

No. 45, A.]

[Published March 21, 1947.]

CHAPTER 11.

AN ACT to renumber 206.34 (1) (em) to be 206.34 (1) (ef); to amend 206.34 (1) (ee), (ef), as renumbered, (en), (eo), (ep), (j) and (m), and to create 206.34 (1) (eg) of the statutes, relating to investments 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) (ee) of the statutes is amended to read:

206.34 (1) (ee) In bonds or other evidences of indebtedness 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* (in addition to those mentioned in * * * *any other paragraphs of this subsection* and other than bonds of corporations organized for the sole purpose of holding stock in other corporations) which bonds or other evidences of indebtedness are adequately secured by mortgage on, or pledge of, the owned and used or useful property of the company issuing them, or held in trust for its use and benefit, or by adequate collateral so secured, and 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 no insurance company shall invest in any one such issue of bonds or other evidences of indebtedness in excess of 2 per cent of the admitted assets of the insurance company; provided further that the company issuing such bonds or other evidences of indebtedness has not defaulted in the payment of principal or interest upon any of its bonds or other evidences of indebtedness at any time during 5 years prior to the date of investment therein, or since issuance, if issued less than 5 years prior to the date of investment therein.

SECTION 2. 206.34 (1) (em) of the statutes is renumbered 206.34 (1) (ef) and amended to read:

206.34 (1) (ef) In evidences of indebtedness 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* (in addition to those mentioned in *any other paragraphs * * ** of this subsection, and other than evidences of indebtedness of corporations organized for the sole purpose

of holding securities of other corporations), if the net earnings of the issuing company available for fixed charges for a test period of 3 fiscal years next preceding the date of investment by the insurance company shall have averaged per year not less than 2 times its average annual fixed charges applicable to such period, and 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 no insurance company shall invest in any one issue of such evidences of indebtedness in excess of * * * one per cent of its admitted assets; provided further that the company issuing such evidences of indebtedness has not defaulted in the payment of principal or interest upon any of its bonds, or other evidences of indebtedness at any time during 5 years prior to the date of investment therein, or since issuance, if issued less than 5 years prior to the date of investment therein. The aggregate of any company's investments * * * *under this paragraph* shall not exceed * * * 15 per cent of such company's admitted assets.

SECTION 3. 206.34 (1) (eg) of the statutes is created to read:

206.34 (1) (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 1-1/2 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. In any such computation, fixed charges on indebtedness, and divi-

dend 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 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 exceed 5 per cent of its admitted assets.

SECTION 4. 206.34 (1) (en), (eo), (ep), (j) and (m) of the statutes are amended to read:

206.34 (1) (en) "Net earnings available for fixed charges" as used in paragraphs (ec) and * * * (ef) shall mean net income *determined on either a consolidated or an unconsolidated basis* after allowance for operating and maintenance expenses, depreciation and depletion, and taxes, other than federal and state income taxes, but excluding extraordinary nonrecurring items of income or expense appearing in the regular financial statements of the issuing company. "Net earnings available for fixed charges and dividends," as used in paragraph (eg) shall be determined in the same manner as "net earnings available for fixed charges" but after allowance for federal and state income taxes.

(eo) "Fixed charges" as used in paragraphs (ec), * * * (ef) and (eg) shall include interest on all bonds and other evidences of indebtedness, and amortization of debt discount. "Preferred dividend requirements," as used in paragraph (eg) shall mean dividends at the maximum prescribed rate on all preferred stock of the same class as that being acquired by the insurance company and on all stock ranking as to dividends on a parity therewith or prior thereto; whether or not such dividends are cumulative.

(ep) In applying tests of "net earnings available for fixed charges" under paragraphs (ec) * * *, (ef) and (eg) to an issuing company, whether or not in legal existence during the whole of the test period, which has * * * at or prior to the date of investment by the insurance company acquired the assets of any other company by purchase, merger, consolidation or otherwise substantially as an entirety, net earnings available for fixed charges of such predecessor or constituent company for such portion of the test period as preceded acquisition, may be included in the net earnings of the issuing company, in accord-

ance with consolidated earnings statement covering such period * * *.

(j) In interest-bearing notes of any building and loan association organized under the laws of this state and in any bonds or other securities of any building and loan finance corporation organized under the laws of this state. *Also in investment shares of any building and loan associations to the extent that they are or may be insured or guaranteed by the United States government, or by the federal savings and loan insurance corporation, or by any other agency of the United States government, and in shares of corporations chartered or incorporated under section 5 of the home owners' loan act of 1933.*

(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, that 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.

Approved March 18, 1947.

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CHAPTER 12.

AN ACT relating to expert and clerical assistants or other expenses for the joint committee on finance, and making an appropriation therefor.

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

SECTION 1. The joint committee on finance of the legislature of 1947 is empowered to employ trained experts in accounting and statistics, and such other assistants as may be necessary; such experts and assistants shall be exempt from the provisions of chapter 16.

SECTION 2. There is appropriated out of the general fund for the necessary expenses of the joint committee on finance of the legislature of 1947 and to carry out the provisions of this act not to exceed \$4,000, to be paid upon the approval and order