writing, in which case, the insurer has 30 days from receipt of the notice to file the form. At least one of the copies shall be manually signed in the manner prescribed on the form. Unsigned copies shall be conformed. If the signature of any person is affixed pursuant to a power of attorney or other similar authority, a copy of such power of attorney or other authority shall be filed with the statement.

Statements should be prepared on paper 8-1/2 inches by 11 inches in size and preferably bound at the top or the top

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left-hand corner. Exhibits and financial statements, unless specifically prepared for the filing, may be submitted in their original size. All copies of any statement, financial statements, or exhibits shall be clear, easily readable, and suitable for photocopying. Debits in credit categories and credits in debit categories shall be designated so as to be clearly distinguishable as such on photocopies. Statements shall be in the English language and monetary values shall be stated in United States currency. If any exhibit or other paper or document filed with the statement is in a foreign language, it shall be accompanied by a translation into the English language, and any monetary value normally shown in a foreign currency shall be converted into United States currency.

2720.1200 INCORPORATIONS BY REFERENCE, SUMMARIES, AND OMISSIONS.

Information required by any item of the forms described in parts 2720.9910 to 2720.9940 may be incorporated by reference in answer or partial answer to any other item. Information contained in any financial statement, annual report, proxy statement, statement filed with a governmental authority, or any other document may be incorporated by reference in answer or partial answer to any item of these forms, provided the document or paper is filed as an exhibit to the statement. Excerpts of documents may be filed as exhibits if the documents are extensive. Documents already on file with the commissioner which were filed within three years need not be attached as exhibits. References to information contained in exhibits or in documents already on file shall clearly identify the material, the date of filing, and shall specifically indicate that such material is to be incorporated by reference in the answer to the item. Information shall not be incorporated by reference in any case where the incorporation would render the statement incomplete, unclear, or confusing.

Where an item requires a summary or outline of the provisions of any document, only a brief statement shall be made as to the most important provisions of the document. In

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addition to such statement, the summary or outline may incorporate by reference particular parts of any exhibit or document on file with the commissioner and may be qualified in its entirety by such reference.

2720.1300 INFORMATION UNKNOWN OR UNAVAILABLE.

[For text of subpart 1, see M.R.]

Subp. 2. **Extension of time.** If it is impractical to furnish any required information, document, or report at the time it is required to be filed, a separate document may be filed identifying the information, document, or report in question; stating why the filing at the time required is impractical; and requesting an extension of time to a specified date for filing the information, document, or report. The request for extension of time shall be deemed granted unless the commissioner, within 30 days after receipt of the request, enters an order denying the request for extension of time.

2720.1400 ADDITIONAL INFORMATION AND EXHIBITS.

In addition to the information expressly required to be included in the statements under parts 2720.9910 to 2720.9940, further material information shall be added as may be necessary to clarify and eliminate any misleading information in the documents filed. The person filing may also file exhibits in addition to those expressly required by the statement. Additional exhibits shall be marked to indicate clearly the subject matters to which they refer.

2720.1500 AMENDMENTS.

Any amendment to the forms or statements required under parts 2720.9910 to 2720.9940 must include on the top of the cover page the phrase: "Amendment No. ____ to" and must indicate the date of the amendment and not the date of the original filing.

2720.1600 ACQUISITION FILING STATEMENT.

Subpart 1. **Statement required.** A person required to file a statement under Minnesota Statutes, section 60D.17, must

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furnish the information required by these rules, specifically including the information on form A, part 2720.9910.

Subp. 2. **Amendments.** The applicant must, within ~~one~~ two business ~~day~~ days of the change, advise the commissioner of any changes in the information furnished which occur after the date the information was furnished but before the commissioner's disposition of the application.

Subp. 3. **Acquisition of other insurers.** If the person being acquired is deemed to be a "domestic insurer" solely because of Minnesota Statutes, section 60D.18, the name of the "domestic insurer" on the cover page should be indicated as follows: "ABC Insurance Company, a subsidiary of XYZ Holding Company"; and all references to "the insurer" contained in form A, part 2720.9910, shall refer to both the domestic subsidiary insurer and the person being acquired.

2720.1700 ANNUAL REGISTRATION OF INSURERS; STATEMENT; FILING.

Subpart 1. **Statement required.** An insurer required to file an annual registration statement pursuant to Minnesota Statutes, section 60D.19, and this chapter shall furnish the required information on form B, part 2720.9920.

Subp. 2. **Summary of registration.** An insurer required to file an annual registration statement pursuant to Minnesota Statutes, section 60D.19, is also required to furnish information required on form C, part 2720.9930. An insurer must file a completed copy of form C in each state in which the insurer is authorized to do business, if requested by the commissioner of that state.

Subp. 3. **Amendments.** An amendment to form B must be filed within 15 days after the end of any month in which the following occurs: there is a change in the control of the registrant, in which case the entire statement shall be made current; or there is a material change in the information provided in the annual registration statement.

Amendments shall be filed in the form B, part 2720.9920 format with only those items which are being amended reported.

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Each amendment shall include at the top of the cover page "Amendment No. _____ to Form B" and shall indicate the date of the change, not the date of the original filings.

Subp. 4. **Alternative and consolidated registrations.** Alternatives and consolidated registrations:

A. Any authorized insurer may file a registration statement on behalf of any affiliated insurer or insurers required to register under Minnesota Statutes, section 60D.19. A registration statement may include information not required by Minnesota Statutes, chapter 60D, regarding any insurer in the insurance holding company system even if the insurer is not authorized to do business in this state. In lieu of filing a registration statement as prescribed in form B, part 2720.9920, the authorized insurer may file a copy of the registration statement or similar report that it is required to file in its state of domicile; provided the statement or report contains substantially similar information required to be furnished by part 2720.9920 and the filing insurer is the principal insurance company in the insurance holding company system.

[For text of items B and C, see M.R.]

D. Any insurer may take advantage of the provisions of Minnesota Statutes, section 60D.19, subdivision 8 or 9, without obtaining the prior approval of the commissioner. The commissioner, however, reserves the right to require individual filings if the commissioner considers the filings necessary in the interest of clarity, ease of administration, or the public good.

E. The state of entry of an alien insurer shall be deemed to be its domiciliary state for the purposes of Minnesota Statutes, section 60D.19.

2720.2000 TRANSACTIONS SUBJECT TO PRIOR NOTICE.

An insurer required to give notice of a proposed transaction pursuant to Minnesota Statutes, section 60D.20, shall furnish the required information on form D, part 2720.9940.

2720.9910 FORM A; ACQUISITION FILING STATEMENT.

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FORM A

STATEMENT REGARDING THE

ACQUISITION OF CONTROL OF A DOMESTIC INSURER

_____

Name of Domestic Insurer

BY

_____

Name of Acquiring Person (Applicant)

Filed with the Minnesota Department of Commerce

Dated: _____, 19___

Name, title, address and telephone number of individual to whom notices and correspondence concerning this statement should be addressed:

_____

_____

_____

_____

ITEM 1. INSURER AND METHOD OF ACQUISITION

State the name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) State the name and address of the applicant seeking to acquire control over the insurer.

(b) If the applicant is not an individual, state the nature of its business operations for the past five years or for such lesser period as such person and any predecessors thereof shall have been in existence. Briefly describe the business intended to be done by the applicant and the applicant's subsidiaries.

(c) Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant. No affiliate need be identified if its total assets are equal to less than one-half of one percent of the total assets of the ultimate controlling person affiliated with the applicant. Indicate in such chart or listing the percentage of voting securities of each such person

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which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. -- corporation, trust, partnership) and the state or other jurisdiction of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

State the following with respect to (1) the applicant if the applicant is an individual or (2) all persons who are directors, executive officers or owners of ten percent or more of the voting securities of the applicant if the applicant is not an individual:

(a) Name and business address;

(b) Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;

(c) Material occupations, positions, offices or employment during the last five years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith;

(d) Whether the individual has been convicted of or is currently charged with any criminal offense other than minor traffic violations during the past ten years (if so, explain);

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whether the individual or any company for which the individual was then acting as an officer or director has been the subject of any inquiry or investigation by any state agency, administrative body, or law enforcement unit and the results of these proceedings (this includes inquiries or investigations which may have begun after the individual ceased acting as an officer or director but which pertain to the time period during which the individual was acting as an officer or director); and whether the individual has ever been a defendant in any lawsuit involving claims of fraud, misrepresentation, conversion, mismanagement of funds, breach of fiduciary duty, or breach of contract. If any of the provisions of this subdivision apply to the individual or company described in the filing, please give a detailed explanation, including dates, nature of the investigation or proceeding, names and location of courts, and penalties imposed or other disposition of the case.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. If any part of the same is represented or is to be represented by funds, or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding, or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.

(b) Explain the criteria used in determining the nature and amount of such consideration.

(c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity to remain confidential, he must specifically request that the identity be kept confidential.

ITEM 5. FUTURE PLANS OF INSURER

Describe any plans or proposals which the applicant may

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have to declare an extraordinary dividend, to liquidate such insurer, to sell its assets to or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OR THE INSURER

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any persons listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom such contracts, arrangements or understandings have been entered into.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in such description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any such shares so purchased are hypothecated.

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ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender, and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements and exhibits shall be attached to this statement as an appendix, but list under this item all the financial statements and exhibits so attached.

(b) The financial statements shall include the annual financial statements of the persons identified in Item 2 (c) for the preceding five fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year, if such information is available. Such statements may be prepared on either an individual basis, or, unless the Commissioner otherwise requires, on a consolidated basis if such consolidated statements are prepared in the usual course of business.

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not

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be certified, provided they are based on the Annual Statement of such person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of such state.

(c) File as exhibits copies of, or a statement fully describing, all tender offers for, requests or invitations for, tenders of, exchange orders for and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto; and proposed employment, consultation, advisory or management contracts concerning the insurer; annual reports to the stockholders of the insurer and the applicant for the last two fiscal years; and any additional documents or papers required by form A or parts 2720.1100 and 2720.1300.

ITEM 13. SIGNATURE AND CERTIFICATION

Signature and certification of the following form:

SIGNATURE

Pursuant to the requirements of Minnesota Statutes, section 60D.17, and parts 2720.1100 and 2720.1600, subpart 1, _____(name of applicant) has caused this application to be duly signed on its behalf in the city of _____ and state of _____ (seal) on the _____ day of _____, 19___.

_____
(name of applicant)

By_____
(name) (title)

Attest:

_____
(signature of officer)

_____
(title)

CERTIFICATION

The undersigned deposes and says that the undersigned has duly executed the attached application dated _____, 19__, for and on behalf of _____; that the undersigned is the _____of such company, and that the undersigned is

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authorized to execute and file such statement. Deponent further says that the deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the undersigned's knowledge, information, and belief.

Signature _____

Type or print name beneath _____

2720.9920 FORM B; ANNUAL REGISTRATION STATEMENT.

FORM B

INSURANCE HOLDING COMPANY SYSTEM

ANNUAL REGISTRATION STATEMENT

Filed with the Insurance Department

of the State of _____

BY

_____

Name of Registrant

On behalf of the Following Insurance Companies

Name Address

_____

_____

_____

_____

_____

Date: _____, 19__

Name, title, address, and telephone number of individual to whom notices and correspondence concerning this statement should be addressed:

_____

_____

_____

_____

ITEM 1. IDENTITY AND CONTROL OF REGISTRANT

Furnish the exact name of each insurer registering or being registered (hereinafter called "the Registrant"), the home office address and principal executive offices of each; the date on which each Registrant became part of the insurance holding

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company system; and the method(s) by which control of each Registrant was acquired and is maintained.

ITEM 2. ORGANIZATIONAL CHART

Furnish a chart or listing clearly presenting the identities of and interrelationships among all affiliated persons within the insurance holding company system. No affiliate need be shown if its total assets are equal to less than ~~one-half~~ one-quarter of one percent of the total assets of the ultimate controlling person within the insurance holding company system, ~~unless it~~ or the affiliate has assets valued at ~~or exceeding~~ $250,000 or less. The chart or listing should show the percentage of each class of voting securities of each affiliate which is owned, directly or indirectly, by another affiliate. If control of any person within the system is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. -- trust, partnership, corporation) and the state or other jurisdiction of domicile.

ITEM 3. THE ULTIMATE CONTROLLING PERSON

As to the ultimate controlling person in the insurance holding company system furnish the following information:

(a) name;

(b) home office address;

(c) principal executive office address;

(d) the organization structure of the person, i.e., corporation, partnership, individual, or trust;

(e) the principal business of the person;

(f) the name and address of any person who holds or owns ten percent or more of any class of voting security, the class of such security, the number of shares held of record or known to be beneficially owned, and the percentage of class so held or owned; and

(g) If court proceedings involving a reorganization or liquidation are pending, indicate the title and location of the court, the nature of proceedings, and the date when commenced.

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ITEM 4. BIOGRAPHICAL INFORMATION

Furnish the following information for the directors and executive officers of the ultimate controlling person: the individual's name and address; the principal occupation and all offices and positions held by this individual during the past five years; whether the individual has been convicted of or is currently charged with any criminal offense other than minor traffic violations during the past ten years (if so, explain); whether the individual or any company for which the individual was then acting as an officer or director has been the subject of any inquiry or investigation by any state agency, administrative body, or law enforcement unit and the results of these proceedings (this includes inquiries or investigations which may have begun after the individual ceased acting as an officer or director but which pertain to the time period during which the individual was acting as an officer or director); and whether the individual has ever been a defendant in any lawsuit involving claims of fraud, misrepresentation, conversion, mismanagement of funds, breach of fiduciary duty, or breach of contract. If any of the provisions of this subdivision apply to the individual or company described in the filing, please give a detailed explanation, including dates, nature of the investigation or proceeding, names and location of courts, and penalties imposed or other disposition of the case.

ITEM 5. TRANSACTIONS, RELATIONSHIPS, AND AGREEMENTS

(a) Briefly describe the following agreements in force, relationships subsisting, and transactions currently outstanding or which have occurred during the last calendar year between the Registrant and its affiliates:

(1) loans, other investments, or purchases, sales or exchanges of securities of the affiliates by the Registrant or of the Registrant by its affiliates;

(2) purchases, sales, or exchanges of assets;

(3) transactions not in the ordinary course of business;

(4) guarantees or undertakings for the benefit of an affiliate which result in an actual contingent exposure of the

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Registrant's assets to liability, other than insurance contracts entered into in the ordinary course of the Registrant's business;

(5) all management and service contracts and all cost-sharing arrangements;

(6) reinsurance agreements;

(7) dividends and other distributions to shareholders;

(8) consolidated tax allocation agreements; and

(9) any pledge of the registrant's stock and/or of the stock of any subsidiary or controlling affiliate, for a loan made to any member of the insurance company holding system.

No information need be disclosed if the commissioner determines that such information is not material for purposes of Minnesota Statutes, section 60D.19. Sales, purchases, exchanges, loans, or extensions of credit, investments, or guarantees involving one-half of one percent or less of the registrant's admitted assets as of the preceding December 31 shall not be deemed material.

The description shall be in a manner as to permit the proper evaluation thereof by the commissioner, and shall include at least the following: the nature and purpose of the transaction; the nature and amounts of any payments or transfers of assets between the parties; the identity of all parties to such transactions; and the relationship of the affiliated parties to the Registrant.

ITEM 6. LITIGATION OR ADMINISTRATIVE PROCEEDINGS

A brief description of any litigation or administrative proceedings of the following types, either then pending or concluded within the preceding fiscal year, to which the ultimate controlling person or any of its directors or executive officers was a party or of which the property of any such person is or was the subject; give the names of the parties and the court or agency in which such litigation or proceeding is or was pending:

(a) Criminal prosecutions or administrative proceedings by any government agency or authority which may be relevant to the

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trustworthiness of any party thereto; and

(b) Proceedings which may have a material effect upon the solvency or capital structure of the ultimate holding company including, but not necessarily limited to, bankruptcy, receivership, or other corporate reorganizations.

ITEM 7. STATEMENT REGARDING PLAN OR SERIES OF TRANSACTIONS

The insurer shall furnish a statement that transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions, the purpose of which is to avoid statutory threshold amounts and the review that might otherwise occur.

ITEM 8. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements and exhibits should be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.

(b) The financial statements shall include the annual financial statements of the ultimate controlling person in the insurance holding company system as of the end of the person's latest fiscal year.

If at the time of the initial registration, the annual financial statements for the latest fiscal year are not available, annual statements for the previous fiscal year may be filed and similar financial information shall be filed for any subsequent period to the extent such information is available. Such financial statements may be prepared on either an individual basis, or unless the commissioner otherwise requires, on a consolidated basis if such consolidated statements are prepared in the usual course of business.

Unless the commissioner otherwise permits, the annual financial statements shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the ultimate controlling person and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the

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ultimate controlling person is an insurer which is actively engaged in the business of insurance, the annual financial statements need not be certified, provided they are based on the annual statement of such insurer filed with the insurance department of the insurer's domiciliary state and are in accordance with requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of such state.

(c) Exhibits shall include copies of the latest annual reports to shareholders of the ultimate controlling person and proxy material used by the ultimate controlling person; and any additional documents or papers required by this part or part 2720.1100 or 2720.1300.

ITEM 9. FORM C REQUIRED

A Form C, Summary of Registration Statement, must be prepared and filed with this Form B.

SIGNATURES

Signatures and certification of the form as follows:

SIGNATURE

Pursuant to the requirements of Minnesota Statutes, section 60D.19, and part 2720.1700, subpart 1, the Registrant has caused this registration statement to be duly signed on its behalf in the City of _____ and State of _____, on the _____ day of _____, 19__.

(SEAL)

_____
(Name of Registrant)

By _____
(Name) (Title)

Attest:

_____
(Signature of Officer)

_____
(Title)

CERTIFICATION

The undersigned deposes and says that the undersigned has duly executed the attached registration statement dated _____, 19__, for and on behalf of _____ (Name of Company); that the undersigned is the

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_____ (Title of Officer) of such company, and that the undersigned has authority to execute and file such instrument. Deponent further says that the deponent is familiar with such instrument and that the facts therein set forth are true to the best of the undersigned's knowledge, information, and belief.

(Signature) _____

(Type or print name beneath) _____

2720.9930 FORM C; REGISTRATION SUMMARY STATEMENT.

FORM C

SUMMARY OF REGISTRATION STATEMENT

Filed with the Insurance Department of the State of _____

By

_____

Name of Registrant

On behalf of Following Insurance Companies

Name Address

_____

_____

_____

_____

_____

Date: _____, 19__

Name, Title, Address, and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed:

_____

_____

_____

_____

Furnish a brief description of all items in the current annual registration statement which represent changes from the prior year's annual registration statement. The description shall be in a manner as to permit the proper evaluation thereof by the Commissioner, and shall include specific references to Item numbers in the annual registration statement and to the

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terms contained therein.

Changes occurring under Item 2 of Form B insofar as changes in the percentage of each class of voting securities held by each affiliate is concerned, need only be included where such changes are ones which result in ownership or holdings of ten percent or more of voting securities, loss or transfer of control, or acquisition or loss of partnership interest.

Changes occurring under Item 4 of Form B need only be included where: an individual is, for the first time, made a director or executive officer of the ultimate controlling person; a director or executive officer terminates responsibilities with the ultimate controlling person; or an individual is named president of the ultimate controlling person.

If a transaction disclosed on the prior year's annual registration statement has been changed, the nature of such change shall be included. If a transaction disclosed on the prior year's annual registration statement has been effectuated, furnish the mode of completion and any flow of funds between affiliates resulting from the transaction.

The insurer shall furnish a statement that transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions whose purpose it is to avoid statutory threshold amounts and the review that might otherwise occur.

SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Minnesota Statutes, section 60D.19, the registrant has caused this summary of registration statement to be duly signed on its behalf in the City of _____ and State of _____, on the _____ day of _____, 19__.

(SEAL)_____
(Name of Registrant)

By _____
(Name) (Title)

Attest:

Approved
by Revisor _____

_____
(Signature of Officer)

_____
(Title)

CERTIFICATION

The undersigned deposes and says that the undersigned has duly executed the attached summary of registration statement dated _____, 19__, for and on behalf of _____ (Name of Company); that the undersigned is the _____ (Title of Officer) of such company, and that the undersigned is authorized to execute and file such instrument. Deponent further says that the deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the undersigned's knowledge, information, and belief.

(Signature) _____

(Type or print name beneath) _____

2720.9940 FORM D; TRANSACTION NOTICE.

FORM D

PRIOR NOTICE OF A TRANSACTION

Filed with the Insurance Department of the State of _____

By

_____

Name of Registrant

On behalf of Following Insurance Companies

Name Address

_____

_____

_____

_____

_____

Date: _____, 19__

Name, Title, Address, and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed:

_____

_____

_____

Approved
by Revisor _____

ITEM 1. IDENTITY OF PARTIES TO TRANSACTION

Furnish the following information for each of the parties to the transaction:

(a) name;

(b) home office address;

(c) principal executive office address;

(d) the organizational structure, i.e. corporation, partnership, individual, or trust;

(e) a description of the nature of the parties' business operations;

(f) relationship, if any, of other parties to the transaction to the insurer filing the notice, including any ownership or debtor/creditor interest by any other parties to the transaction in the insurer seeking approval, or by the insurer filing the notice in the affiliated parties; and

(g) where the transaction is with a nonaffiliate, the names of the affiliates which will receive, in whole or in substantial part, the proceeds of the transaction.

ITEM 2. DESCRIPTION OF TRANSACTION

Furnish the following information for each transaction for which notice is being given:

(a) a statement as to whether notice is being given under Minnesota Statutes, section 60D.20;

(b) a statement of the nature of the transaction; and

(c) the proposed effective date of the transaction.

ITEM 3. SALES, PURCHASES, EXCHANGES, LOANS, EXTENSIONS OF CREDIT, GUARANTEES, OR INVESTMENTS

Furnish a brief description of the amount and source of funds, securities, property, or other consideration for the sale, purchase, exchange, loan, extension of credit, guarantee, or investment, whether any provision exists for purchase by the insurer filing notice, by any party to the transaction, or by any affiliate of the insurer filing notice, a description of the terms of any securities being received, if any, and a description of any other agreements relating to the transaction

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by Revisor _____

such as contracts or agreements for services and consulting agreements. If the transaction involves other than cash, furnish a description of the consideration, its cost, and its fair market value, together with an explanation of the basis for evaluation.

If the transaction involves a loan, extension of credit, or a guarantee, furnish a description of the maximum amount which the insurer will be obligated to make available under the loan, extension of credit, or guarantee, the date on which the credit or guarantee will terminate, and any provisions for the accrual of or deferral of interest.

If the transaction involves an investment, guarantee, or other arrangement, state the time period during which the investment, guarantee, or other arrangement will remain in effect, together with any provisions for extensions or renewals of the investments, guarantees, or arrangements. Furnish a brief statement as to the effect of the transaction on the insurer's surplus.

No notice need be given if the maximum amount which can at any time be outstanding or for which the insurer can be legally obligated under the loan, extension of credit, or guarantee is less than: (a) in the case of a nonlife insurer, the lesser of three percent of the insurer's admitted assets or 25 percent of surplus as regards policyholders, or (b) in the case of a life insurer, three percent of the insurer's admitted assets, each as of the preceding December 31.

ITEM 4. LOANS OR EXTENSIONS OF CREDIT TO A NONAFFILIATE

If the transaction involves a loan or extension of credit to any person who is not an affiliate, furnish a brief description of the agreement or understanding whereby the proceeds of the proposed transaction, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase the assets of, or to make investments in any affiliate of the insurer making the loans or extensions of credit, and specify in what manner the proceeds are to be used to loan to, extend credit to, purchase assets of, or make

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investments in any affiliate. Describe the amount and source of duns, securities, property, or other consideration for the loan or extension of credit and, if the transaction is one involving consideration other than cash, a description of its cost and its fair market value, together with an explanation of the basis for evaluation. Furnish a brief statement as to the effect of the transaction on the insurer's surplus.

No notice need be given if the loan or extension of credit is one which equals less than, in the case of a nonlife insurer, the lesser of three percent of the insurer's admitted assets or 25 percent of surplus as regards policyholders or, with respect to life insurers, three percent of the insurer's admitted assets, each as of the preceding December 31.

ITEM 5. REINSURANCE

If the transaction is a reinsurance agreement or modification to the agreement, as described by Minnesota Statutes, section 60D.20, subdivision 1, paragraph (b), clause (3), furnish a description of the known and/or estimated amount of liability to be ceded and/or assumed in each calendar year, the period of time during which the agreement will be in effect, and a statement whether an agreement or understanding exists between the insurer and nonaffiliate to the effect that any portion of the assets constituting the consideration for the agreement will be transferred to one or more of the insurer's affiliates. Furnish a brief description of the consideration involved in the transaction, and a brief statement as to the effect of the transaction on the insurer's surplus.

No notice need be given for reinsurance agreements or modifications to the agreement if the reinsurance premium or a change in the insurer's liabilities in connection with the reinsurance agreement or modification to the agreement is less than five percent of the insurer's surplus as regards policyholders, as of the preceding December 31.

ITEM 6. MANAGEMENT AGREEMENTS, SERVICE AGREEMENTS, AND COST-SHARING ARRANGEMENTS

(a) For management and service agreements, furnish:

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(1) a brief description of the managerial responsibilities, or services to be performed; and

(2) a brief description of the agreement, including a statement of its duration, together with brief descriptions of the basis for compensation and the terms under which payment or compensation is to be made.

(b) For cost-sharing arrangements, furnish:

(1) a brief description of the purpose of the agreement;

(2) a description of the period of time during which the agreement is to be in effect;

(3) a brief description of each party's expenses or costs covered by the agreement; and

(4) a brief description of the accounting basis to be used in calculating each party's costs under the agreement.

ITEM 7. SIGNATURE AND CERTIFICATION

Signature and certification are required as follows:

SIGNATURE

Pursuant to Minnesota Statutes, section 60D.20, _____ (Applicant) has caused this notice to be duly signed on its behalf in the City of _____ and State of _____, on the _____ day of _____, 19__.

(SEAL)_____
(Name of Applicant)

By _____
(Name) (Title)

Attest:

_____
(Signature of Officer)

_____
(Title)

CERTIFICATION

The undersigned deposes and says that the undersigned has duly executed the attached notice dated _____, 19__, for and on behalf of _____ (Name of Applicant); that the undersigned is the _____ (Title of Officer) of the company, and that the undersigned is authorized to execute and file the instrument. Deponent further says that the deponent is familiar with the instrument and the contents of

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the instrument, and that the facts in the instrument set forth are true to the best of the undersigned's knowledge, information, and belief.

(Signature) _____

(Type or print name beneath) _____

REPEALER. Minnesota Rules, ~~part~~ parts 2720.0100, subparts 3 and 4; and 2720.0200, are repealed.

Approved by Revisor _____

APPROVED AS TO FORM AND LEGALITY

Oct 29 19 92

HUBERT H. HUMPHREY III
ATTORNEY GENERAL

BY _____
SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

OCT 29 1992

Joan Anderson Growe
Secretary of State

3:55 PM

PB

* Part 2720.0200 Authority is missing
i.e. not in rule as "repealed"

p. 1 – subp. 8 – "Cmsnr so determines" – standards?

2720.0400 The cmsr "may" order a hearing. When? Under what circumstances? Does this leave cmsr w/ ~~no~~ oppo. for arbitrary decs. on hearings?
Does it matter since approval will be given under this rule anyway?

~~Item 5. 13 of Form A – no explanation in SNR~~
no changes

Need corrected copies of
pp 20 & 21 of Rules as Proposed.

nice SNR

RECEIVED
OCT 29 1992
Office of the Attorney General
Government Services Section
Capitol Office Bldg., Suite 500
525 Park Street
St. Paul, MN 55101

OFFICE OF THE COMMISSIONER

STATE OF MINNESOTA

DEPARTMENT OF COMMERCE

133 EAST 7th STREET
ST. PAUL, MN 55101
612/296-4026
FAX: 612/296-4328

October 15, 1992

Office of the Attorney General
Public Finance Division
515 Transportation Building
John Ireland Blvd.
St. Paul, MN 55155

RE: Proposed Permanent Rules Relating to Insurance Holding Company Systems

Pursuant to Minnesota Rules section 2010.0300, we submit the following documents for your review regarding the above-captioned proposed rules.

1. Copy of the Proposed Rules with the Revisor's Certificate;
2. Notice of Intent to Adopt Rules Without a Public Hearing;
3. Statement of Need and Reasonableness;
4. Affidavit of Mailing Notice of Intent to Adopt Rules Without Public Hearing and Certificate of Mailing List;
5. Copy of Notice of Intent to Adopt Rules Without Public Hearing as published in the State Register;
6. Four copies of the Rules as adopted;
6. Findings of Fact, Conclusions and Order Adopting Rules;
7. Written comments regarding the rules, and
8. Declaration of Attorney General.

As indicated in the Findings of Fact, Conclusions and Order Adopting Rule, please note that we received no requests for notice of submission of the rules to the Attorney General.

Sincerely,

BERT J. McKASY
Commissioner of Commerce

By:
Donna M. Watz

Donna M. Watz
Staff Attorney

DMW:joc
Enclosures

Department of Commerce

Proposed Permanent Rules Relating to Insurance Holding Company Systems

Rules as Proposed

2720.0100 DEFINITIONS.

Subpart 1. **Scope.** ~~As used in these rules~~ For the purposes of this chapter, the terms defined ~~herein shall~~ in this part have the meanings ~~ascribed to~~ given them~~, and the terms defined in laws of Minnesota 1971, chapter 288, section 1 shall have the meanings ascribed to them therein, unless the context of usage clearly indicates otherwise. Other nomenclature or terminology is according to the meanings given in the laws of this state relating to insurance or according to insurance industry usage, if not defined in the laws of this state~~.

Subp. 2. **Acquisition filing statement.** "Acquisition filing statement" means the statement that must be filed prior to the acquisition of control or an attempt to acquire control, as specified in Minnesota Statutes, section ~~2 of the act~~ 60D.17.

Subp. 3. [See repealer.]

Subp. 4. [See repealer.]

Subp. 5. **Executive officer.** "Executive officer" means any individual charged with active management and control in an executive capacity of a person, whether incorporated or unincorporated, including ~~a president, vice president~~ a chief executive officer, chief operating officer, chief financial officer, treasurer, secretary, controller, and any other individual performing functions corresponding to those performed by the foregoing officers under any title.

[For text of subp 6, see M.R.]

Subp. 7. **Registration statement.** "Registration statement" means the statement that must be filed pursuant to Minnesota Statutes, section ~~3 of the act~~ 60D.19.

Subp. 8. **Ultimate ~~holding company~~ controlling person.**

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"Ultimate ~~holding-company~~ controlling person" means that ~~company~~ person within an insurance holding company system that is not controlled by any other ~~company~~ person; provided, however, that if the commissioner so determines, the ultimate ~~holding-company in-a-particular-insurance-holding-company-system~~ controlling person shall be the ~~company-that-the-commissioner-determines-to be-the~~ affiliated person ~~concerning~~ about which the disclosures required hereunder would be most meaningful and would best serve to effectuate the purposes of ~~the-act~~ Minnesota Statutes, chapter 60D.

2720.0350 SEVERABILITY CLAUSE.

If any provision of this chapter or the application of it to any person or circumstance is held invalid, the determination shall not affect other provisions or applications of these rules which can be given effect without the invalid provision or application and to that end, the provisions of these rules are severable.

2720.0400 APPROVAL OF ACQUISITION OF CONTROL.

The commissioner may order a public hearing prior to approval of an acquisition of control, but ~~such~~ the hearing is not mandatory prior to approval except as provided in Minnesota Statutes, chapter 60D.

2720.0500 EXTRAORDINARY DIVIDENDS AND OTHER DISTRIBUTIONS.

Subpart 1. **Format for request.** Requests for approval of extraordinary dividends or any other extraordinary distribution to shareholders shall include the following:

A. the amount of the proposed dividend;

B. the date established for payment of the dividend;

~~B.~~ C. a statement as to whether the dividend is to be in cash or other property and, if in property, a description thereof, its cost, and its fair market value, together with an explanation of the basis for valuation;

~~C.~~ D. a copy of the calculations determining that the proposed dividend is extraordinary. The work paper must include

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the following information:

(1) the amounts ~~and~~, dates, and form of payment of all dividends or distributions, ~~including regular dividends~~ but excluding distributions of the insurer's own securities, paid within the period of 12 consecutive~~,~~ months ending on the date fixed for payment of the proposed dividend for which approval is sought and commencing on the day after the same day of the same month in the ~~last~~ preceding year;

(2) surplus as regards policyholders, or total capital and surplus, as of the preceding December 31;

(3) if the insurer is a life insurer, the net gain from operations for the 12-month period ending on the preceding December 31;

(4) if the insurer is not a life insurer, the net income less realized capital gains for the 12-month period ending on the preceding December 31 and the two preceding 12-month periods; and

(5) if the insurer is not a life insurer, the dividends paid to stockholders excluding distributions of the insurer's own securities in the preceding two calendar years;

~~D.~~ E. a balance sheet and statement of income for the period intervening from the last annual statement filed with the commissioner and the end of the month preceding the month in which the request for dividend approval is submitted; and

~~E.~~ F. a brief statement as to the effect of the proposed dividend upon the insurer's surplus and the reasonableness of surplus in relation to the insurer's outstanding liabilities and the adequacy of surplus relative to the insurer's financial needs.

Subp. 2. **Report of distributions.** Subject to Minnesota Statutes, section 60D.20, subdivision 2, each registered insurer shall report to the commissioner all dividends and other distributions to shareholders within 15 business days following the declaration of them, including the same information required by subpart 1, item D, subitems (4) and (5).

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2720.0600 ADEQUACY OF SURPLUS.

The factors set forth ~~in the act,~~ under Minnesota Statutes, section ~~4~~ 60D.20, subdivision ~~2~~ 4, are not intended to be an exhaustive list. In determining the adequacy and reasonableness of an insurer's surplus no single factor shall be controlling. The commissioner, instead, will consider the net effect of all of these factors plus other factors bearing on the financial condition of the insurer. In comparing the surplus maintained by other insurers, the commissioner will consider the extent to which each of these factors varies from company to company, and in determining the quality and liquidity of investments in subsidiaries the commissioner will consider the individual subsidiary and may discount or disallow its valuation to the extent that the individual investments so warrant.

2720.1100 FORMS.

~~Part~~ The forms described in parts 2720.9910~~, form A, acquisition filing statement and part 2720.9920, form B, registration statement,~~ to 2720.9940 are ~~merely~~ intended to be guides in the preparation of the statements required by ~~the act~~ Minnesota Statutes, chapter 60D, and are not intended to be blank forms to be filled in. The statements filed shall contain the numbers and captions of all items, but the text of the items may be omitted provided the answers thereto are ~~so~~ prepared in such a manner as to indicate to the reader the scope and coverage of the items without the necessity of ~~his~~ referring to the text of the items or the instructions thereto. All instructions, whether appearing under the items of the form or elsewhere thereon, are to be omitted. Unless expressly provided otherwise, if any item is inapplicable or the answer thereto is in the negative, an appropriate statement to that effect shall be made.

Two complete copies of each form or statement, including exhibits and all other papers and documents filed as a part ~~thereof~~ of the form or the statement, shall be filed with the commissioner by personal delivery or mail addressed to~~:~~ the

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by Revisor _____

Commissioner of Commerce~~,-State-of-Minnesota,-Metro-Square Building,-Saint-Paul,-Minnesota-55101~~. A copy of form C, part 2720.9930, shall be filed in each state in which an insurer is authorized to do business if the commissioner of that state has notified the insurer of its request in writing, in which case, the insurer has 30 days from receipt of the notice to file the form. At least one of the copies shall be manually signed in the manner prescribed on the form. Unsigned copies shall be conformed. If the signature of any person is affixed pursuant to a power of attorney or other similar authority, a copy of such power of attorney or other authority shall be filed with the statement.

Statements should be prepared on paper 8-1/2 inches by 11 inches ~~or-8-1/2-inches-by-13-inches~~ in size and preferably bound at the top or the top left-hand corner. Exhibits and financial statements, unless specifically prepared for the filing, may be submitted in their original size. All copies of any statement, financial statements, or exhibits shall be clear, easily readable, and suitable for photocopying. Debits in credit categories and credits in debit categories shall be designated so as to be clearly distinguishable as such on photocopies. Statements shall be in the English language and monetary values shall be stated in United States currency. If any exhibit or other paper or document filed with the statement is in a foreign language, it shall be accompanied by a translation into the English language, and any monetary value normally shown in a foreign currency ~~normally~~ shall be converted into United States currency.

2720.1200 INCORPORATIONS BY REFERENCE, SUMMARIES, AND OMISSIONS.

Information required by any item of ~~form-A,-part~~ the forms described in parts 2720.9910~~,-or-form-B,-part-2720.9920,~~ to 2720.9940 may be incorporated by reference in answer or partial answer to any other item. Information contained in any financial statement, annual report, proxy statement, statement filed with a governmental authority, or any other document may

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by Revisor _____

be incorporated by reference in answer or partial answer to any item of ~~either form~~ these forms, provided ~~such~~ the document or paper is filed as an exhibit to the statement. Excerpts of documents may be filed as exhibits if the documents are extensive. Documents already on file with the commissioner which were filed within three years need not be attached as exhibits. References to information contained in exhibits or in documents already on file shall clearly identify the material, the date of filing, and shall specifically indicate that such material is to be incorporated by reference in the answer to the item. ~~Matter~~ Information shall not be incorporated by reference in any case where ~~such~~ the incorporation would render the statement incomplete, unclear, or confusing.

Where an item requires a summary or outline of the provisions of any document, only a brief statement shall be made as to the most important provisions of the document. In addition to such statement, the summary or outline may incorporate by reference particular parts of any exhibit or document on file with the commissioner and may be qualified in its entirety by such reference. ~~In any case where two or more documents required to be filed as exhibits are substantially identical in all material respects except as to the parties thereto, the dates of execution, or other details, a copy of only one of such documents need be filed with a schedule identifying the omitted documents and setting forth the material details in which such documents differ from the documents a copy of which is filed.~~

2720.1300 INFORMATION UNKNOWN OR UNAVAILABLE.

[For text of subpart 1, see M.R.]

Subp. 2. **Extension of time.** If it is impractical to furnish any required information, document, or report at the time it is required to be filed, ~~there may be filed with the commissioner as~~ a separate document ~~an application~~ may be filed identifying the information, document, or report in question;

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by Revisor _____

stating why the filing ~~thereof~~ at the time required is impractical; and requesting an extension of time to a specified date for filing the information, document, or report ~~to a specified date~~. The ~~application~~ request for extension of time shall be deemed granted unless the commissioner, within ~~ten~~ 30 days after receipt ~~thereof, shall enter~~ of the request, enters an order denying the ~~application~~ request for extension of time.

2720.1400 ADDITIONAL INFORMATION AND EXHIBITS.

In addition to the information expressly required to be included in the statements ~~by these rules, there shall be added such~~ under parts 2720.9910 to 2720.9940, further material information~~, if any,~~ shall be added as may be necessary to ~~make the information contained therein not~~ clarify and eliminate any misleading information in the documents filed. The person filing may also file ~~such~~ exhibits ~~as it may desire~~ in addition to those expressly required by the statement. ~~Such~~ Additional exhibits shall be ~~so~~ marked ~~as~~ to indicate clearly the subject matters to which they refer.

2720.1500 AMENDMENTS.

Any amendment ~~for either form shall~~ to the forms or statements required under parts 2720.9910 to 2720.9940 must include on the top of the cover page the phrase: "Amendment No. ____ to" and ~~shall~~ must indicate the date of the amendment and not the date of the original filing.

2720.1600 ACQUISITION FILING STATEMENT.

Subpart 1. **Statement required.** A person required to file a statement ~~pursuant to the act~~ under Minnesota Statutes, section ~~2~~ 60D.17, ~~shall~~ must furnish the ~~required~~ information ~~as provided in~~ required by these rules ~~and in~~, specifically including the information on form A, part 2720.9910 ~~in particular~~.

Subp. 2. **Amendments.** The applicant ~~shall promptly~~ must, within one business day of the change, advise the commissioner of any changes in the information ~~so~~ furnished ~~arising~~

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~~subsequent-to~~ which occur after the date ~~upon-which-such~~ the information was furnished but ~~prior-to~~ before the commissioner's disposition of the application.

Subp. 3. **~~Securities~~ Acquisition of other ~~than-domestic insurer~~ insurers.** If the ~~voting-securities~~ person being acquired ~~have-been-issued-by-a-person-other-than-the~~ is deemed to be a "domestic insurer~~,~~" solely because of Minnesota Statutes, section 60D.18, the name of the "domestic insurer" on the cover page should be indicated as follows: "ABC Insurance Company, a subsidiary of XYZ Holding Company"; and all references to "the insurer" contained in form A, part 2720.9910, shall refer to both the domestic subsidiary insurer and the person ~~whose-voting-securities-are~~ being acquired.

2720.1700 ANNUAL REGISTRATION OF INSURERS; STATEMENT; FILING.

Subpart 1. **Statement required.** An insurer required to file ~~a~~ an annual registration statement pursuant to ~~the-act~~ Minnesota Statutes, section ~~3~~ 60D.19, and ~~these-rules~~ this chapter shall furnish the required information ~~as-provided-in these-rules-and-in-part-2720.9910-in-particular~~ on form B, part 2720.9920.

Subp. 2. **Summary of registration.** An insurer required to file an annual registration statement pursuant to Minnesota Statutes, section 60D.19, is also required to furnish information required on form C, part 2720.9930. An insurer must file a completed copy of form C in each state in which the insurer is authorized to do business, if requested by the commissioner of that state.

Subp. ~~2.~~ 3. **Amendments.** An amendment to ~~the-statement required-in-subpart-1-shall~~ form B must be filed within 15 days after the end of any month in which the following occurs: there is a change in the control of the registrant, in which case the entire statement shall be made current; or there is a material change in the information ~~required-by-part-2720.9920,-item-5-or~~ 6 provided in the annual registration statement.

~~An-amendment-to-the-statement~~ Amendments shall be filed

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~~within 120 days after the end of each fiscal year of the ultimate holding company. Such amendment shall make current all information in the statement~~ in the form B, part 2720.9920 format with only those items which are being amended reported. Each amendment shall include at the top of the cover page "Amendment No. to Form B" and shall indicate the date of the change, not the date of the original filings.

Subp. ~~3.~~ 4. **Alternative and consolidated registrations.** Alternatives and consolidated registrations:

A. Any authorized insurer may file a registration statement on behalf of any affiliated insurer or insurers required to register under ~~the act~~ Minnesota Statutes, section ~~3~~ 60D.19. A registration statement may include information not required by Minnesota Statutes, chapter 60D, regarding any insurer in the insurance holding company system even if ~~such~~ the insurer is not authorized to do business in this state. In lieu of filing a registration statement as prescribed in form B, part 2720.9920, the authorized insurer may file a copy of the registration statement or similar report that it is required to file in its state of domicile; provided the statement or report contains substantially similar information required to be furnished by part 2720.9920 and the filing insurer is the principal insurance company in the insurance holding company system.

[For text of items B and C, see M.R.]

D. Any insurer may take advantage of the provisions of ~~the act~~ Minnesota Statutes, section ~~3~~ 60D.19, subdivision ~~6~~ 8 or ~~7~~ 9, without obtaining the prior approval of the commissioner. The commissioner, however, reserves the right to require individual filings if ~~he deems such~~ the commissioner considers the filings necessary in the interest of clarity, ease of administration, or the public good.

E. The state of entry of an alien insurer shall be deemed to be its domiciliary state for the purposes of Minnesota Statutes, section ~~3 of the act~~ 60D.19.

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by Revisor _____

2720.2000 TRANSACTIONS SUBJECT TO PRIOR NOTICE.

An insurer required to give notice of a proposed transaction pursuant to Minnesota Statutes, section 60D.20, shall furnish the required information on form D, part 2720.9940.

2720.9910 FORM A; ACQUISITION FILING STATEMENT.

FORM A

STATEMENT REGARDING THE

ACQUISITION OF CONTROL OF A DOMESTIC INSURER

_____

Name of Domestic Insurer

BY

_____

Name of Acquiring Person (Applicant)

Filed with the ~~Insurance~~ Minnesota Department of _____ ~~(State of domicile of insurer being acquired)~~ Commerce

Dated: _____, 19___

Name, title, address and telephone number of individual to whom notices and correspondence concerning this statement should be addressed:

_____

_____

_____

_____

~~FORM A~~

ITEM 1. INSURER AND METHOD OF ACQUISITION

State the name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) State the name and address of the applicant seeking to acquire control over the insurer.

(b) If the applicant is not an individual, state the nature of its business operations for the past five years or for such lesser period as such person and any predecessors thereof shall

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have been in existence. Briefly describe the business intended to be done by the applicant and the applicant's subsidiaries.

(c) Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant. No affiliate need be identified if its total assets are equal to less than one-half of one percent of the total assets of the ultimate ~~holding-company~~ controlling person affiliated with the applicant. Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. -- corporation, trust, partnership) and the state or other jurisdiction of domicile. If court proceedings ~~looking-toward~~ involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

State the following with respect to (1) the applicant if ~~he~~ the applicant is an individual or (2) all persons who are directors, executive officers or owners of ten percent or more of the voting securities of the applicant if the applicant is not an individual:

(a) Name and business address;

(b) Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;

(c) Material occupations, positions, offices or employment during the last five years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if

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any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith.

(d) Whether ~~or not such person~~ the individual has ~~ever~~ been convicted ~~in a~~ of or is currently charged with any criminal ~~proceeding (excluding~~ offense other than minor traffic violations~~)~~ during the ~~last~~ past ten years ~~and, if so, give the date,~~ (if so, explain); whether the individual or any company for which the individual was then acting as an officer or director has been the subject of any inquiry or investigation by any state agency, administrative body, or law enforcement unit and the results of these proceedings (this includes inquiries or investigations which may have begun after the individual ceased acting as an officer or director but which pertain to the time period during which the individual was acting as an officer or director); and whether the individual has ever been a defendant in any lawsuit involving claims of fraud, misrepresentation, conversion, mismanagement of funds, breach of fiduciary duty, or breach of contract. If any of the provisions of this subdivision apply to the individual or company described in the filing, please give a detailed explanation, including dates, nature of ~~conviction~~ the investigation or proceeding, ~~name~~ names and location of ~~court~~ courts, and ~~penalty~~ penalties imposed or other disposition of the case.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. If any part of the same is represented or is to be represented by funds, or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding, or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the

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amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.

(b) Explain the criteria used in determining the nature and amount of such consideration.

(c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity to remain confidential, he must specifically request that the identity be kept confidential.

ITEM 5. FUTURE PLANS ~~FOR~~ OF INSURER

Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate such insurer, to sell its assets to or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OR THE INSURER

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any persons listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of

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losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom such contracts, arrangements or understandings have been entered into.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in such description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any such shares so purchased are hypothecated.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender, and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements and exhibits shall be attached to this statement as an appendix, but list under this item all the financial statements and exhibits so attached.

(b) The financial statements shall include the annual financial statements of the persons identified in Item 2 (c) for the preceding five fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year, if such information is available. Such statements may be prepared on either an individual basis, or, unless the Commissioner

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otherwise requires, on a consolidated basis if such consolidated statements are prepared in the usual course of business.

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of such person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of such state.

(c) File as exhibits copies of, or a statement fully describing, all tender offers for, requests or invitations for, tenders of, exchange orders for and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto; and proposed employment, consultation, advisory or management contracts concerning the insurer; annual reports to the stockholders of the insurer and the applicant for the last two fiscal years; and any additional documents or papers required by form A or parts 2720.1100 and 2720.1300.

ITEM 13. SIGNATURE AND CERTIFICATION

Signature and certification of the following form:

SIGNATURE

Pursuant to the requirements of Minnesota Statutes, section ~~2 of the act~~ 60D.17, and ~~part~~ parts 2720.1100 and 2720.1600, subpart 1, _____(name of applicant) has caused this application to be duly signed on its behalf in the city of _____ and state of _____ (seal) on the _____ day of _____, 19___.

_____

Approved
by Revisor _____

(name of applicant)

By _____
(name) (title)

Attest:

_____
(signature of officer)

_____
(title)

CERTIFICATION

The undersigned deposes and says that ~~he~~ the undersigned has duly executed the attached application dated _____, 19__, for and on behalf of _____; that ~~he~~ the undersigned is the _____ of such company, and that ~~he~~ the undersigned is authorized to execute and file such statement. Deponent further says that ~~he~~ the deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of ~~his~~ the undersigned's knowledge, information, and belief.

Signature _____

Type or print name beneath _____

2720.9920 FORM B; ANNUAL REGISTRATION STATEMENT.

FORM B

INSURANCE HOLDING COMPANY SYSTEM

ANNUAL REGISTRATION STATEMENT

Filed with the Insurance Department

of the State of _____

BY

_____

Name of Registrant

On behalf of the Following Insurance Companies

Name Address

_____

_____

_____

_____

_____

Date: _____, 19__

Name, title, address, and telephone number of individual to

Approved
by Revisor _____

whom notices and correspondence concerning this statement should be addressed:

_____

_____

_____

_____

ITEM 1. IDENTITY AND CONTROL OF REGISTRANT

Furnish the exact name of each insurer registering or being registered (hereinafter called "the Registrant"), the home office address and principal executive offices of each; the date on which each Registrant became part of the insurance holding company system; and the method(s) by which control of each Registrant was acquired and is maintained.

ITEM 2. ORGANIZATIONAL CHART

Furnish a chart or listing clearly presenting the identities of and interrelationships among all affiliated persons within the insurance holding company system. No affiliate need be shown if its total assets are equal to less than one-half of one percent of the total assets of the ultimate ~~holding-company~~ controlling person within the insurance holding company system, unless it has assets valued at or exceeding $250,000. The chart or listing should show the percentage of each class of voting securities of each affiliate which is owned, directly or indirectly, by another affiliate. If control of any person within the system is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. -- trust, partnership, corporation) and the state or other jurisdiction of domicile.

ITEM 3. THE ULTIMATE ~~HOLDING-COMPANY~~ CONTROLLING PERSON

As to the ultimate ~~holding-company~~ controlling person in the insurance holding company system furnish the following information~~,~~:

(a) name;

(b) home office address;

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(c) principal executive office address;

(d) the organization structure of the ~~company~~ person, i.e., corporation, partnership, individual, or trust~~, etc.~~;

(e) the principal business of the ~~company~~ person;

(f) the name and address of any person who holds or owns ten percent or more of any class of voting security, the class of such security, the number of shares held of record or known to be beneficially owned, and the percentage of class so held or owned~~.~~; and

(g) If court proceedings ~~looking toward~~ involving a reorganization or liquidation are pending, indicate the title and location of the court, the nature of proceedings, and the date when commenced.

ITEM 4. BIOGRAPHICAL INFORMATION

Furnish the following information for the directors and executive officers of the ultimate ~~holding company~~ controlling person: the individual's name and address~~, his~~; the principal occupation and all offices and positions held by this individual during the past five years~~, and any conviction of crimes~~; whether the individual has been convicted of or is currently charged with any criminal offense other than minor traffic violations during the past ten years~~.~~ (if so, explain); whether the individual or any company for which the individual was then acting as an officer or director has been the subject of any inquiry or investigation by any state agency, administrative body, or law enforcement unit and the results of these proceedings (this includes inquiries or investigations which may have begun after the individual ceased acting as an officer or director but which pertain to the time period during which the individual was acting as an officer or director); and whether the individual has ever been a defendant in any lawsuit involving claims of fraud, misrepresentation, conversion, mismanagement of funds, breach of fiduciary duty, or breach of contract. If any of the provisions of this subdivision apply to the individual or company described in the filing, please give a detailed explanation, including dates, nature of the

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by Revisor _____

investigation or proceeding, names and location of courts, and penalties imposed or other disposition of the case.

ITEM 5. TRANSACTIONS, RELATIONSHIPS, AND AGREEMENTS

(a) Briefly describe the following agreements in force, relationships subsisting, and transactions currently outstanding or which have occurred during the last calendar year between the Registrant and its affiliates:

(1) loans, other investments, or purchases, sales or exchanges of securities of the affiliates by the Registrant or of the Registrant by its affiliates;

(2) purchases, sales, or exchanges of assets;

(3) transactions not in the ordinary course of business;

(4) guarantees or undertakings for the benefit of an affiliate which result in an actual contingent exposure of the Registrant's assets to liability, other than insurance contracts entered into in the ordinary course of the Registrant's business;

(5) all management and service contracts and all cost-sharing arrangements~~, other than cost allocation arrangements based upon generally accepted accounting principles; and~~

(6) reinsurance agreements ~~covering all or substantially all of one or more lines of insurance of the ceding company~~;

(7) dividends and other distributions to shareholders;

(8) consolidated tax allocation agreements; and

(9) any pledge of the registrant's stock and/or of the stock of any subsidiary or controlling affiliate, for a loan made to any member of the insurance company holding system.

No information need be disclosed if the commissioner determines that such information is not material for purposes of Minnesota Statutes, section 60D.19. Sales, purchases, exchanges, loans, or extensions of credit ~~or~~, investments, or guarantees involving one-half of one percent or less of the registrant's admitted assets as of the ~~31st day of~~ preceding December ~~next preceding~~ 31 shall not be deemed material.

The description shall be in a manner as to permit the

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proper evaluation thereof by the comm
at least the following: the nature an
transaction; the nature and amounts o
of assets between the parties; the id
such transactions; and the relationsh
parties to the Registrant.

ITEM 6. LITIGATION OR ADMINISTR

A brief description of any litig
proceedings of the following types, e
concluded within the preceding fiscal
ultimate ~~holding-company~~ controlling
directors or executive officers was a
property of any such person is or was
names of the parties and the court or
litigation or proceeding is or was pe

(a) Criminal prosecutions or adm
any government agency or authority wh
trustworthiness of any party thereto; a

(b) Proceedings which may have a m
solvency or capital structure of the "
including, but not necessarily limite
receivership, or other corporate reor

ITEM 7. STATEMENT REGARDING PLA

The insurer shall furnish a stat
entered into since the filing of the
registration statement are not part o
transactions, the purpose of which is
threshold amounts and the review that

ITEM 8. FINANCIAL STATEMENTS AN

(a) Financial statements and exh
this statement as an appendix, but li
financial statements and exhibits so

(b) The financial statements sha
financial statements of the ultimate
person in the insurance holding compa
the person's latest fiscal year.

If at the time of the initial regis
financial statements for the latest fisc
available, annual statements for the pre
filed and similar financial information
subsequent period to the extent such inf
Such financial statements may be prepare
individual basis, or unless the commissi
on a consolidated basis if such consolid
prepared in the usual course of business

Unless the commissioner otherwise p
financial statements shall be accompanie
an independent public accountant to the
statements present fairly the financial
~~holding-company~~ controlling person and t
operations for the year then ended, in c
accepted accounting principles or with r
or other accounting principles prescribe
law. If the ultimate ~~holding-company~~ con
insurer which is actively engaged in the
the annual financial statements need not
they are based on the annual statement c
with the insurance department of the ins
and are in accordance with requirements
accounting principles prescribed or perm
regulations of such state.

(c) Exhibits shall include copies c
reports to shareholders of the ultimate
controlling person and proxy material us
ultimate ~~holding-company~~ controlling pe
documents or papers required by this pa
2720.1300.

ITEM 9. FORM C REQUIRED

A Form C, Summary of Registration S
prepared and filed with this Form B.

SIGNATURES

Signatures and certification of the

SIGNATURE

Pursuant to the requirements of Minnesota Statutes, section ~~3 of the act~~ 60D.19, and part 2720.1700, subpart 1, the Registrant has caused this registration statement to be duly signed on its behalf in the City of _____ and State of _____, on the _____ day of _____, 19__.

(SEAL)

_____
(Name of Registrant)

By _____
(Name) (Title)

Attest:

_____
(Signature of Officer)

_____
(Title)

CERTIFICATION

The undersigned deposes and says that ~~he~~ the undersigned has duly executed the attached registration statement dated _____, 19__, for and on behalf of _____ (Name of Company); that ~~he~~ the undersigned is the _____ (Title of Officer) of such company, and that ~~he~~ the undersigned has authority to execute and file such instrument. Deponent further says that ~~he~~ the deponent is familiar with such instrument and that the facts therein set forth are true to the best of ~~his~~ the undersigned's knowledge, information, and belief.

(Signature) _____

(Type or print name beneath) _____

Rules as proposed (all new material)

2720.9930 FORM C; REGISTRATION SUMMARY STATEMENT.

FORM C

SUMMARY OF REGISTRATION STATEMENT

Filed with the Insurance Department of the State of _____

By

_____

Name of Registrant

Approved by Revisor _____

On behalf of Following Insurance Companies

Name Address

_____

_____

_____

_____

_____

Date: _____, 19__

Name, Title, Address, and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed:

_____

_____

_____

_____

Furnish a brief description of all items in the current annual registration statement which represent changes from the prior year's annual registration statement. The description shall be in a manner as to permit the proper evaluation thereof by the Commissioner, and shall include specific references to Item numbers in the annual registration statement and to the terms contained therein.

Changes occurring under Item 2 of Form B insofar as changes in the percentage of each class of voting securities held by each affiliate is concerned, need only be included where such changes are ones which result in ownership or holdings of ten percent or more of voting securities, loss or transfer of control, or acquisition or loss of partnership interest.

Changes occurring under Item 4 of Form B need only be included where: an individual is, for the first time, made a director or executive officer of the ultimate controlling person; a director or executive officer terminates responsibilities with the ultimate controlling person; or an individual is named president of the ultimate controlling person.

If a transaction disclosed on the prior year's annual registration statement has been changed, the nature of such

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by Revisor _____

change shall be included. If a transaction disclosed on the prior year's annual registration statement has been effectuated, furnish the mode of completion and any flow of funds between affiliates resulting from the transaction.

The insurer shall furnish a statement that transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions whose purpose it is to avoid statutory threshold amounts and the review that might otherwise occur.

SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Minnesota Statutes, section 60D.19, the registrant has caused this summary of registration statement to be duly signed on its behalf in the City of _____ and State of _____, on the _____ day of _____, 19__.

(SEAL)_____
(Name of Registrant)

By _____
(Name) (Title)

Attest:

_____
(Signature of Officer)

_____
(Title)

CERTIFICATION

The undersigned deposes and says that the undersigned has duly executed the attached summary of registration statement dated _____, 19__, for and on behalf of _____ (Name of Company); that the undersigned is the _____ (Title of Officer) of such company, and that the undersigned is authorized to execute and file such instrument. Deponent further says that the deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the undersigned's knowledge, information, and belief.

(Signature) _____

(Type or print name beneath) _____

Approved
by Revisor _____

2720.9940 FORM D; TRANSACTION NOTICE.

FORM D

PRIOR NOTICE OF A TRANSACTION

Filed with the Insurance Department of the State of _____

By

_____

Name of Registrant

On behalf of Following Insurance Companies

Name Address

_____

_____

_____

_____

_____

Date:_____, 19__

Name, Title, Address, and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed:

_____

_____

_____

_____

ITEM 1. IDENTITY OF PARTIES TO TRANSACTION

Furnish the following information for each of the parties to the transaction:

(a) name;

(b) home office address;

(c) principal executive office address;

(d) the organizational structure, i.e. corporation, partnership, individual, or trust;

(e) a description of the nature of the parties' business operations;

(f) relationship, if any, of other parties to the transaction to the insurer filing the notice, including any ownership or debtor/creditor interest by any other parties to the transaction in the insurer seeking approval, or by the

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by Revisor _____

insurer filing the notice in the affiliated parties; and

(g) where the transaction is with a nonaffiliate, the names of the affiliates which will receive, in whole or in substantial part, the proceeds of the transaction.

ITEM 2. DESCRIPTION OF TRANSACTION

Furnish the following information for each transaction for which notice is being given:

(a) a statement as to whether notice is being given under Minnesota Statutes, section 60D.20;

(b) a statement of the nature of the transaction; and

(c) the proposed effective date of the transaction.

ITEM 3. SALES, PURCHASES, EXCHANGES, LOANS, EXTENSIONS OF CREDIT, GUARANTEES, OR INVESTMENTS

Furnish a brief description of the amount and source of funds, securities, property, or other consideration for the sale, purchase, exchange, loan, extension of credit, guarantee, or investment, whether any provision exists for purchase by the insurer filing notice, by any party to the transaction, or by any affiliate of the insurer filing notice, a description of the terms of any securities being received, if any, and a description of any other agreements relating to the transaction such as contracts or agreements for services and consulting agreements. If the transaction involves other than cash, furnish a description of the consideration, its cost, and its fair market value, together with an explanation of the basis for evaluation.

If the transaction involves a loan, extension of credit, or a guarantee, furnish a description of the maximum amount which the insurer will be obligated to make available under the loan, extension of credit, or guarantee, the date on which the credit or guarantee will terminate, and any provisions for the accrual of or deferral of interest.

If the transaction involves an investment, guarantee, or other arrangement, state the time period during which the investment, guarantee, or other arrangement will remain in effect, together with any provisions for extensions or renewals

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by Revisor _____

of the investments, guarantees, or arrangements. Furnish a brief statement as to the effect of the transaction on the insurer's surplus.

No notice need be given if the maximum amount which can at any time be outstanding or for which the insurer can be legally obligated under the loan, extension of credit, or guarantee is less than: (a) in the case of a nonlife insurer, the lesser of three percent of the insurer's admitted assets or 25 percent of surplus as regards policyholders, or (b) in the case of a life insurer, three percent of the insurer's admitted assets, each as of the preceding December 31.

ITEM 4. LOANS OR EXTENSIONS OF CREDIT TO A NONAFFILIATE

If the transaction involves a loan or extension of credit to any person who is not an affiliate, furnish a brief description of the agreement or understanding whereby the proceeds of the proposed transaction, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase the assets of, or to make investments in any affiliate of the insurer making the loans or extensions of credit, and specify in what manner the proceeds are to be used to loan to, extend credit to, purchase assets of, or make investments in any affiliate. Describe the amount and source of duns, securities, property, or other consideration for the loan or extension of credit and, if the transaction is one involving consideration other than cash, a description of its cost and its fair market value, together with an explanation of the basis for evaluation. Furnish a brief statement as to the effect of the transaction on the insurer's surplus.

No notice need be given if the loan or extension of credit is one which equals less than, in the case of a nonlife insurer, the lesser of three percent of the insurer's admitted assets or 25 percent of surplus as regards policyholders or, with respect to life insurers, three percent of the insurer's admitted assets, each as of the preceding December 31.

ITEM 5. REINSURANCE

If the transaction is a reinsurance agreement or

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modification to the agreement, as described by Minnesota Statutes, section 60D.20, subdivision 1, paragraph (b), clause (3), furnish a description of the known and/or estimated amount of liability to be ceded and/or assumed in each calendar year, the period of time during which the agreement will be in effect, and a statement whether an agreement or understanding exists between the insurer and nonaffiliate to the effect that any portion of the assets constituting the consideration for the agreement will be transferred to one or more of the insurer's affiliates. Furnish a brief description of the consideration involved in the transaction, and a brief statement as to the effect of the transaction on the insurer's surplus.

No notice need be given for reinsurance agreements or modifications to the agreement if the reinsurance premium or a change in the insurer's liabilities in connection with the reinsurance agreement or modification to the agreement is less than five percent of the insurer's surplus as regards policyholders, as of the preceding December 31.

ITEM 6. MANAGEMENT AGREEMENTS, SERVICE AGREEMENTS, AND COST-SHARING ARRANGEMENTS

(a) For management and service agreements, furnish:

(1) a brief description of the managerial responsibilities, or services to be performed; and

(2) a brief description of the agreement, including a statement of its duration, together with brief descriptions of the basis for compensation and the terms under which payment or compensation is to be made.

(b) For cost-sharing arrangements, furnish:

(1) a brief description of the purpose of the agreement;

(2) a description of the period of time during which the agreement is to be in effect;

(3) a brief description of each party's expenses or costs covered by the agreement; and

(4) a brief description of the accounting basis to be used in calculating each party's costs under the agreement.

ITEM 7. SIGNATURE AND CERTIFICATION

Approved by Revisor _____

Signature and certification are required as follows:

SIGNATURE

Pursuant to Minnesota Statutes, section 60D.20, _____ (Applicant) has caused this notice to be duly signed on its behalf in the City of _____ and State of _____, on the _____ day of _____, 19__.

(SEAL) _____
(Name of Applicant)

By _____
(Name) (Title)

Attest:

_____
(Signature of Officer)

_____
(Title)

CERTIFICATION

The undersigned deposes and says that the undersigned has duly executed the attached notice dated _____, 19__, for and on behalf of _____ (Name of Applicant); that the undersigned is the _____ (Title of Officer) of the company, and that the undersigned is authorized to execute and file the instrument. Deponent further says that the deponent is familiar with the instrument and the contents of the instrument, and that the facts in the instrument set forth are true to the best of the undersigned's knowledge, information, and belief.

(Signature) _____

(Type or print name beneath) _____

REPEALER. Minnesota Rules, part 2720.0100, subparts 3 and 4, are repealed.

Approved
by Revisor _____

Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Insurance Holding Company Systems

AGENCY: Department of Commerce

MINNESOTA RULES: Chapter 2720

The attached rules are approved for publication in the State Register

Paul M. Marinac
Deputy Revisor

STATE OF MINNESOTA
Department of Commerce

In the Matter of Proposed Adoption of the Rules Relating to Insurance Holding Company Systems

FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING RULE WITHOUT PUBLIC HEARING

(1) Notice of the Commissioner's intent to adopt the above-entitled rules was published in the State Register on August 3, 1992 and was sent by United States mail to all persons on the list maintained by the Department of Commerce pursuant to Minnesota Statutes, section 14.14, subdivision 1a and 14.22 on July 22, 1992. (2) The Statement of Need and Reasonableness was prepared before the Notice of Intent to Adopt a Rule without a Public Hearing was mailed to all persons on the rulemaking mailing list and published in the State Register and was available to the public.

(4) All persons were given the opportunity to submit comments on the rules for 30 days after notice of proposed rulemaking. The department received two written comments on the rules, (5) however, no requests for a public hearing on the rules were received by the department. No requests for notice of submission to the Attorney General were received by the department. (7)

(6) Based on the comments and evidence in the record before the department, I find the following:

1. Subpart 2 of Part 2720.1600 of the rule as originally proposed established a more certain time period than contained in current regulations for the applicant to file amendments to information included on the acquisition filing statement. The rule as originally published established a one-day filing period. The authorizing statute, Minn. Stat. 60D.17 subdivision 2, states that any material change in the facts set forth in the statement must be sent to the commissioner within two business days of the change. The final format of the rules as adopted has been amended under Subpart 2 of Part 2720.1600 to make the time requirements comparable under the rule and the statute. This change does not constitute a substantial change from the rules as originally published in the State Register.

2. A change has been made to Item 2 of Part 2720.9920 of the rules as originally published in the State Register. The purpose of this part was to require in the disclosure statement on Form B information on all affiliates of the holding company that are of sufficient size to affect the solvency of the holding company. By establishing a threshold value amount for the affiliate at $250,000, it was acknowledged that certain small affiliates of the holding company could be excluded from disclosure under Item 2 because they caused little or no impact on the total asset calculation or operation of the holding company.

After the rules were published, commentary was received indicating that a fixed dollar threshold amount was not always the most effective means of determining which affiliates of the holding company needed to be disclosed on Form B. The effect of a $250,000 asset can be dramatically different depending upon the size of the holding company. While assets of that size may be significant in evaluating the operations of a small holding company, they would be meaningless with respect to multi-billion dollar holding system corporations. Reports on assets of $250,000 or less for large corporations can impose significant reporting requirements while producing little, if any, needed information.

Accordingly, Item 2 of Part 2720.9920 has been amended to clarify what was originally intended in the proposed rules; namely, to set a de minimus requirement for disclosure of affiliates. The entity filing the Form B now need not disclose any affiliate that represents less than one-quarter of one-percent of the total assets of the holding company. In addition, any affiliate that has assets valued at $250,000 or less need not be disclosed on the Form B. This exemption applies even if that affiliate would fall within the one-quarter of one-percent of total assets of the holding company filing the Form B. The changes to this part of the proposed rule will cause more adequate disclosure on Form B than current rules and will to meet the statutory requirements without causing undue reporting burdens on the holding company filing the Form B. The assets that will be disclosed under the modified rule are within the parameters of those that would have been required to be disclosed under the rule as originally proposed. Some smaller assets of large holding companies that would have been disclosed but which would not have been significant enough to affect the holding company's solvency will now not need to be reported. For the reasons set forth above, the change to Item 2 of Part 2720.9920 is consistent with the original purpose and is not substantial.

3. The above-captioned rules, as amended, are needed and reasonable.

NOW, THEREFORE, IT IS ORDERED that the rules identified as the Proposed Permanent Rules Relating to Insurance Holding Company Systems are adopted this 13th day of October, 1992, pursuant to the authority vested in me by Minnesota Statutes, sections 60D.23 and 45.023.

Bert J. McKasy
Commissioner of Commerce

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

In the Matter of the Proposed Adoption of the Rule Relating to Insurance Holding Company Systems

STATEMENT OF NEED AND REASONABLENESS OF PROPOSED RULES

STATEMENT OF AUTHORITY

Minnesota Statutes Section 60D.23 permits the Commissioner of Commerce to adopt rules to carry out the provisions of Chapter 60D governing Insurance Holding Company Systems. These rules are proposed pursuant to that authority and authority granted the Commissioner under Minnesota Statutes Section 45.023. The purpose of the rules is to provide procedures to be followed by members of an insurance holding company system to adequately inform the public, the Commissioner, shareholders and policyholders of proposed changes in control of the holding company system. The proposed rules would conform the rules with national model regulations.

FACTS ESTABLISHING NEED AND REASONABLENESS

Adoption of the proposed Insurance Holding Company Rules is one of the final stages of an upgrading of insurance regulation which began in Minnesota several years ago with the combined Department-Insurance Industry Task Force on Solvency ("Task Force"). The enhancement of insurance regulation has been pursued on a national level by the National Association of Insurance Commissioners (NAIC) through its accreditation process. In both instances, the concern about the solvency of life and health insurance companies resulted in recommendations to improve the regulatory structure as well as the statutory investment and operational requirements for life and health insurance companies.

Similar requirements, at least in Minnesota, have also been pursued in regard to property and casualty companies.

In Minnesota, the Task Force produced a report which required a number of statutory and other changes. At the same time, the NAIC developed a number of model laws and regulations, as well as other standards and criteria, which each state was required to adopt in order to be accredited. The accreditation process of the NAIC is intended to set minimum standards for each state's insurance department. Achieving these standards results in the department being accredited. Without accreditation, the examinations and reports on the financial condition of insurers, primarily of domestic insurance companies, performed by the department need not be given full faith and credit by the other states in which these companies are doing business. Accordingly, those states can conduct their own examinations of Minnesota domestic insurers. As these examinations are rather expensive and time consuming, duplication would impose a severe financial burden on domestic insurers of a non-accredited state. The insurers must pay the department's examination expense. Consequently, the Minnesota domestic insurance industry has fully supported the accreditation process.

The accreditation process, as well as the work of the Task Force has performed a significant public service because increased regulation and better standards reduce the likelihood of insolvency and loss to policyholders. The insurance industry benefits by not having to pay, through the guaranty associations and similar means, the cost of insurance failures. The state gains through increased confidence in the insurance products being sold in Minnesota. In addition, by preventing insolvencies that involve domestic insurers, Minnesota maintains jobs and income for its residents.

The NAIC accreditation process and the Task Force's work were combined and codified into the 1991 Solvency Bill (Chapter 325 of the 1991 Session Laws). Under this bill, the legislature adopted all of the NAIC model acts not previously enacted in Minnesota, and brought previously adopted model acts into conformity with the current NAIC versions of those acts. In addition, the 1991 Solvency Bill granted the Department of Commerce other powers recommended by the Task Force and all authority believed to be necessary for the Department to receive NAIC accreditation. It was a full and unqualified endorsement of the process. The 1991 Solvency Bill passed unanimously in both houses with very vocal support, particularly concerning those portions of the law that would ensure public protection from future insurer insolvencies. Specific references were made by legislators to major insolvencies that received so much press coverage in the last year.

One of the model laws previously adopted in Minnesota which needed to be amended to conform with the new NAIC models was the Insurance Holding Company Act, codified as Minnesota Statutes Chapter 60D. Due to changes in the nature of holding companies operations, as well as the discovery of inadequacies in the prior law a number of substantial changes were made by the 1991 legislature. As a result of the changes to Chapter 60D in 1991, it became necessary to amend Minnesota Rules Chapter 2720 to reflect the new requirements and, in some cases, the new terminology and styles of the amended Chapter 60D. Adoption of the proposed rules is necessary to complete the process of conformity with the NAIC standards for accreditation. Failure to do so would jeopardize the accreditation of Minnesota and, as importantly, would leave Minnesota with regulations that are inconsistent with the current law.

Additionally, filings in Minnesota under the Act are also generally made in several states since a holding company usually

does business in more than one state. The change of control in a holding company will thus trigger filing requirements in numerous states. To reduce the administrative burden and allow the various states to meaningfully communicate with each other and with the insurer regarding the acquisition at issue, it is important that the form of the materials submitted be as uniform as possible. Adopting the national model regulation in this instance is the most effective means to assure uniformity and efficiency in communication.

ANALYSIS

As more specifically stated in the following paragraphs, the proposed rules are necessary to bring established procedures into conformity with recent changes in Minnesota Statues Chapter 60D and the NAIC model regulation.

PART 2720.0100 DEFINITIONS

Part 2720.0100 defines terms as they relate to the Insurance Company Holding Systems Act (the "Act") under Minnesota Statutes Chapter 60D and the reporting requirements specifically described in these rules. These definitions clarify the terms used in the body of the rules.

Subpart 1. Scope. This subpart has been amended to simplify the language and remove archaic and unnecessary terminology. The last portion of this subpart has been deleted, since the language is redundant of provisions found elsewhere under Minnesota law.

Subpart. 2. Acquisition filing statement. This subpart has been amended to update the statutory reference to the Act to conform with the new codification passed by the legislature in 1991. There is no substantive change to this subpart.

Subpart. 3. Act. This definition has been deleted because the term "act" throughout the rules has been replaced with updated statutory citations. The term "act" referring to Chapter 288 of the 1971 Laws of Minnesota was not current or as precise as references to specific sections of Minnesota Statute Chapter 60D.

Subpart. 4. Company. This definition is no longer relevant, since the legislature amended the Act in 1991 to include "company" under the definition of "person". References in the rules to person now incorporate references to companies as well.

Subpart. 5. Executive officer. This subpart has been amended to conform with the language in the NAIC model regulation thereby assuring uniformity in all states where filings under the Act will be required. The change in terminology is designed to incorporate updated title designations and to be more descriptive of job responsibilities.

Subpart. 7. Registration statement. The statutory reference has been amended to conform with the new codification passed by the legislature in 1991. There is no substantive change to this subpart.

Subpart. 8. Ultimate controlling person. This change parallels the change made in the Act in 1991 and in the NAIC model regulation language. The term "controlling person" incorporates both individuals and companies, and thus more appropriately defines the person or entity in control of the holding company operation than the former terminology. It clarifies previous ambiguity as to the application of the Act and the rule where the voting power and controlling interest of the insurance holding company system was in the hands of an individual person and not a company.

PART 2720.0200 AUTHORITY

This part has been deleted because it is redundant. Minnesota Statutes Sections 60D.23 and 45.023 set forth the authority for promulgation of these rules. The repeal of this part is intended to help streamline the rules and remove superfluous provisions.

PART 2720.0350 SEVERABILITY CLAUSE

This part adopts the language of the NAIC model regulation. It is intended to preserve the balance of these rules in the event that any one part or subpart is deemed by a court or other enforcement authority to be invalid or in violation of other state or federal law. While Minnesota law already provides for this, the NAIC auditors want to see this language included in the rules to be absolutely sure that the balance of the rules will remain in effect.

Part 2720.0400 APPROVAL OF ACQUISITION OF CONTROL

This part has been changed for clarification purposes. Under Minnesota Statutes, Section 60D.17, subdivision 4, the Commissioner must hold a public hearing only before denying an application of control acquisition. It is permissible to hold hearings even if they are not mandatory. The rule was amended to make this clear. This part is intended to explain that there may be some instances where a hearing is desirable even though the Commissioner has no inclination of denying the application.

The rule also makes it clear that the hearing is not mandatory except as required by Minnesota Statutes Chapter 60D. The Commissioner determines when to hold an informational public hearing. There is no absolute right to a hearing except if denial of the application is expected.

PART 2720.0500 EXTRAORDINARY DIVIDENDS AND OTHER DISTRIBUTIONS

The requirements of Part 2720.0500 mimic similar provisions found in the NAIC model regulation and, in other instances, repeat the

mandates of Minnesota Statutes Section 60D.20. The detailed information and disclosures required under this part of the rules are designed to protect the shareholders and the public by making insurers accountable for all dividends paid out or other distributions made to shareholders.

Subpart. 1. Format for Request. Pursuant to Minnesota Statutes Section 60D.20, subdivision 2, an insurer must request approval for disbursement of extraordinary dividends or other types of extraordinary distribution to shareholders. This subpart has been amended to require, in the request for approval, disclosure of the amount of the proposed dividend. This is an essential piece of information for the Commissioner to have in order to carry out the duties of review and approval of the distribution, as required by the above referenced statute.

Subpart 1 D is being changed to require the filing of detailed calculations and work papers used to determine the proposed extraordinary dividend. Minnesota Statutes Section 60D.20, subdivision 2 sets out certain limitations on dividend payments. The calculation process used to show that the dividends are within these limitations is best illustrated in tabular form. The rule identifies specific items to be shown as part of the calculations and work papers, all of which are necessary for the Commissioner to determine the appropriateness of the dividend or distribution. The information described in the rule is identical to the items listed under the corresponding provision in the NAIC model regulation. The work papers make the proposed dividend or distribution easily verifiable and discernable when compared with the records upon which they are based.

Item (1) under subpart 1D has been changed by adding that the form of payment must be disclosed with respect to all dividends or distributions. Although this change appears to be a simple one, the form of payment can be pertinent in terms of the

appropriateness of the distribution. This subpart also includes new language which is required because of recent legislative changes that allow the insurer to exclude from the disclosures required under this subpart information about distribution of the insurer's own securities. Minnesota Statute Section 60D.20, subdivision 2, now specifically excludes these securities from disclosure requirements, because such distributions presumably have no significant effect on the transaction under scrutiny.

Items (2) through (5) of subpart 1D have been added to conform the rule with the NAIC model regulation. Minnesota Statute, Section 60D.20, subdivision 2 (b) lists certain criteria to be used in determining whether the distribution is extraordinary. The criteria set forth in the statute are repeated under Items (2) through (5) of this subpart. By requiring specific and separate disclosures as outlined in Items (2) through (5), the Commissioner will be in a position to evaluate the existence of an extraordinary dividend or distribution.

Subpart 2. Report of Distributions. This subpart is intended to clarify the relationship between two sections of Minnesota Statutes, Chapter 60D. Pursuant to Minnesota Statute, Section 60D.19, subdivision 5, each registered insurer must report to the Commissioner all dividends and other distributions to shareholders within 15 business days following declaration of the dividend or distribution. Subpart 2 of Part 2720.0500 makes it clear that the reporting requirement under the above-referenced statute also applies to the declaration of extraordinary dividends or other distributions. Subitems (4) and (5) referred to in Subpart 2 are necessary for purposes of determining the existence of extraordinary dividends or distributions. Pursuant to Minnesota Statutes, Section 60D.20, subdivision 2, the Commissioner has 30 days after declaration of an extraordinary dividend to review and approve or disapprove the dividend or

distribution. The language of this subpart is similar to that found in provisions of the NAIC model regulation.

Part 2720.0600 ADEQUACY OF SURPLUS

The statutory reference to "act" under this part of the rules has been eliminated and replaced with a reference to Minnesota Statute Chapter 60D, to conform with the new codification passed by the legislature in 1991. There is no substantive change to this part.

Part 2720.1100 FORMS

The first sentence of this part has been amended to include references to all of the forms described at the end of the chapter. This part lists general requirements as to the filing of any or all of the forms required pursuant to the Act or these rules. Other changes in the first paragraph of Part 2720.1100 are for grammatical or clarification purposes and are not substantive.

Under the second paragraph of Subpart 2, an insurer is required to file a copy of the summary statement on Form C with all states in which it is authorized to do business and where the commissioner of that state has requested such filing of the insurer. This provision is included under this rule pursuant to the authority of Minnesota Statute, Section 60D.19, Subdivision 1. This provision is also consistent with the NAIC model regulation. This filing requirement is intended to expedite the reporting of changes in holding company systems registration statements to other states without the need for the other state to formally request the full-blown registration information on Form B. By requiring insurers to supply a copy of the Form C to other state regulators as a part of this rule, insurers become subject to sanctions in Minnesota for failure to file a Form C in another state as requested by the other state's commissioner. Minnesota may be in the best position to exert the maximum

leverage to assure nationwide compliance by the holding company with other state laws. Reciprocal enforcement among state regulators promotes consistency in regulation of insurers and holding companies nationwide.

PART 2720.1200 INCORPORATION BY REFERENCE, SUMMARIES AND OMISSIONS

Parts 2720.1200 through 2720.1500 contain general information to be used by the insurer in completing the disclosures required by the Act. Since the Act was amended last year to add two new types of disclosures, the rules were necessarily modified to include Forms C and D at the end of this chapter. To ensure consistency in the way that all of these forms are being completed, Parts 2720.1200 through 2720.1500 have been changed to include references to Forms C and D as well as Forms A and B.

Under Part 2720.1200, insurers making filings can refer to documents filed with Commissioner within the previous three years without including a copy of the document as an exhibit. This change was prompted by the Department's record retention schedule. Due to limited storage space and the voluminous documents filed with the Department, the Department does not keep copies of filed documents beyond three years. Consequently, there is no guarantee that the information filed more than three years before the current filing date would be available for review by its current Department examiners. Insurers or companies can still make references to documents filed more than three years ago, but they must attach a copy as an exhibit.

Part 2720.1200 has also been changed to require the insurer to list the date that the document incorporated by reference was actually filed with the Department of Commerce. The date of filing is obviously required for ease in finding the documents that the company intends to rely upon by cross-reference. Other amendments in this paragraph are grammatical and not substantive.

The last sentence of Part 2720.1200 has been deleted because it appears to be unnecessary. Oftentimes it is more burdensome for the entity making the filing to detail the differences between two similar documents than it would be to file both documents.

PART 2720.1300 INFORMATION UNKNOWN OR UNAVAILABLE

Subpart 2. Extension of time. The first sentences has been changed to eliminate awkward language and legalese. The references to application in the second sentence are confusing and have been changed to "request for extension of time" to better identify what is being asked for by the applicant. No substantive changes have been made to this section.

PART 2720.1400 ADDITIONAL INFORMATION AND EXHIBITS

All of the changes made to this part are intended to clean-up the language of this provision to clarify the original intent of rule. There has been no substantive change to this part of the rules.

PART 2720.1500 AMENDMENTS

This part has been amended to reflect the fact that there are now four forms incorporated as part of these rules. Grammatical changes have been made but they do not result in any substantive changes to this part.

PART 2720.1600 ACQUISITION FILING STATEMENT

Subpart 1. Statement required. Part 2720.1600 states that Form A is the form to be filed with the Department to comply with the statutory filing requirements under Minnesota Statutes Sections 60D.17 and 60D.18. Subpart 1 has not been changed in any substantive way. The statutory citation has been changed from "act" to a more specific reference to the current statute section under Chapter 60D (which reflects the recodification of this statute in 1991). Other changes to this subpart are simply grammatical changes for clarification purposes.

Subpart 2. Amendments. This part has been changed to make the text clearer and easier to read. The word "promptly" in this subpart was determined to be too indefinite. The Department considers the acquisition filing statements to be a top priority, since they involve control of domestic insurers. It is essential to have immediate disclosure of any changes in the information furnished to the Department on the original acquisition filing statements. Such amendments could affect the Commissioner's decision with respect to approval or disapproval of the merger or acquisition. Consequently, it is extremely important that any change in the information on the filing statement be submitted to the Commissioner within one business day of the change to ensure that the decision is based on the most current and accurate information possible.

Subpart 3. Acquisition of other insurers. Minnesota Statutes Section 60D.18 establishes certain notification and approval requirements for mergers involving any insurer authorized to do business in Minnesota, even if the insurer is not domiciled in this state. This statute potentially makes a non-resident insurer (as determined by other section of Minnesota insurance law) a "domestic insurer" for purposes of complying with the Act. This subpart has been amended to conform with the NAIC model regulation which refers to these insurers as "domestic insurers." Based on changes to the NAIC model regulation and to Minnesota Statutes Section Chapter 60D, it is no longer accurate to refer to "securities of other insurers" in terms of state regulation of mergers or acquisitions. Mergers or acquisitions subject to state regulation could involve acquiring something other than the voting securities previously referred to in subpart 3 of Part 2720.1600. The amendments to subpart 3 involve changes in the titles used to describe the persons or entities that need to comply with the rule. The basic requirement of this subpart (i.e., how to list the name of the person or entity on the cover page of the filing statement) remains unchanged.

PART 2720.1700 ANNUAL REGISTRATION OF INSURERS; STATEMENT; FILING

The title of this part has been changed to more accurately describe the contents of this part of the rules. The modifications to this part are not substantive. The filing required under this part involves insurers of the holding company system and must be made annually.

Subpart 1. Statement required. This subpart has been amended to conform with the requirements of Minnesota Statutes, Section 60D.19, subdivision 1. These changes clarify that the filing is required annually on March 1, as is set forth in the statute. This subpart now specifically refers to Form B as it appears in Part 2720.9920 of the rules.

Subpart 2. Summary of Registration. This subpart is new and is intended to give effect to Minnesota Statutes Section 60D.19, subdivision 3. This statute requires all persons filing a registration statement to also file a summary statement that outlines any changes on the registration statement currently being filed as compared with the prior registration statement filed the previous year. The NAIC model regulation contains this provision and sets out the recommended format for the outline, which has been added to these rules as Form C under Part 2720.9930.

Subpart 2 also includes the NAIC model regulation provision that requires an insurer to file a completed copy of Form C in each state in which the insurer is authorized to do business, if required by the commissioner of that state. The significance of this provision is discussed under Part 2720.1100 of this Statement of Need and Reasonableness.

Subpart 3. Amendments. The changes made to the first paragraph of this subpart are for clarification purposes. References to

Form B and to the annual registration statement more clearly identify the documents being discussed in this subpart.

The second paragraph of this subpart has been modified to conform with the NAIC model regulation and to simplify the filing process for the insurer. A person need only file an amendment report for those items on Form B that contain changes, since the original Form B was filed with the Commissioner. This subpart also establishes a marking method for the cover pages of these amendments that enables the Department to track and sequence the amendments being made to Form B filings.

Subpart 4. Alternative and consolidated registration. Items A, D and E of this subpart each contain changes to the statutory references to the Act to conform with the new codification of the Act in 1991. Item D also contains a grammatical change to make the reference to Commissioner gender neutral.

Item A of Subpart 4 includes clarification language that is recommended in the NAIC model regulation. The amendment makes it clear that an insurer can choose to include additional information it may deem to be relevant to the filing, even if such information is not required by the Act. An example of this situation might be if a foreign insurer is the leading participant or insurer of a holding company group but it is not otherwise authorized to do business in Minnesota. It might be important for the entities that must file statements in Minnesota under the Act to include in the alternative or consolidated registration statements specific information on this foreign insurer for a complete understanding of how the holding company operates. The change to Subpart 4, Item A makes it clear that the person filing the statement would be allowed to include such information.

PART 2720.2000 TRANSACTIONS SUBJECT TO PRIOR NOTICE

Minnesota Statues, Section 60D.20, subdivision 1(b) establishes the requirement for domestic insurers and any person in the holding company system to give at least 30-days advance notice to the Commissioner of specific proposed transactions. The advance notice is required for any material transactions involving an insurer in a holding company that may adversely affect the interests of the insurer's policyholders. Part 2720.2000 has been added to these rules to identify Form D (found under Part 2720.9940) as the official format for the notice required by this statute. Part 2720.2000 and Form D are identical to provisions in the NAIC model regulation.

PART 2720.9910 FORM A; ACQUISITION FILING STATEMENT

As discussed previously in this Statement of Need and Reasonableness, the NAIC has prepared forms for use by insurers or other persons making filings pursuant to the Act which can be filed in every state that has jurisdiction over the transaction. By using these uniform filing statements, states eliminate or reduce the burden on insurers who must make filings in more than one state. Forms A and B have already been adopted in Minnesota under Parts 2720.9910 and 2720.9920. Most of the changes being made to Forms A and B involve changes in statutory citation or grammatical changes which are not substantive.

Item 2(c) has been amended to refer to the ultimate controlling person, as it is now defined under subpart 8 of Part 2720.0100. The term "involving" is more accurate than "looking toward".

Item 3, as well as the Certification section of Form A, include changes to make the references to "applicant" gender neutral.

Item 3(d) has been changed to require the applicant to give a detailed listing and discussion of any criminal inquiries, investigations or convictions involving the applicant that

occurred within the ten years immediately preceding the filing of the Form A. The detailed information requested of the applicant under this item is similar to the information requested of persons seeking insurance or real estate licenses from the Department of Commerce. Persons filing a Form A and any executive officer, director or ten percent shareholder of the entity filing a Form A could have substantial control or influence over a domestic insurer. The character of these persons is critical to the Department's analysis with respect to any criminal investigation or conviction of individuals in control of the holding company or related entities. In order to evaluate the appropriateness of the proposed acquisition and to adequately protect the interests of Minnesota residents who might be involved with the applicant, the Commissioner must have a detailed response to the information requested under Item 3(d).

Item 4 deals with disclosure of the type and amount of consideration involved in the transaction. Such disclosures assist the Commissioner in analyzing the applicant's financial capability to effect the transaction. The changes to this section of the rule are intended to require an applicant to also disclose any interest in a domestic insurer that might have been accumulated before notification of the current proposed merger was made to the Commissioner pursuant to Minnesota Statutes Sections 60D.17 or 60D.18. The fact that a portion of the consideration was paid prior to the filing of Form A can be an important factor in the Commissioner's analysis, since it affects the overall financial status of the participants in the transaction.

The signature section of Form A has been revised to update and correct references to Minnesota Statutes Section 60D.17 and Part 2720.1100.

PART 2720.9920 FORM B. ANNUAL REGISTRATION STATEMENT

The changes made to this part and more fully described below were designed to conform Form B to the NAIC model regulation language. Item 1 has been added in as a paragraph heading to correct an omission from the first promulgation of this rule.

Item 2 includes a change from the term "ultimate holding company" to "ultimate controlling person". This change is necessary for consistency with the definition found under Part 2720.0100, subpart 8.

Item 2 also contains a new provision that limits the ability of the registrant to exclude an affiliate from disclosure on the organizational chart if the affiliate has assets valued at or above $250,000. The NAIC model regulation includes comparable language, but leaves the decision of the threshold amount to the individual states for their determination as to what would be a reasonable level. Over the past several years, it has become apparent that the identity of affiliates with assets over $250,000 can be important, especially if the holding company is relatively small. Establishing the threshold for disclosure at $250,000 is intended to give the Commissioner relevant information concerning the holding company or registrant, while minimizing burdensome reporting requirements on the registrant. Any threshold limit set higher than $250,000 could result in incomplete information about the registrant and hinder a sound evaluation of the registrant by the Commissioner.

Item 3 again involves changing the old reference of ultimate holding company to ultimate controlling person. See the discussion under Part 2720.0100, subpart 8 for further details. Changes to "person" or "individual" under Item 3 are needed since the change in terminology to "ultimate controlling person" in the Act incorporates individuals as well as companies. Other changes

in Item 3 are grammatical and not substantive.

Item 4 requires disclosure of biographical data on the individuals in charge of the ultimate controlling person. This disclosure requirement is more detailed than the one included in the NAIC model regulation. The language added to this item concerning disclosure of criminal or administrative inquires, investigations or convictions is virtually identical to the language added to Item 3(d) of Form A under Part 2720.9910. The explanation of the need and reasonableness of this language found under Item 3(d) of Part 2720.9910 applies equally to the changes proposed to Item 4 of Form B.

Item 5(a) has been modified to clarify that the report on Form B should specifically include any information concerning business activities that have taken place since the filing of the last Form B so that the decision of the Commissioner is based on the most current information possible. This change is in the NAIC model regulation. It does not incorporate a substantive change, simply a clarification.

Other subdivisions of Item 5(a) of this part have been amended in the proposed rules. Subdivisions (5) through (9) have been either modified or added to bring the rules into conformance with Minnesota Statutes, Section 60D.19, subdivision 2 and the NAIC model regulation. Subdivisions (5) and (6) of Item 5(a) have been changed because disclosure of <u>all</u> management and service contracts, and <u>all</u> reinsurance agreements may be significant in evaluating the operations and financial status of the registrant. Subdivisions (7) through (9) of Item 5(a) are taken verbatim from the statute. Inclusion of these reporting requirements on Form B provides the method by which an registrant will comply with the Act.

The final amendments to Item 5 of this part were made to correct ambiguities and to eliminate awkward language. In the event that there is an issue as to what information would be material in a filing statement, the second to the last paragraph of Item 5 was modified to clarify that the Commissioner has the authority to evaluate such issues.

Items 6 and 8 of Form B include changes to conform the references from ultimate holding company to ultimate controlling person, as defined under Part 2720.0100 subpart 8.

Item 7 relates to changes made in 1991 to Minnesota Statutes, Section 60D.20, subdivision 1 (c). This statute prohibits a domestic insurer from entering into "transactions which are part of a plan or series of like transactions with persons within the holding company system if the purpose of those separate transactions is to avoid the statutory threshold amounts and thus avoid the review that would otherwise occur." See Minnesota Statutes Section 60D.20, subdivision 1(c). The language added to the proposed rule as item 7 is identical to the language of this statutory section and to the NAIC model regulation. The disclosures required under Item 7 of Form B are necessary in order for the Commissioner to be able to properly examine the insurer making the filing, and if necessary, to exercise the authority granted under Minnesota Statutes, Section 60D.25.

Item 9 incorporates the method of complying with Minnesota Statute Section 60D.19 subdivision 3 and Minnesota Rules Part 2720.1700 subpart 2. See discussion under this Statement of Need and Reasonableness pertaining to Part 2720.1700.

The Signature section of Form B has been changed to refer to the new codification of the Act as Minnesota Statutes Chapter 60D. The Certification section of Form B has been amended to make references to the Commissioner gender neutral.

PART 2720.9930 FORM C; REGISTRATION SUMMARY STATEMENT

As discussed previously in this Statement of Need and Reasonableness under Part 2720.1700 subpart 2, the Minnesota Legislature adopted the NAIC model act which includes a provision requiring all persons filing a registration on Form B to also file a summary statement on Form C. This summary statement describes changes in information on the Form B currently being filed as compared to the Form B filed the previous year. See Minnesota Statutes Section 60D.19 subdivision 3. This Part 2720.9930 referred to as Form C sets out the format to be used by registrants to outline these changes. This Form C is identical to the Form C included in the NAIC model regulation.

PART 2720.9940 FORM D; TRANSACTION NOTICE

Form D set forth under this part of the rules is identical to the Form D in the NAIC model regulation. As described more fully under Part 2720.2000 of this Statement of Need and Reasonableness, Minnesota Statutes Section 60D.20 requires prior disclosure of certain transactions, because those transactions could adversely affect the interests of the policyholders of the insurer subject to the proposed transaction. The format of Form D has been chosen because it will conform with the NAIC model regulation.

By adopting forms in Minnesota that conform with the NAIC model forms, the Department will make it easier for insurers to file disclosure documents in more than one state. The information required on Forms A through D will provide all of the disclosures necessary under Minnesota Statutes Chapter 60D. In addition, these forms will be accepted and given full faith and credit in other states accredited by the NAIC. Adoption of uniform rules with respect to insurance holding company systems is intended to reduce the burden on insurers doing business in more than one state, by minimizing the number of different reporting forms to be filed in these states.

SMALL BUSINESS CONSIDERATIONS

The insurance holding company rules are applicable only to insurance companies and in particular insurance holding companies and their relationships with the insurance companies they own or are acquiring. Accordingly, we do not believe that there is any way that the rules would be applicable to a small business as defined by Minnesota Statutes, Section 14.115.

Accordingly, in considering matters raised under Minnesota Statutes, Section 14.115, Subdivision 2, we determined that there was no need to establish less stringent compliance or reporting requirements for small businesses under item (a) as no small businesses were subject to the rules. Even if they were, since the purpose of the rules is to protect the policyholders and the solvency of the companies involved, less stringent compliance and reporting requirements would be at odds with the purposes and intent of the rules and the enabling legislation.

As to items (b),(c), (d) and (e) the same rationale and evaluation was performed and the same result was reached. Small businesses were not included in the rulemaking process on a special basis because the Department was not aware of any small business that would be effected by the rules.

45.023

The commissioner of commerce may adopt, amend, suspend, or repeal rules including emergency rules, in accordance with chapter 14

60D.07

The commissioner may in the manner prescribed by chapter 14, issue rules and orders as necessary to carry out the provisions of 60D.01 to 60D.13.

Department of Commerce
In the Matter of the Proposed
Adoption of the Rule Relating
to Insurance Holding Company Systems

NOTICE OF INTENT
TO ADOPT A RULE
WITHOUT A PUBLIC
HEARING

(1) Notice is hereby given that the Department of Commerce intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in Minnesota Statutes, Sections 14.22 to 14.28. The statutory authority to adopt the rule is Minnesota Statute Section §45.023 and Section §60D.23.

(2) All persons have 30 days in which to submit comment in support of or in opposition to the proposed rule or any part or subpart of the rule. Comment is encouraged. (3) Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rule within the 30-day comment period. (4) If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. (6) Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. (7) If a public hearing is required, the department will proceed pursuant to Minnesota Statutes Section 14.131 to 14.20.

(5) Comments or written requests for a public hearing must be submitted on or before September 3, 1992 to:

Donna M. Watz
Staff Attorney
Minnesota Department of Commerce
133 East Seventh Street
St. Paul, Minnesota 55101
(612) 297-1118

(8) The proposed rule may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rule as noticed.

(11) A copy of the proposed rule is attached to this notice.

(12) A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rule has been prepared and is available upon request from Donna M. Watz, Staff Attorney, at the above-referenced address.

(9) If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the adopted rule, must submit the written request to Donna M. Watz, Staff Attorney at the above-referenced address.

Dated: July 13, 1992

HERT J. MCKASY
Commissioner of Commerce

In the Matter of the Proposed Adoption of the Rules Governing Real Estate Appraiser and Insurance Holding Company Systems

AFFIDAVIT OF MAILING THE NOTICE OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING AND CERTIFICATE OF MAILING LIST

STATE OF MINNESOTA }
} **SS.**
COUNTY OF RAMSEY }

Pamela Jo Kolstad, being sworn says:

I hereby certify that the list of persons and associations who have requested, pursuant to Minnesota Statutes section 14.14, subdivision 1a and 14.22 or 14.30, that their names be placed on the Minnesota Department of Commerce rulemaking mailing list is accurate, complete, and current as of this 22nd day of July, 1992.

That on the 22nd day of July, 1992, at the City of St. Paul, County of Ramsey, State of Minnesota, I mailed the attached Notices of Intent to Adopt A Rule Without a Public Hearing by depositing in the State of Minnesota Mail for United States mailing, a copy of thereof, to all persons and associations on the aforementioned mailing list.

Pamela Jo Kolstad
Secretary to the Commissioner

Subscribed and sworn to me
this 22nd day of July, 1992.

Sandra Lee Smith
Notary

SANDRA LEE SMITH
NOTARY PUBLIC—MINNESOTA
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My Comm. Expires Apr. 20, 1998

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Proposed Rules

Pursuant to Minn. Stat. §§ 14.22, an agency may propose to adopt, amend, suspend or repeal rules without first holding a public hearing, as long as the agency determines that the rules will be noncontroversial in nature. The agency must first publish a notice of intent to adopt rules without a public hearing, together with the proposed rules, in the *State Register*. The notice must advise the public:

1. that they have 30 days in which to submit comment on the proposed rules;
2. that no public hearing will be held unless 25 or more persons make a written request for a hearing within the 30-day comment period;
3. of the manner in which persons shall request a hearing on the proposed rules; and
4. that the rule may be modified if the modifications are supported by the data and views submitted.

If, during the 30-day comment period, 25 or more persons submit to the agency a written request for a hearing of the proposed rules, the agency must proceed under the provisions of §§ 14.14-14.20, which state that if an agency decides to hold a public hearing, it must publish a notice of intent in the *State Register*.

Pursuant to Minn. Stat. §§ 14.29 and 14.30, agencies may propose emergency rules under certain circumstances. Proposed emergency rules are published in the *State Register* and, for at least 25 days thereafter, interested persons may submit data and views in writing to the proposing agency.

Department of Commerce

Proposed Permanent Rules Relating to Insurance Holding Company Systems

Notice of Intent to Adopt a Rule Without a Public Hearing

NOTICE IS HEREBY GIVEN that the Department of Commerce intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in *Minnesota Statutes*, Sections 14.22 to 14.28. The statutory authority to adopt the rule is *Minnesota Statute* Section § 45.023 and Section § 60D.23.

All persons have 30 days in which to submit comment in support of or in opposition to the proposed rule or any part or subpart of the rule. Comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rule within the 30-day comment period. If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposd rule addressed, the reason for the request, and any change proposed. If a public hearing is required, the department will proceed pursuant to *Minnesota Statutes* Section 14.131 to 14.20.

Comments or written requests for a public hearing must be submitted on or before September 3, 1992 to:

Donna M. Watz
Staff Attorney
Minnesota Department of Commerce
133 East Seventh Street
St. Paul, Minnesota 55101
(612) 297-1118

The proposed rule may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rule as noticed.

A copy of the proposed rule is attached to this notice.

A STATEMENT OF NEED AND REASONABLENESS that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rule has been prepared and is available upon request from Donna M. Watz, Staff Attorney, at the above-mentioned address.

If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the adopted rule, must submit the written request to Donna M. Watz, Staff Attorney at the above-referenced address.

Dated: 13 July 1992

Bert J. McKasy
Commssioner of Commerce

Rules as Proposed

2720.0100 DEFINITIONS.

Subpart 1. **Scope.** ~~As used in these rules~~ For the purposes of this chapter, the terms defined ~~herein shall~~ in this part have the meanings ~~ascribed~~ to given them; ~~and the terms defined in *Laws of Minnesota 1971*, chapter 288, section 1 shall have the meanings ascribed to them therein, unless the context of usage clearly indicates otherwise. Other nomenclature or terminology is according to the meanings given in the laws of this state relating to insurance or according to insurance industry usage, if not defined in the laws of this state~~.

Subp. 2. **Acquisition filing statement.** "Acquisition filing statement" means the statement that must be filed prior to the acquisition of control or an attempt to acquire control, as specified in *Minnesota Statutes*, section ~~2 of the act~~ 60D.17.

Subp. 3. [See repealer.]

Subp. 4. [See repealer.]

Subp. 5. **Executive officer.** "Executive officer" means any individual charged with active management and control in an executive capacity of a person, whether incorporated or unincorporated, including ~~a president, vice president~~ a chief executive officer, chief operating officer, chief financial officer, treasurer, secretary, controller, and any other individual performing functions corresponding to those performed by the foregoing officers under any title.

[For text of subp 6, see M.R.]

Subp. 7. **Registration statement.** "Registration statement" means the statement that must be filed pursuant to *Minnesota Statutes*, section ~~3 of the act~~ 60D.19.

Subp. 8. **Ultimate ~~holding company~~ controlling person.** "Ultimate ~~holding company~~ controlling person" means that ~~company~~ person within an insurance holding company system that is not controlled by any other ~~company~~ person; provided, however, that if the commissioner so determines, the ultimate ~~holding company in a particular insurance holding company system~~ controlling person shall be the ~~company that the commissioner determines to be the~~ affiliated person ~~concerning~~ about which the disclosures required hereunder would be most meaningful and would best serve to effectuate the purposes of ~~the act~~ *Minnesota Statutes*, chapter 60D.

2720.0350 SEVERABILITY CLAUSE.

If any provision of this chapter or the application of it to any person or circumstance is held invalid, the determination shall not affect other provisions or applications of these rules which can be given effect without the invalid provision or application and to that end, the provisions of these rules are severable.

2720.0400 APPROVAL OF ACQUISITION OF CONTROL.

The commissioner may order a public hearing prior to approval of an acquisition of control, but ~~such~~ the hearing is not mandatory prior to approval except as provided in *Minnesota Statutes*, chapter 60D.

2720.0500 EXTRAORDINARY DIVIDENDS AND OTHER DISTRIBUTIONS.

Subpart 1. **Format for request.** Requests for approval of extraordinary dividends or any other extraordinary distribution to shareholders shall include the following:

A. the amount of the proposed dividend;

B. the date established for payment of the dividend;

~~B.~~ C. a statement as to whether the dividend is to be in cash or other property and, if in property, a description thereof, its cost, and its fair market value, together with an explanation of the basis for valuation;

~~C.~~ D. a copy of the calculations determining that the proposed dividend is extraordinary. The work paper must include the following information:

(1) the amounts ~~and~~, dates, and form of payment of all dividends or distributions, ~~(~~including regular dividends~~)~~ but excluding distributions of the insurer's own securities, paid within the period of 12 consecutive~~,~~ months ending on the date fixed for payment of the proposed dividend for which approval is sought and commencing on the day after the same day of the same month in the ~~last~~ preceding year;

(2) surplus as regards policyholders, or total capital and surplus, as of the preceding December 31;

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." **ADOPTED RULES SECTION** — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

(3) if the insurer is a life insurer, the net gain from operations for the 12-month period ending on the preceding December 31;

(4) if the insurer is not a life insurer, the net income less realized capital gains for the 12-month period ending on the preceding December 31 and the two preceding 12-month periods; and

(5) if the insurer is not a life insurer, the dividends paid to stockholders excluding distributions of the insurer's own securities in the preceding two calendar years;

~~D.~~ E. a balance sheet and statement of income for the period intervening from the last annual statement filed with the commissioner and the end of the month preceding the month in which the request for dividend approval is submitted; and

~~E.~~ F. a brief statement as to the effect of the proposed dividend upon the insurer's surplus and the reasonableness of surplus in relation to the insurer's outstanding liabilities and the adequacy of surplus relative to the insurer's financial needs.

Subp. 2. **Report of distributions.** Subject to *Minnesota Statutes*, section 60D.20, subdivision 2, each registered insurer shall report to the commissioner all dividends and other distributions to shareholders within 15 business days following the declaration of them, including the same information required by subpart 1, item D, subitems (4) and (5).

2720.0600 ADEQUACY OF SURPLUS.

The factors set forth ~~in the act,~~ under *Minnesota Statutes*, section ~~4~~ 60D.20, subdivision ~~2~~ 4, are not intended to be an exhaustive list. In determining the adequacy and reasonableness of an insurer's surplus no single factor shall be controlling. The commissioner, instead, will consider the net effect of all of these factors plus other factors bearing on the financial condition of the insurer. In comparing the surplus maintained by other insurers, the commissioner will consider the extent to which each of these factors varies from company to company, and in determining the quality and liquidity of investments in subsidiaries the commissioner will consider the individual subsidiary and may discount or disallow its valuation to the extent that the individual investments so warrant.

2720.1100 FORMS.

~~Part~~ The forms described in parts 2720.9910~~, form A, acquisition filing statement and part 2720.9920, form B, registration statement,~~ to 2720.9940 are ~~merely~~ intended to be guides in the preparation of the statements required by ~~the act~~ *Minnesota Statutes*, chapter 60D, and are not intended to be blank forms to be filled in. The statements filed shall contain the numbers and captions of all items, but the text of the items may be omitted provided the answers thereto are ~~so~~ prepared in such a manner as to indicate to the reader the scope and coverage of the items without the necessity of ~~his~~ referring to the text of the items or the instructions thereto. All instructions, whether appearing under the items of the form or elsewhere thereon, are to be omitted. Unless expressly provided otherwise, if any item is inapplicable or the answer thereto is in the negative, an appropriate statement to that effect shall be made.

Two complete copies of each form or statement, including exhibits and all other papers and documents filed as a part ~~thereof~~ of the form or the statement, shall be filed with the commissioner by personal delivery or mail addressed to~~:~~ the Commissioner of Commerce~~, State of Minnesota, Metro Square Building, Saint Paul, Minnesota 55101~~. A copy of form C, part 2720.9930, shall be filed in each state in which an insurer is authorized to do business if the commissioner of that state has notified the insurer of its request in writing, in which case, the insurer has 30 days from receipt of the notice to file the form. At least one of the copies shall be manually signed in the manner prescribed on the form. Unsigned copies shall be conformed. If the signature of any person is affixed pursuant to a power of attorney or other similar authority, a copy of such power of attorney or other authority shall be filed with the statement.

Statements should be prepared on paper 8-1/2 inches by 11 inches ~~or 8-1/2 inches by 13 inches~~ in size and preferably bound at the top or the top left-hand corner. Exhibits and financial statements, unless specifically prepared for the filing, may be submitted in their original size. All copies of any statement, financial statements, or exhibits shall be clear, easily readable, and suitable for photocopying. Debits in credit categories and credits in debit categories shall be designated so as to be clearly distinguishable as such on photocopies. Statements shall be in the English language and monetary values shall be stated in United States currency. If any exhibit or other paper or document filed with the statement is in a foreign language, it shall be accompanied by a translation into the English language, and any monetary value normally shown in a foreign currency ~~normally~~ shall be converted into United States currency.

2720.1200 INCORPORATIONS BY REFERENCE, SUMMARIES, AND OMISSIONS.

Information required by any item of ~~form A, part~~ the forms described in parts 2720.9910~~, or form B, part 2720.9920,~~ to 2720.9940 may be incorporated by reference in answer or partial answer to any other item. Information contained in any financial statement, annual report, proxy statement, statement filed with a governmental authority, or any other document may be incorporated by reference in answer or partial answer to any item of ~~either form~~ these forms, provided ~~such~~ the document or paper is filed as an exhibit to the statement. Excerpts of documents may be filed as exhibits if the documents are extensive. Documents already on file with the commissioner which were filed within three years need not be attached as exhibits. References to information contained in exhibits or in documents already on file shall clearly identify the material, the date of filing, and shall specifically indicate that such material is to be incorporated by reference in the answer to the item. ~~Matter~~ Information shall not be incorporated by reference in any case where ~~such~~ the incorporation would render the statement incomplete, unclear, or confusing.

Where an item requires a summary or outline of the provisions of any document, only a brief statement shall be made as to the most important provisions of the document. In addition to such statement, the summary or outline may incorporate by reference particular parts of any exhibit or document on file with the commissioner and may be qualified in its entirety by such reference. ~~In any case where two or more documents required to be filed as exhibits are substantially identical in all material respects except as to the parties thereto, the dates of execution, or other details, a copy of only one of such documents need be filed with a schedule identifying the omitted documents and setting forth the material details in which such documents differ from the documents a copy of which is filed.~~

2720.1300 INFORMATION UNKNOWN OR UNAVAILABLE.

[For text of subpart 1, see M.R.]

Subp. 2. **Extension of time.** If it is impractical to furnish any required information, document, or report at the time it is required to be filed, ~~there may be filed with the commissioner as~~ a separate document ~~an application~~ may be filed identifying the information, document, or report in question; stating why the filing ~~thereof~~ at the time required is impractical; and requesting an extension of time to a specified date for filing the information, document, or report ~~to a specified date~~. The ~~application~~ request for extension of time shall be deemed granted unless the commissioner, within ~~ten~~ 30 days after receipt ~~thereof, shall enter~~ of the request, enters an order denying the ~~application~~ request for extension of time.

2720.1400 ADDITIONAL INFORMATION AND EXHIBITS.

In addition to the information expressly required to be included in the statements ~~by these rules, there shall be added such~~ under parts 2720.9910 to 2720.9940, further material information~~, if any,~~ shall be added as may be necessary to ~~make the information contained therein not~~ clarify and eliminate any misleading information in the documents filed. The person filing may also file ~~such~~ exhibits ~~as it may desire~~ in addition to those expressly required by the statement. ~~Such~~ Additional exhibits shall be ~~so~~ marked ~~as~~ to indicate clearly the subject matters to which they refer.

2720.1500 AMENDMENTS.

Any amendment ~~for either form shall~~ to the forms or statements required under parts 2720.9910 to 2720.9940 must include on the top of the cover page the phrase: "Amendment No. _____ to" and ~~shall~~ must indicate the date of the amendment and not the date of the original filing.

2720.1600 ACQUISITION FILING STATEMENT.

Subpart 1. **Statement required.** A person required to file a statement ~~pursuant to the act~~ under *Minnesota Statutes*, section ~~2~~ 60D.17, ~~shall~~ must furnish the ~~required~~ information ~~as provided in~~ required by these rules ~~and in~~, specifically including the information on form A, part 2720.9910 ~~in particular~~.

Subp. 2. **Amendments.** The applicant ~~shall promptly~~ must, within one business day of the change, advise the commissioner of any changes in the information ~~so~~ furnished ~~arising subsequent to~~ which occur after the date ~~upon which such~~ the information was furnished but ~~prior to~~ before the commissioner's disposition of the application.

Subp. 3. **~~Securities~~ Acquisition of other ~~than domestic insurer~~ insurers.** If the ~~voting securities~~ person being acquired ~~have been issued by a person other than the~~ is deemed to be a "domestic insurer," solely because of *Minnesota Statutes*, section 60D.18, the name of the "domestic insurer" on the cover page should be indicated as follows: "ABC Insurance Company, a subsidiary of XYZ Holding Company"; and all references to "the insurer" contained in form A, part 2720.9910, shall refer to both the domestic subsidiary insurer and the person ~~whose voting securities are~~ being acquired.

2720.1700 ANNUAL REGISTRATION OF INSURERS; STATEMENT; FILING.

Subpart 1. **Statement required.** An insurer required to file ~~a~~ an annual registration statement pursuant to ~~the act~~ *Minnesota Statutes*, section ~~3~~ 60D.19, and ~~these rules~~ this chapter shall furnish the required information ~~as provided in these rules and in part 2720.9910 in particular~~ on form B, part 2720.9920.

Subp. 2. **Summary of registration.** An insurer required to file an annual registration statement pursuant to *Minnesota Statutes*, section 60D.19, is also required to furnish information required on form C, part 2720.9930. An insurer must file a completed copy of form C in each state in which the insurer is authorized to do business, if requested by the commissioner of that state.

Subp. ~~2.~~ 3. **Amendments.** An amendment to ~~the statement required in subpart 1 shall~~ form B must be filed within 15 days after the end of any month in which the following occurs: there is a change in the control of the registrant, in which case the entire statement

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shall be made current; or there is a material change in the information ~~required by part 2720.9920, item 5 or 6~~ provided in the annual registration statement.

~~An amendment to the statement~~ Amendments shall be filed ~~within 120 days after the end of each fiscal year of the ultimate holding company. Such amendment shall make current all information in the statement~~ in the form B, part 2720.9920 format with only those items which are being amended reported. Each amendment shall include at the top of the cover page "Amendment No. _____ to Form B" and shall indicate the date of the change, not the date of the original filings.

Subp. ~~3.~~ 4. **Alternative and consolidated registrations.** Alternatives and consolidated registrations:

A. Any authorized insurer may file a registration statement on behalf of any affiliated insurer or insurers required to register under ~~the act~~ *Minnesota Statutes*, section ~~3~~ 60D.19. A registration statement may include information not required by *Minnesota Statutes*, chapter 60D, regarding any insurer in the insurance holding company system even if ~~such~~ the insurer is not authorized to do business in this state. In lieu of filing a registration statement as prescribed in form B, part 2720.9920, the authorized insurer may file a copy of the registration statement or similar report that it is required to file in its state of domicile; provided the statement or report contains substantially similar information required to be furnished by part 2720.9920 and the filing insurer is the principal insurance company in the insurance holding company system.

[For text of items B and C, see M.R.]

D. Any insurer may take advantage of the provisions of ~~the act~~ *Minnesota Statutes*, section ~~3~~ 60D.19, subdivision ~~6~~ 8 or ~~7~~ 9, without obtaining the prior approval of the commissioner. The commissioner, however, reserves the right to require individual filings if ~~he deems such~~ the commissioner considers the filings necessary in the interest of clarity, ease of administration, or the public good.

E. The state of entry of an alien insurer shall be deemed to be its domiciliary state for the purposes of *Minnesota Statutes*, section ~~3 of the act~~ 60D.19.

2720.2000 TRANSACTIONS SUBJECT TO PRIOR NOTICE.

An insurer required to give notice of a proposed transaction pursuant to *Minnesota Statutes*, section 60D.20, shall furnish the required information on form D, part 2720.9940.

2720.9910 FORM A; ACQUISITION FILING STATEMENT.

FORM A

STATEMENT REGARDING THE

ACQUISITION OF CONTROL OF A DOMESTIC INSURER

_____

Name of Domestic Insurer

BY

_____

Name of Acquiring Person (Applicant)

Filed with the ~~Insurance~~ Minnesota Department of _____ ~~(State of domicile of insurer being acquired)~~ Commerce

Dated: _____, 19 _____

Name, title, address and telephone number of individual to whom notices and correspondence concerning this statement should be addressed:

_____

_____

_____

_____

~~FORM A~~

ITEM 1. INSURER AND METHOD OF ACQUISITION

State the name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) State the name and address of the applicant seeking to acquire control over the insurer.

(b) If the applicant is not an individual, state the nature of its business operations for the past five years or for such lesser period as such person and any predecessors thereof shall have been in existence. Briefly describe the business intended to be done by the applicant and the applicant's subsidiaries.

(c) Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant. No affiliate need be identified if its total assets are equal to less than one-half of one percent of the total assets of the ultimate ~~holding company~~ controlling person affiliated with the applicant. Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. — corporation, trust, partnership) and the state or other jurisdiction of domicile. If court proceedings ~~looking toward~~ involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

State the following with respect to (1) the applicant if ~~he~~ the applicant is an individual or (2) all persons who are directors, executive officers or owners of ten percent or more of the voting securities of the applicant if the applicant is not an individual:

(a) Name and business address;

(b) Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;

(c) Material occupations, positions, offices or employment during the last five years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith.

(d) Whether ~~or not such person~~ the individual has ~~ever~~ been convicted ~~in a~~ of or is currently charged with any criminal ~~proceeding (excluding~~ offense other than minor traffic violations~~)~~ during the ~~last~~ past ten years ~~and, if so, give the date.~~ (if so, explain); whether the individual or any company for which the individual was then acting as an officer or director has been the subject of any inquiry or investigation by any state agency, administrative body, or law enforcement unit and the results of these proceedings (this includes inquiries or investigations which may have begun after the individual ceased acting as an officer or director but which pertain to the time period during which the individual was acting as an officer or director); and whether the individual has ever been a defendant in any lawsuit involving claims of fraud, misrepresentation, conversion, mismanagement of funds, breach of fiduciary duty, or breach of contract. If any of the provisions of this subdivision apply to the individual or company described in the filing, please give a detailed explanation, including dates, nature of ~~conviction~~ the investigation or proceeding, ~~name~~ names and location of ~~court~~ courts, and ~~penalty~~ penalties imposed or other disposition of the case.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. If any part of the same is represented or is to be represented by funds, or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding, or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.

(b) Explain the criteria used in determining the nature and amount of such consideration.

(c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity to remain confidential, he must specifically request that the identity be kept confidential.

ITEM 5. FUTURE PLANS ~~FOR~~ OF INSURER

Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate such insurer, to sell its assets to or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management.

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ITEM 6. VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OR THE INSURER

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any persons listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom such contracts, arrangements or understandings have been entered into.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in such description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any such shares so purchased are hypothecated.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender, and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements and exhibits shall be attached to this statement as an appendix, but list under this item all the financial statements and exhibits so attached.

(b) The financial statements shall include the annual financial statements of the persons identified in Item 2 (c) for the preceding five fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year, if such information is available. Such statements may be prepared on either an individual basis, or, unless the Commissioner otherwise requires, on a consolidated basis if such consolidated statements are prepared in the usual course of business.

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of such person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of such state.

(c) File as exhibits copies of, or a statement fully describing, all tender offers for, requests or invitations for, tenders of, exchange orders for and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto; and proposed employment, consultation, advisory or management contracts concerning the insurer; annual reports to the stockholders of the insurer and the applicant for the last two fiscal years; and any additional documents or papers required by form A or parts 2720.1100 and 2720.1300.

ITEM 13. SIGNATURE AND CERTIFICATION

Signature and certification of the following form:

SIGNATURE

Pursuant to the requirements of *Minnesota Statutes*, section ~~2 of the act~~ 60D.17, and ~~part~~ parts 2720.1100 and 2720.1600, subpart

1, _____ (name of applicant) has caused this application to be duly signed on its behalf in the city of _____ and state of _____ (seal) on the _____ day of _ , 19 _____ .

_____
(name of applicant)

By _____
(name) (title)

Attest:

_____
(signature of officer)

_____
(title)

CERTIFICATION

The undersigned deposes and says that ~~he~~ the undersigned has duly executed the attached application dated _____ , 19 _____ , for and on behalf of _____ ; that ~~he~~ the undersigned is the _____ of such company, and that ~~he~~ the undersigned is authorized to execute and file such statement. Deponent further says that ~~he~~ the deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of ~~his~~ the undersigned's knowledge, information, and belief.

Signature _____

Type or print name beneath _____

2720.9920 FORM B; ANNUAL REGISTRATION STATEMENT.

FORM B

INSURANCE HOLDING COMPANY SYSTEM

ANNUAL REGISTRATION STATEMENT

Filed with the Insurance Department

of the State of _____

BY

_____

Name of Registrant

On behalf of the Following Insurance Companies

Name	**Address**

Date: _____ , 19 _____

Name, title, address, and telephone number of individual to whom notices and correspondence concerning this statement should be addressed:

_____

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ITEM 1. IDENTITY AND CONTROL OF REGISTRANT

Furnish the exact name of each insurer registering or being registered (hereinafter called "the Registrant"), the home office address and principal executive offices of each; the date on which each Registrant became part of the insurance holding company system; and the method(s) by which control of each Registrant was acquired and is maintained.

ITEM 2. ORGANIZATIONAL CHART

Furnish a chart or listing clearly presenting the identities of and interrelationships among all affiliated persons within the insurance holding company system. No affiliate need be shown if its total assets are equal to less than one-half of one percent of the total assets of the ultimate ~~holding company~~ controlling person within the insurance holding company system, unless it has assets valued at or exceeding $250,000. The chart or listing should show the percentage of each class of voting securities of each affiliate which is owned, directly or indirectly, by another affiliate. If control of any person within the system is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. — trust, partnership, corporation) and the state or other jurisdiction of domicile.

ITEM 3. THE ULTIMATE ~~HOLDING COMPANY~~ CONTROLLING PERSON

As to the ultimate ~~holding company~~ controlling person in the insurance holding company system furnish the following information~~:~~;

(a) name;

(b) home office address;

(c) principal executive office address;

(d) the organization structure of the ~~company~~ person, i.e., corporation, partnership, individual, or trust~~, etc.~~;

(e) the principal business of the ~~company~~ person;

(f) the name and address of any person who holds or owns ten percent or more of any class of voting security, the class of such security, the number of shares held of record or known to be beneficially owned, and the percentage of class so held or owned~~.~~; and

(g) If court proceedings ~~looking toward~~ involving a reorganization or liquidation are pending, indicate the title and location of the court, the nature of proceedings, and the date when commenced.

ITEM 4. BIOGRAPHICAL INFORMATION

Furnish the following information for the directors and executive officers of the ultimate ~~holding company~~ controlling person: the individual's name and address~~, his~~; the principal occupation and all offices and positions held by this individual during the past five years~~, and any conviction of crimes~~; whether the individual has been convicted of or is currently charged with any criminal offense other than minor traffic violations during the past ten years~~:~~ (if so, explain); whether the individual or any company for which the individual was then acting as an officer or director has been the subject of any inquiry or investigation by any state agency, administrative body, or law enforcement unit and the results of these proceedings (this includes inquiries or investigations which may have begun after the individual ceased acting as an officer or director but which pertain to the time period during which the individual was acting as an officer or director); and whether the individual has ever been a defendant in any lawsuit involving claims of fraud, misrepresentation, conversion, mismanagement of funds, breach of fiduciary duty, or breach of contract. If any of the provisions of this subdivision apply to the individual or company described in the filing, please give a detailed explanation, including dates, nature of the investigation or proceeding, names and location of courts, and penalties imposed or other disposition of the case.

ITEM 5. TRANSACTIONS, RELATIONSHIPS, AND AGREEMENTS

(a) Briefly describe the following agreements in force, relationships subsisting, and transactions currently outstanding or which have occurred during the last calendar year between the Registrant and its affiliates:

(1) loans, other investments, or purchases, sales or exchanges of securities of the affiliates by the Registrant or of the Registrant by its affiliates;

(2) purchases, sales, or exchanges of assets;

(3) transactions not in the ordinary course of business;

(4) guarantees or undertakings for the benefit of an affiliate which result in an actual contingent exposure of the Registrant's assets to liability, other than insurance contracts entered into in the ordinary course of the Registrant's business;

(5) all management and service contracts and all cost-sharing arrangements~~, other than cost allocation arrangements based upon generally accepted accounting principles~~; and

(6) reinsurance agreements ~~covering all or substantially all of one or more lines of insurance of the ceding company~~;

(7) dividends and other distributions to shareholders;

(8) consolidated tax allocation agreements; and

(9) any pledge of the registrant's stock and/or of the stock of any subsidiary or controlling affiliate, for a loan made to any member of the insurance company holding system.

No information need be disclosed if the commissioner determines that such information is not material for purposes of *Minnesota Statutes*, section 60D.19. Sales, purchases, exchanges, loans, or extensions of credit ~~or~~, investments, or guarantees involving one-half of one percent or less of the registrant's admitted assets as of the ~~31st day of~~ preceding December ~~next preceding~~ 31 shall not be deemed material.

The description shall be in a manner as to permit the proper evaluation thereof by the commissioner, and shall include at least the following: the nature and purpose of the transaction; the nature and amounts of any payments or transfers of assets between the parties; the identity of all parties to such transactions; and the relationship of the affiliated parties to the Registrant.

ITEM 6. LITIGATION OR ADMINISTRATIVE PROCEEDINGS

A brief description of any litigation or administrative proceedings of the following types, either then pending or concluded within the preceding fiscal year, to which the ultimate ~~holding company~~ controlling person or any of its directors or executive officers was a party or of which the property of any such person is or was the subject; give the names of the parties and the court or agency in which such litigation or proceeding is or was pending:

(a) Criminal prosecutions or administrative proceedings by any government agency or authority which may be relevant to the trustworthiness of any party thereto; and

(b) Proceedings which may have a material effect upon the solvency or capital structure of the ultimate holding company including, but not necessarily limited to, bankruptcy, receivership, or other corporate reorganizations.

ITEM 7. STATEMENT REGARDING PLAN OR SERIES OF TRANSACTIONS

The insurer shall furnish a statement that transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions, the purpose of which is to avoid statutory threshold amounts and the review that might otherwise occur.

ITEM 8. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements and exhibits should be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.

(b) The financial statements shall include the annual financial statements of the ultimate ~~holding company~~ controlling person in the insurance holding company system as of the end of the person's latest fiscal year.

If at the time of the initial registration, the annual financial statements for the latest fiscal year are not available, annual statements for the previous fiscal year may be filed and similar financial information shall be filed for any subsequent period to the extent such information is available. Such financial statements may be prepared on either an individual basis, or unless the commissioner otherwise requires, on a consolidated basis if such consolidated statements are prepared in the usual course of business.

Unless the commissioner otherwise permits, the annual financial statements shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the ultimate ~~holding company~~ controlling person and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the ultimate ~~holding company~~ controlling person is an insurer which is actively engaged in the business of insurance, the annual financial statements need not be certified, provided they are based on the annual statement of such insurer filed with the insurance department of the insurer's domiciliary state and are in accordance with requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of such state.

(c) Exhibits shall include copies of the latest annual reports to shareholders of the ultimate ~~holding company~~ controlling person and

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proxy material used by the ultimate ~~holding company~~ controlling person; and any additional documents or papers required by this part or part 2720.1100 or 2720.1300.

ITEM 9. FORM C REQUIRED

A Form C, Summary of Registration Statement, must be prepared and filed with this Form B.

SIGNATURES

Signatures and certification of the form as follows:

SIGNATURE

Pursuant to the requirements of *Minnesota Statutes*, section ~~3 of the act~~ 60D.19, and part 2720.1700, subpart 1, the Registrant has caused this registration statement to be duly signed on its behalf in the City of _____ and State of _____, on the _____ day of _____, 19 ____.

(SEAL)

_____
(Name of Registrant)

By _____
(Name) (Title)

Attest:

_____
(Signature of Officer)

_____
(Title)

CERTIFICATION

The undersigned deposes and says that ~~he~~ the undersigned has duly executed the attached registration statement dated _____, 19 ____, for and on behalf of _____ (Name of Company); that ~~he~~ the undersigned is the _____ (Title of Officer) of such company, and that ~~he~~ the undersigned has authority to execute and file such instrument. Deponent further says that ~~he~~ the deponent is familiar with such instrument and that the facts therein set forth are true to the best of ~~his~~ the undersigned's knowledge, information, and belief.

(Signature) _____

(Type or print name beneath) _____

Rules as proposed (all new material)

2720.9930 FORM C; REGISTRATION SUMMARY STATEMENT.

FORM C

SUMMARY OF REGISTRATION STATEMENT

Filed with the Insurance Department of the State of _____

By

_____

Name of Registrant

On behalf of Following Insurance Companies

Name Address

_____

_____

_____

_____

_____

Date: _____, 19 ____

Name, Title, Address, and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed:

_____

_____

_____

_____

Furnish a brief description of all items in the current annual registration statement which represent changes from the prior year's annual registration statement. The description shall be in a manner as to permit the proper evaluation thereof by the Commissioner, and shall include specific references to Item numbers in the annual registration statement and to the terms contained therein.

Changes occurring under Item 2 of Form B insofar as changes in the percentage of each class of voting securities held by each affiliate is concerned, need only be included where such changes are ones which result in ownership or holdings of ten percent or more of voting securities, loss or transfer of control, or acquisition or loss of partnership interest.

Changes occurring under Item 4 of Form B need only be included where: an individual is, for the first time, made a director or executive officer of the ultimate controlling person; a director or executive officer terminates responsibilities with the ultimate controlling person; or an individual is named president of the ultimate controlling person.

If a transaction disclosed on the prior year's annual registration statement has been changed, the nature of such change shall be included. If a transaction disclosed on the prior year's annual registration statement has been effectuated, furnish the mode of completion and any flow of funds between affiliates resulting from the transaction.

The insurer shall furnish a statement that transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions whose purpose it is to avoid statutory threshold amounts and the review that might otherwise occur.

SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of *Minnesota Statutes*, section 60D.19, the registrant has caused this summary of registration statement to be duly signed on its behalf in the City of _____ and State of _____, on the _____ day of _____ , 19 ____ .

(SEAL) _____

(Name of Registrant)

By _____

(Name) (Title)

Attest:

_____

(Signature of Officer)

_____

(Title)

CERTIFICATION

The undersigned deposes and says that the undersigned has duly executed the attached summary of registration statement dated _____ , 19 ____ , for and on behalf of _____ (Name of Company); that the undersigned is the _____ (Title of Officer) of such company, and that the undersigned is authorized to execute and file such instrument. Deponent further says that the deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the undersigned's knowledge, information, and belief.

(Signature) _____

(Type or print name beneath) _____

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." **ADOPTED RULES SECTION** — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

2720.9940 FORM D; TRANSACTION NOTICE.

FORM D

PRIOR NOTICE OF A TRANSACTION

Filed with the Insurance Department of the State of _____

By

_____

Name of Registrant

On behalf of Following Insurance Companies

Name Address

_____

_____

_____

_____

_____

Date: _____ , 19 ____

Name, Title, Address, and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed:

_____

_____

_____

_____

ITEM 1. IDENTITY OF PARTIES TO TRANSACTION

Furnish the following information for each of the parties to the transaction:

(a) name;

(b) home office address;

(c) principal executive office address;

(d) the organizational structure, i.e. corporation, partnership, individual, or trust;

(e) a description of the nature of the parties' business operations;

(f) relationship, if any, of other parties to the transaction to the insurer filing the notice, including any ownership or debtor/creditor interest by any other parties to the transaction in the insurer seeking approval, or by the insurer filing the notice in the affiliated parties; and

(g) where the transaction is with a nonaffiliate, the names of the affiliates which will receive, in whole or in substantial part, the proceeds of the transaction.

ITEM 2. DESCRIPTION OF TRANSACTION

Furnish the following information for each transaction for which notice is being given:

(a) a statement as to whether notice is being given under *Minnesota Statutes*, section 60D.20;

(b) a statement of the nature of the transaction; and

(c) the proposed effective date of the transaction.

ITEM 3. SALES, PURCHASES, EXCHANGES, LOANS, EXTENSIONS OF CREDIT, GUARANTEES, OR INVESTMENTS

Furnish a brief description of the amount and source of funds, securities, property, or other consideration for the sale, purchase, exchange, loan, extension of credit, guarantee, or investment, whether any provision exists for purchase by the insurer filing notice, by any party to the transaction, or by any affiliate of the insurer filing notice, a description of the terms of any securities being received, if any, and a description of any other agreements relating to the transaction such as contracts or agreements for services and consulting agreements. If the transaction involves other than cash, furnish a description of the consideration, its cost, and its fair market value, together with an explanation of the basis for evaluation.

If the transaction involves a loan, extension of credit, or a guarantee, furnish a description of the maximum amount which the insurer will be obligated to make available under the loan, extension of credit, or guarantee, the date on which the credit or guarantee will terminate, and any provisions for the accrual of or deferral of interest.

If the transaction involves an investment, guarantee, or other arrangement, state the time period during which the investment, guarantee, or other arrangement will remain in effect, together with any provisions for extensions or renewals of the investments, guarantees, or arrangements. Furnish a brief statement as to the effect of the transaction on the insurer's surplus.

No notice need be given if the maximum amount which can at any time be outstanding or for which the insurer can be legally obligated under the loan, extension of credit, or guarantee is less than: (a) in the case of a nonlife insurer, the lesser of three percent of the insurer's admitted assets or 25 percent of surplus as regards policyholders, or (b) in the case of a life insurer, three percent of the insurer's admitted assets, each as of the preceding December 31.

ITEM 4. LOANS OR EXTENSIONS OF CREDIT TO A NONAFFILIATE

If the transaction involves a loan or extension of credit to any person who is not an affiliate, furnish a brief description of the agreement or understanding whereby the proceeds of the proposed transaction, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase the assets of, or to make investments in any affiliate of the insurer making the loans or extensions of credit, and specify in what manner the proceeds are to be used to loan to, extend credit to, purchase assets of, or make investments in any affiliate. Describe the amount and source of duns, securities, property, or other consideration for the loan or extension of credit and, if the transaction is one involving consideration other than cash, a description of its cost and its fair market value, together with an explanation of the basis for evaluation. Furnish a brief statement as to the effect of the transaction on the insurer's surplus.

No notice need be given if the loan or extension of credit is one which equals less than, in the case of a nonlife insurer, the lesser of three percent of the insurer's admitted assets or 25 percent of surplus as regards policyholders or, with respect to life insurers, three percent of the insurer's admitted assets, each as of the preceding December 31.

ITEM 5. REINSURANCE

If the transaction is a reinsurance agreement or modification to the agreement, as described by *Minnesota Statutes*, section 60D.20, subdivision 1, paragraph (b), clause (3), furnish a description of the known and/or estimated amount of liability to be ceded and/or assumed in each calendar year, the period of time during which the agreement will be in effect, and a statement whether an agreement or understanding exists between the insurer and nonaffiliate to the effect that any portion of the assets constituting the consideration for the agreement will be transferred to one or more of the insurer's affiliates. Furnish a brief description of the consideration involved in the transaction, and a brief statement as to the effect of the transaction on the insurer's surplus.

No notice need be given for reinsurance agreements or modifications to the agreement if the reinsurance premium or a change in the insurer's liabilities in connection with the reinsurance agreement or modification to the agreement is less than five percent of the insurer's surplus as regards policyholders, as of the preceding December 31.

ITEM 6. MANAGEMENT AGREEMENTS, SERVICE AGREEMENTS, AND COST-SHARING ARRANGEMENTS

(a) For management and service agreements, furnish:

(1) a brief description of the managerial responsibilities, or services to be performed; and

(2) a brief description of the agreement, including a statement of its duration, together with brief descriptions of the basis for compensation and the terms under which payment or compensation is to be made.

(b) For cost-sharing arrangements, furnish:

(1) a brief description of the purpose of the agreement;

(2) a description of the period of time during which the agreement is to be in effect;

(3) a brief description of each party's expenses or costs covered by the agreement; and

(4) a brief description of the accounting basis to be used in calculating each party's costs under the agreement.

ITEM 7. SIGNATURE AND CERTIFICATION

Signature and certification are required as follows:

SIGNATURE

Pursuant to *Minnesota Statutes*, section 60D.20, _____ (Applicant) has caused this notice to be duly signed on its behalf in the City of _____ and State of _____, on the _____ day of _____, 19 ____.

(SEAL) _____
(Name of Applicant)

By _____
(Name) (Title)

Attest:

_____
(Signature of Officer)

_____
(Title)

CERTIFICATION

The undersigned deposes and says that the undersigned has duly executed the attached notice dated _____, 19__, for and on behalf of _____ (Name of Applicant); that the undersigned is the _____ (Title of Officer) of the company, and that the undersigned is authorized to execute and file the instrument. Deponent further says that the deponent is familiar with the instrument and the contents of the instrument, and that the facts in the instrument set forth are true to the best of the undersigned's knowledge, information, and belief.

(Signature) _____

(Type or print name beneath) _____

REPEALER. *Minnesota Rules*, part 2720.0100, subparts 3 and 4, are repealed.

Department of Commerce

Proposed Permanent Rules Relating to Real Estate Appraiser Licensing and Education

Notice of Intent to Adopt a Rule Without a Public Hearing

NOTICE IS HEREBY GIVEN that the Department of Commerce intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in *Minnesota Statutes*, Sections 14.22 to 14.28. The statutory authority to adopt the rule is *Minnesota Statute* Sections 45.023, 82B.13, and 82B.19.

All persons have 30 days in which to submit comment in support of or in opposition to the proposed rule or any part or subpart of the rule. Comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rule within the 30-day comment period. If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. If a public hearing is required, the department will proceed pursuant to *Minnesota Statutes* Section 14.131 to 14.20.

Comments or written requests for a public hearing must be submitted on or before September 3, 1992 to:

Donna M. Watz
Staff Attorney
Minnesota Department of Commerce
133 East Seventh Street
St. Paul, Minnesota 55101
(612) 297-1118

The proposed rule may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rule as noticed.

A copy of the proposed rule is attached to this notice.

A STATEMENT OF NEED AND REASONABLENESS that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rule has been prepared and is available upon request from Donna M. Watz, Staff Attorney, at the above-referenced address.

LAW OFFICES

MOSS & BARNETT

A PROFESSIONAL ASSOCIATION

4800 NORWEST CENTER

90 SOUTH SEVENTH STREET

MINNEAPOLIS, MINNESOTA 55402-4129

TELEPHONE (612) 347-0300

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WRITER'S DIRECT DIAL NUMBER

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HEIDI A. SCHNEIDER
CHARLES E. JONES
BRIAN T. GROGAN
CORY LARSEN BETTENGA
JEANNE-MARIE ALMONOR

RETIRED
J. BRAINERD CLARKSON
FREMONT C. FLETCHER
VERNE W. MOSS
JAMES H. HENNESSY
STANLEY R. STASEL

September 16, 1992

Ms. Donna Watz
Staff Attorney
Minnesota Department of Commerce
133 E 7th Street
St. Paul, MN 55101

Re: Proposed Adoption of the Rules Relating to Insurance Holding Company Systems

Dear Ms. Watz:

Under the heading of "better late than never", I am forwarding suggested language to be added to the draft Form A and Form B. As we discussed over the telephone, I believe that the additional information being sought in the draft rules from proposed controlling persons and officers and directors, greatly improves the current forms. My only concern was that the form might still miss disclosure of situations in which individuals play a role (whether as an employee, officer, director or consultant) with a failed or troubled insurance holding company or affiliate thereof.

Attached is a first draft of an additional proposed inquiry designed to elicit information specifically about any relationships with a failed or failing entity. This language can probably be improved upon and, in some manner, may be duplicative of information requested in the existing additional language. I would argue that an individual's past association with a failed company is important enough to be worthy of a separate inquiry. As proposed, the new inquiry would also expand to cover an employment or consultant relationship and would seek to make inquiry of dealings with an affiliate or holding company of an insurance company.

These comments are offered only in the attempt to further improve the proposed draft rules which are a significant improvement over the current disclosure requirements. If you have any questions, or if I can be of any further help, do not hesitate to call.

Sincerely yours,

Michael J. Ahern

jjh
567ZJJH
Attachment

PROPOSED ADDITION

In form A at Item 3, add a new subdivision (e) and, similarly, add this inquiry in Form B, Item 4, after the new language:

[(e)] Whether during the past ten years the individual has been an officer, director, employee or consultant to any insurance company, affiliate, or holding company thereof which has been declared insolvent, impaired or taken under supervision by the appropriate regulatory agency. If any of the provisions of this subdivision apply to any individual described in this filing, please give a detailed explanation, including the name or names of the organization subject to the regulatory action described above, the dates and nature of the proceeding and its current status, the nature and duration of the relationship of the individual to the organization.

The St Paul

St. Paul Fire and Marine Insurance Company
385 Washington Street
St. Paul, Minnesota 55102-1396
612-221-7911

VIA TELEFAX

August 14, 1992

Mr. Richard Gomsrud, Esq.
General Counsel
Minnesota Department of Commerce
133 East Seventh Street
St. Paul, Minnesota 55101

Subject: Proposed Permanent Rules Relating to Insurance Holding Company Systems

Dear Mr. Gomsrud:

I am writing to offer comments regarding the above-captioned rule on behalf of The St. Paul Companies, Inc., which is a Minnesota domiciled insurance holding company.

Section 2720.1200 Incorporation by Reference, Summaries and Omissions

The current regulation provides holding companies with the option of filing a schedule of documents where two or more documents are substantially identical in all material respects except as to the parties, the dates of execution or other details. The proposed amended permanent rule deletes this provision.

While we have no substantive reservation with providing copies of all documents in place of the schedule of substantially similar documents, we have found this provision to be of significant benefit in simply reducing the volume of our filings. We would recommend that the last sentence of this section, which is stricken under the proposed amendment, be reinstated to allow for the filing of a schedule of substantially similar documents.

Property and Liability Members of The St. Paul Companies: St. Paul Fire and Marine Insurance Company / St. Paul Mercury Insurance Company / The St. Paul Insurance Company / The St. Paul Fire and Casualty Insurance Company / The St. Paul Surplus Lines Insurance Company / The St. Paul Guardian Insurance Company / The St. Paul Insurance Company of Illinois / St. Paul Property and Casualty Insurance Company / Fire Insurance Company of Maryland / Northern Insurance Company of New York / Athens Insurance Company / St. Paul Fire and Casualty Insurance Company of Canada

Section 2720.1600 Acquisition Filing Statement

Subpart 2 of this section of the current regulation requires that the applicant shall *promptly* file an amendment to an acquisition filing statement. The proposed permanent rule amends this time frame to require the filing within one business day. We understand your interest in providing a time certain for this filing, but would request that the timing be extended for more than one business day. In many cases, preparing such a submission in one business day would be very difficult.

Section 2720.1700 Annual Registration of Insurers; Statement; Filing

The second sentence of Subpart 2 of this section requires the filing of form C in each state where the insurer is authorized to do business if requested by the commissioner of that state. This requirement has also been added to Section 2720.0500, Subpart 1(D).

It has been our experience that the regulators of the states where we are authorized to do business currently have authority to request our form C. It is unclear why this is necessary or appropriate in the Minnesota regulations.

Section 2720.9920 Form B; Annual Registration Statement; Item 2

Item 2 of this section of the current regulation requires that affiliates be shown on the organizational chart only if their total assets are equal to less than one-half of one percent of the total assets of the ultimate holding company. The amended permanent rule qualifies this exception by requiring that affiliates with assets valued at our exceeding $250,000 be shown on the organizational chart even if its assets are less than one-half of one percent of the total assets of the ultimate holding company.

25782 Ed. 3-77 Printed in U.S.A.

We have very serious reservations with this added qualification. To the extent that an affiliate's assets are less than one-half of one percent of the total assets of the insurer, the dollar value of the assets should not be material. For a company the size of The St. Paul, with assets in excess of $13 billion, $250,000 is much too low a threshold. In addition, the information required by the amended permanent rule would exceed that required by Schedule Y of the Annual Statement.

We would request that the new language on page 17, lines 21 - 22 be deleted. In the alternative, we would recommend that the percentage threshold be lowered, perhaps to one-quarter of one percent, rather than have an absolute dollar threshold.

Section 2720.9920 Form B; Annual Registration Statement; Item 4

Item 4 of this section requires the filing of a substantial amount of information about whether directors or executive officers of the ultimate holding company have either individually or any company for which they serve as an officer or director have been subject to a law enforcement or *administrative investigation.*

Developing information about administrative investigations of any company that a director or executive officer has served as a director or executive officer may prove very difficult. The scope and extent of administrative investigations could be very broad, particularly in the context of large, regulated industries. We would suggest that the language *administrative investigation* be further defined or simply deleted from the rule.

Thank you for considering our recommendations. Should you have any questions or desire any further information, please do not hesitate to contact me at 223-3865.

Sincerely,

Peter H. Thrane
Senior Legal Officer

PHT/mm

25782 Ed. 3-77 Printed in U.S.A.

In the Matter of Adoption of the Rules Relating to Insurance Holding Company Systems

DECLARATION OF COUNSEL

I, Carolyn Ham, Special Assistant Attorney General, do hereby declare that I have examined the above-captioned rule, and the supporting rulemaking record, and that, based on my examination, the Administrative Procedure Act and Minnesota Rules, chapter 2010 have been followed. Any exception are listed below. For Attorney General billing purposes, the dour-digit docket client code is 0119.

Dated: 10/14/92

Carolyn Ham

Special Assistant Attorney General

OFFICE OF THE COMMISSIONER

STATE OF MINNESOTA

DEPARTMENT OF COMMERCE

133 EAST 7th STREET
ST. PAUL, MN 55101
612/296-4026
FAX: 612/296-4328

RECEIVED
OCT 29 1992
Office of the Attorney General
Government Services Section
Capitol Office Bldg. - Suite 500
525 Park Street
St. Paul, MN 55101

October 29, 1992

Mary Jo Murray
Office of the Attorney General
525 Park Street
St. Paul, MN 55103

Re: Proposed Permanent Rules Relating to Insurance Holding Company Systems

Dear Ms. Murray:

Pursuant to advice from Carolyn Ham, I enclose a copy of the revised Findings of Fact, Conclusions and Order adopting the above-referenced rules.

I understand that the Revisor's Office is preparing the required revision to the rules as adopted; and will be forwarding them to you directly. If this is not true, or if you need further assistance, please call me at 297-1118.

Sincerely,

BERT J. McKASY
Commissioner of Commerce

By:

Donna M. Watz

Donna M. Watz
Staff Attorney

DMW:joc

STATE OF MINNESOTA
Department of Commerce

In the Matter of Proposed Adoption of the Rules Relating to Insurance Holding Company Systems

FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING RULE WITHOUT PUBLIC HEARING

Notice of the Commissioner's intent to adopt the above-entitled rules was published in the State Register on August 3, 1992 and was sent by United States mail to all persons on the list maintained by the Department of Commerce pursuant to Minnesota Statutes, section 14.14, subdivision 1a and 14.22 on July 22, 1992. The Statement of Need and Reasonableness was prepared before the Notice of Intent to Adopt a Rule without a Public Hearing was mailed to all persons on the rulemaking mailing list and published in the State Register and was available to the public.

All persons were given the opportunity to submit comments on the rules for 30 days after notice of proposed rulemaking. The department received two written comments on the rules, however, no requests for a public hearing on the rules were received by the department. No requests for notice of submission to the Attorney General were received by the department.

Based on the comments and evidence in the record before the department, I find the following:

1. Subpart 2 of Part 2720.1600 of the rule as originally proposed established a more certain time period than contained in current regulations for the applicant to file amendments to information included on the acquisition filing statement. The rule as originally published established a one-day filing period. The authorizing statute, Minn. Stat. 60D.17 subdivision 2, states that any material change in the facts set forth in the statement must be sent to the commissioner within two business days of the change. The final format of the rules as adopted has been amended under Subpart 2 of Part 2720.1600 to make the time requirements comparable under the rule and the statute. This change does not constitute a substantial change from the rules as originally published in the State Register.

2. A change has been made to Item 2 of Part 2720.9920 of the rules as originally published in the State Register. The purpose of this part was to require in the disclosure statement on Form B information on all affiliates of the holding company that are of sufficient size to affect the solvency of the holding company. By establishing a threshold value amount for the affiliate at $250,000, it was acknowledged that certain small affiliates of the holding company could be excluded from disclosure under Item 2 because they caused little or no impact on the total asset calculation or operation of the holding company.

After the rules were published, commentary was received indicating that a fixed dollar threshold amount was not always the most effective means of determining which affiliates of the holding company needed to be disclosed on Form B. The effect of a $250,000 asset can be dramatically different depending upon the size of the holding company. While assets of that size may be significant in evaluating the operations of a small holding company, they would be meaningless with respect to multi-billion dollar holding system corporations. Reports on assets of $250,000 or less for large corporations can impose significant reporting requirements while producing little, if any, needed information.

Accordingly, Item 2 of Part 2720.9920 has been amended to clarify what was originally intended in the proposed rules; namely, to set a de minimus requirement for disclosure of affiliates. The entity filing the Form B now need not disclose any affiliate that represents less than one-quarter of one-percent of the total assets of the holding company. In addition, any affiliate that has assets valued at $250,000 or less need not be disclosed on the Form B. This exemption applies even if that affiliate would fall within the one-quarter of one-percent of total assets of the holding company filing the Form B. The changes to this part of the proposed rule will cause more adequate disclosure on Form B than current rules and will to meet the statutory requirements without causing undue reporting burdens on the holding company filing the Form B. The assets that will be disclosed under the modified rule are within the parameters of those that would have been required to be disclosed under the rule as originally proposed. Some smaller assets of large holding companies that would have been disclosed but which would not have been significant enough to affect the holding company's solvency will now not need to be reported. For the reasons set forth above, the change to Item 2 of Part 2720.9920 is consistent with the original purpose and is not substantial.

3. The repealer of Part 2720.0200 was inadvertently omitted in both the rules as proposed and rules as adapted, but was fully explained in the Statement of Need and Reasonableness. It is not a substantive change.

4. The above-captioned rules, as amended, are needed and reasonable.

NOW, THEREFORE, IT IS ORDERED that the rules identified as the Proposed Permanent Rules Relating to Insurance Holding Company Systems are adopted this 29th day of October, 1992, pursuant to the authority vested in me by Minnesota Statutes, sections 60D.23 and 45.023.

Bert J. McKasy
Commissioner of Commerce