

Assembly Bill 690

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**CHAPTER 392**

AN ACT to amend 206.34 (1) (c), (eg), (es) and (m); and to create 206.34 (1) (s) of the statutes, relating to the investment of the assets of domestic life insurance companies.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

SECTION 1. 206.34 (1) (c), (eg), (es) and (m) of the statutes are amended to read:

206.34 (1) c) In loans secured by mortgages upon unencumbered and wholly or partly improved real property in the United States or Canada, or upon leasehold estates in improved real property therein. Real property and leasehold estates shall not be deemed to be encumbered within the meaning of this ~~section~~ *paragraph* by reason of the existence

of unpaid assessments and taxes not delinquent, mineral, oil or timber rights, easements or rights of way for public highways, private roads, railroads, telegraph, telephone, electric light and power lines, drains, sewers or other similar easements or rights of way, liens for service and maintenance of water rights when not delinquent, party wall agreements, building restrictions, or other restrictive covenants or conditions, with or without a reversionary clause, or leases under which rents or profits are reserved to the owner. No such loan shall exceed ~~two-thirds~~ 75 per cent of the then fair market value, including buildings, if any, mortgaged to secure the same. If the value of the buildings constitutes any part of the security, such buildings must be kept insured to an amount which, together with ~~two-thirds~~ 75 per cent of the value of the land, shall equal or exceed the loan, and the policy or policies of insurance must be assigned or made payable to and held by or for the benefit of the company as collateral to such loan. The foregoing limitations and restrictions shall not apply to real estate loans which are insured under the provisions of the national housing act by the federal housing administration or to real estate loans made under the provisions of ch. 219.

(eg) In preferred stock of any solvent company organized under the laws of the United States or of any state thereof, or of the Dominion of Canada or of any province thereof (other than preferred stock of corporations organized for the sole purpose of holding securities of other corporations), the issue of which has been approved by the proper public authority if such approval was required by law at the time of issue, provided either (a) the net earnings of the issuing company available for fixed charges and dividends for a test period of 5 fiscal years next preceding the date of investment by the insurance company shall have averaged per year not less than 2 times the sum of the annual fixed charges, maximum contingent interest and preferred dividend requirements of the issuing company computed as of the date of such investment by the insurance company, or (b) the net earnings of the issuing company available for fixed charges and dividends for each of the 3 fiscal years next preceding the date of investment by the insurance company shall have been not less than 1½ times the sum of the annual fixed charges, maximum contingent interest and preferred dividend requirements of the issuing company computed as of the date of such investment by the insurance company, or c) *the net earnings of the issuing company available to meet preferred dividend requirements for a test period of 5 fiscal years next preceding the date of investment by the insurance company, after allowance for fixed charges and federal and state income taxes, shall have averaged per year not less than 3 times the amount of said preferred dividend requirements computed as of the date of such investment.* In any such computation, fixed charges on indebtedness, and dividend requirements on preferred stock, for the retirement of which provision is made at or prior to the date of investment by the insurance company, shall be disregarded. No insurance company shall invest more than ~~one-half of one~~ 2 per cent of its admitted assets in the preferred stock of any one issuing company, nor shall the aggregate of any insurance company's investments under this paragraph and par. (es), *determined at the cost thereof*, exceed 5 15 per cent of its admitted assets.

(es) In common stock of any solvent company organized under the laws of the United States or of any state thereof, or of the Dominion of Canada or of any province thereof (other than common stock of corporations organized for the sole purpose of holding securities of other corporations), the issue of which has been approved by the proper public authority if such approval was required by law at the time of issue, provided that such company either: a. during any 3 fiscal years of the 5 completed fiscal years next preceding the date of investment, has earned a sum avail-

able for payment of dividends per share (with strict proportional adjustment for changes in capitalization) equal in the aggregate to not less than 10 per cent of the price paid per share, or b. during the 3 fiscal years next preceding the date of such investment, has had average annual net earnings available for fixed charges and dividends equal to  $1\frac{1}{2}$  times the sum of its average annual fixed charges, maximum contingent interest and amounts required for payment of preferred dividends for such period. No insurance company shall invest more than ~~one-half of~~ one per cent of its admitted assets in the common stock of any one issuing company, nor shall the aggregate of any insurance company's investments under this paragraph *and par. (eg), determined at the cost thereof*, exceed  $\bar{5}$  15 per cent of its admitted assets.

(m) In loans, securities or investments in addition to those permitted in this subsection whether or not such loans, securities or investments qualify or are permitted as legal investments under its charter, or under other provisions of this section or under other sections of the statutes, ~~provided~~, *. The portion of loans, securities and investments which is in excess of the limitations established by sub. (2) (a) and s. 201.24 (2) shall not be deemed a permitted investment under this paragraph.* For the purposes of par. (c) and this paragraph, ~~that~~ the portion of a loan secured by a mortgage upon real property which does not exceed ~~two-thirds~~ *75 per cent* of the then fair market value of said property shall be deemed to be a permitted investment under par. (c) and the remainder of said loan may be deemed to be made under this paragraph. Any investment originally made under this paragraph which would subsequently, if it were then being made, qualify as a permitted investment under another paragraph of this subsection shall thenceforth be deemed to be a permitted investment under such other paragraph. The aggregate of such company's loans, securities and investments under this paragraph shall not exceed 5 per cent of such company's admitted assets.

SECTION 2. 206.34 (1) (s) of the statutes is created to read:

206.34 (1) (s) In the development, ownership and operation of facilities for the housing or boarding of students, faculty or staff of institutions of higher learning, or in loans secured by mortgages on any such facilities, either as sole investor or in participation with one or more other investors. The aggregate of such company's investments under this paragraph shall not exceed 5% of such company's admitted assets.

Approved November 23, 1965.

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