

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

March 20, 1979

The meeting of the Business and Industry Committee was called to order by Chairman Frank Hazelbaker on the above date in Room 404 of the State Capitol Building at 10:00 a.m.

ROLL CALL: All members were present.

HOUSE BILL 566: Representative John Vincent, sponsor of HB 566, explained the bill to the Committee. This bill related to the operation of real estate mortgage loan reserve funds that are set up to provide for payment of property taxes, insurance premiums, and other expenses.

Representative Vincent presented some amendments to the Committee. These proposed amendments are attached to the minutes. The amendments take the part requiring interest on escrow accounts out. The reason this was taken out was that both the banks and the Savings & Loan institutions were worried about this provision. Representative Vincent also stated that they had provided him with information on what other states were doing. Representative Vincent stated that this would be difficult to administer if it was not deleted. He feels that this bill has merit with the deletion. It limits the amount of money that can be kept in escrow. Section 5 requires that a record of reserve fund be sent once a year to the homeowner. Representative Vincent told the Committee he would appreciate consideration of House Bill 566 as amended.

PROPOSERS OF HOUSE BILL 566: Mr. Harold Pitts of Helena, representing the Montana Bankers Association, stated they support the bill as amended.

Mr. Ross Cannon of Helena, representing Montana Savings & Loan League, stated they support HB 566 with the amendments.

OPPOSERS OF HOUSE BILL 566: No opposers to HB 566 were present at the hearing.

QUESTIONS FROM THE COMMITTEE: Senator Blaylock asked how much was being carried in escrow in these institutions.

Mr. Pitts stated that no survey had been taken, but it would be a sizeable amount.

Senator Regan asked the bankers if they could come in with figures if they were necessary.

Mr. John Cadby, representing the Montana Bankers Association, stated there are a number of complicating factors to collecting this type of information.

Representative Vincent stated that he didn't think it required a legislative study.

Mr. Pitts stated that the information could not be gotten in 24 hours.

Chairman Hazelbaker wondered if there would be any trouble with FHA and VA in making these reports. Mr. Pitts stated that he wasn't sure you could regulate the federal agencies.

Mr. Cadby stated that if you remove the incentive to hold reserves, you will have more problems with collection. He told the Committee they would be happy to provide information on research done in other states if they wanted it.

Senator Goodover asked if it was required to have a reserve account. Mr. David Brown, representing the 1st National Bank in Helena, stated that it was required if it was a VA or FHA loan. Otherwise it was not required unless the individual bank required it.

Senator Regan asked the bankers about coming in next session with a bill that would be workable.

Mr. Brown stated that they have been burdened by tax notices and tax relief from the Homestead Tax Relief Law. He told the Committee that Billings has had a horrendous problem of tax collecting.

Senator Goodover asked how often a bank exceeds the 110 percent under current practices. Mr. Brown stated that it should not exceed that.

Mr. Harold Pitts stated they really consider this a service.

Chairman Hazelbaker closed the hearing on House Bill 566.

Printouts of House Bill 887 with the proposed amendments included were distributed to the Committee. Chairman Hazelbaker asked Mr. Pyfer if he had checked the amendments. Mr. Pyfer stated that he had checked them over and they appeared to be in order.

Mr. Terry Meagher from the Insurance Department went over the changes in the bill by the proposed amendments. The changes are as follows:

1. Page 4, line 6. Life insurance only will now be allowed to invest in EDP equipment that costs at least \$25,000.
2. Page 7, line 11. With regard to custodial deposits that a life insurer must have with the commissioner. Line 11 striking common stock placed in that deposit may be valued only to the extent of 50% of its market value.

Their proposal strikes this 50% requirement which would allow them to value at 100% of its market value for deposit purposes.

Line 19. For the purposes of this custodial deposit, life insurers presently may only use real estate which is for the purpose of their home office and their proposal strikes that requirement and allows them to use for the deposit any real estate eligible as an admitted asset.

3. Page 13, line 14. Their proposal would allow an insurer to invest 10% of its assets in a subsidiary. Presently this investment is limited to an insurer's surplus. That also changed the requirement that a subsidiary be wholly owned to the definition whereby the insurer would own a majority of the outstanding shares of all voting stock.

4. Page 16, lines 8 and 11. This increases the permissible mortgage value on commercial real property to 80% from 2/3 and on one or two family residential property units to 90% from 3/4.

The rest of the amendments strike the proposed changes in the original bill. This amendment reinserts the language of the present original insurance code.

DISPOSITION OF HOUSE BILL 887: Senator Dover moved the proposed amendments Do Pass. The Committee voted unanimously to adopt the proposed amendments.

Senator Lowe moved that HB 887 Be Concurred In as so amended. Senator Goodover seconded the motion. The Committee voted unanimously that HOUSE BILL 887 BE CONCURRED IN AS SO AMENDED.


Senator Hazelbaker will carry House Bill 887 on the floor.

DISPOSITION OF HOUSE BILL 566: Senator Goodover moved the proposed amendments to HB 566 be adopted. Senator Lowe seconded the motion. The Committee adopted the proposed amendments to HB 566. Senator Hager and Senator Regan were the only "no" votes on the motion.

Senator Lowe moved that HB 566 Be Concurred In as so amended. Senator Dover seconded the motion. The Committee voted unanimously that HOUSE BILL 566 BE CONCURRED IN AS SO AMENDED.

Senator Lowe will carry House Bill 566 on the floor.

ADJOURN: There being no further business, the meeting was adjourned at 10:55 a.m.



Senator Frank Hazelbaker, Chairman

ROLL CALL.

BUSINESS & INDUSTRY COMMITTEE

46TH LEGISLATIVE SESSION - - 1979

Date March 20

[illegible]

STANDING COMMITTEE REPORT

March 20, 1979

MR. President:

We, your committee on Business and Industry

having had under consideration HOUSE Bill No. 566

Vincent (Lowe)

Respectfully report as follows: That HOUSE Bill No. 566

third reading bill, be amended as follows:

1. Title, line 5.

Following: "20"

Strike: "CREDIT INTEREST EARNED"

Insert: "RENDER ANNUAL STATEMENTS"

2. Title, line 6.

Following: "FUNDS"

Strike: "TO THE RESERVE FUND"

3. Title, line 7.

Following: "FUNDS"

Insert: "; AND PROVIDING AN EFFECTIVE DATE"

4. Page 1, line 24 through line 5 on page 2.

Strike: sections 3 and 4 in their entirety

Re-number: subsequent section

XXXXXX

(continued)

March 20, 1979

5. Page 2, line 11.

Following: "fund"

Strike: ", "

Insert: "and"

6. Page 2, lines 12 and 13.

Following: "fund" on line 12

Strike: ", and the interest credited to the reserve fund"

7. Page 2, line 14.

Following: "mail a"

Strike: "copy of such record"

Insert: "statement of total receipts and disbursements"

8. Page 2, line 16.

Following: line 15

Insert: "Section 4. Effective date. This act is effective on January 1, 1980."

And, as so amended

BE CONCURRED IN

STANDING COMMITTEE REPORT

March 20, 1979

MR. President:

We, your committee on Business and Industry

having had under consideration House Bill No. 307

Scully (Hazelbaker)

Respectfully report as follows: That House Bill No. 307

third reading bill, be amended as follows:

1. Title, line 4.

Following: "TO"

Strike: "GENERALLY"

Following: "REVISE"

Strike: "THE"

Insert: "CERTAIN"

2. Title, line 6.

Following: "33-2-501,"

Strike: "33-2-502,"

Following: "33-2-503,"

Strike: "33-2-504,"

NDOP:MS

(Continued)

3. Title, line 7.

Following: line 6

Strike: "33-2-806, 33-2-820 THROUGH"

Following: "33-2-822,"

Strike: "33-2-829,"

4. Page 4, line 3.

Following: "equipment"

Strike: "in the aggregate"

5. Page 4, line 4.

Following: "\$100,000"

Strike: "\$25,000"

Insert: "\$100,000"

6. Page 4, line 5.

Following: "10"

Strike: "7"

Insert: "10"

Following: "years"

Strike: ";

Insert: ". However, with regard to life insurers, such equipment shall be allowed as an asset if the cost of such equipment is at least \$25,000, which cost shall be amortized in full over a period of not to exceed 5 calendar years, and the amount of such asset allowed may not exceed 1% of the total of the other allowable assets of the insurer."

7. Page 4, lines 6 through 11.

Following: line 5

Strike: lines 6 through 11 in their entirety

Renumber: subsequent subsections

8. Page 4, line 20 through line 6 on page 5.

Strike: section 2 in its entirety

Renumber: subsequent sections

9. Page 7, line 2.

Following: "chapter"

Insert: ", except that securities acquired under 33-2-829 are not eligible for deposit"

10. Page 7, line 16.

Following: "(5) Real estate"

Strike: "real estate"

(Continued)

11. Page 7, line 15.

Following: "commissioner."

Insert: "If the insurer uses real estate acquired under 32-2-832 as a deposit, then a deed of trust, mortgage, or other instrument sufficient to convey a security interest in such real estate, in a form acceptable to the commissioner, shall be completed in due form and recorded prior to being deposited with the commissioner."

12. Page 8, line 6 through line 12 on page 12.

Strike: sections 4 through 7 in their entirety

Renumber: subsequent sections

13. Page 13, lines 3 and 4.

Following: "owns" on line 3

Strike: "sufficient stock to give it effective control"

Insert: "a majority of the outstanding shares of all voting stock"

14. Page 13, line 5 through line 5 on page 14.

Strike: section 9 in its entirety

Renumber: subsequent sections

15. Page 15, lines 6 and 7.

Following: "improvements"

Strike: "or improvements under construction."

16. Page 15, lines 8 through 14.

Following: "situated." on line 8

Strike: the remainder of line 8 and lines 9 through 14 in their entirety

17. Page 16, line 20 through line 6 on page 17.

Following: "mortgages-" on line 20

Strike: the remainder of line 20 through "Canada." on line 6, page 17

Insert: "No such mortgage loan made or acquired by an insurer which is a participation or a part of a series or issue secured by the same mortgage or deed of trust shall be a lawful investment under this section unless the entire series or issue which is secured by the same mortgage or deed of trust is held by such insurer or unless the insurer holds a senior participation in such mortgage or deed of trust, giving it substantially the rights of a first mortgage."

18. Page 18, line 21.

Following: "otherwise"

Strike: "A."

(Continued)

19. Page 19, line 2.

Following: "therefor."

Insert: ", other than real estate to be used primarily for agricultural, ranch, mining, development of oil or mineral resources, recreational, amusement, or club purposes, acquired as an investment for the production of income or acquired to be improved or developed for such investment purposes pursuant to an existing program therefor."

20. Page 19, line 7.

Following: "5%

Strike: "15%

Insert: "5%

21. Page 19, line 21.

Following: "20%

Strike: "25%

Insert: "10%

And, as so amended,
BE CONCURRED IN

SENATE BUSINESS AND INDUSTRY COMMITTEE

AMENDMENTS TO H.B. 566

We your SENATE COMMITTEE on BUSINESS AND INDUSTRY having had under consideration HOUSE BILL 566, recommend:

That the same be amended in the title, page 1, line 5, following the words "institutions to" by deleting the phrase "credit interest earned" and inserting in lieu thereof the phrase "render annual statements"; and

Further amend the bill in the title at line 6, page 1, following the word "funds", by deleting the phrase "to the reserve fund and" and insert a comma; and

Further amend the bill in the title at line 7, page 1, by striking the period and inserting a comma and insert "and provide an effective date."; and

Further amend the bill by striking Sections 3 and 4 in their entirety and renumbering Section 5 as Section 3; and

Further amend renumbered Section 3 (presently Section 5) on page 2 at line 11 by striking the comma following the term "fund" and inserting in lieu thereof the term "and"; and

Further amend renumbered Section 3 (presently Section 5) at lines 12 and 13 by striking the comma and the balance of the sentence following the word "fund" on line 12 and inserting a period in lieu thereof; and

Further amend renumbered Section 3 (presently Section 5), page 2 at line 14 following phrase "mail a" by deleting the phrase "copy of such record" and inserting in lieu thereof the phrase "statement of total receipts and disbursements"; and

Add a new section commencing on line 16 to read "Section 4. Effective Date. This act shall take effect on January 1, 1920."; and

As amended, House Bill 566 be concurred in.

1 HOUSE BILL NO. 887

2 INTRODUCED BY SCULLY

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
5 CERTAIN LAWS RELATING TO THE REGULATION OF INSURANCE
6 COMPANIES; AMENDING SECTIONS 33-2-501, ~~33-2-502~~, 33-2-531,
7 ~~33-2-804~~, ~~33-2-806~~, ~~33-2-820~~ THROUGH 33-2-822, ~~33-2-829~~,
8 33-2-830, AND 33-2-832, MCA."

9

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Section 33-2-501, MCA, is amended to read:

12 "33-2-501. Assets allowed. In any determination of the
13 financial condition of an insurer, there shall be allowed as
14 assets only such assets as are owned by the insurer and
15 which consist of:

16 (1) cash in the possession of the insurer or in
17 transit under its control and including the true balance of
18 any deposit in a solvent bank or trust company;

19 (2) investments, securities, properties, and loans
20 acquired or held in accordance with this code and in
21 connection therewith the following items:

22 (a) interest due or accrued on any bond or evidence of
23 indebtedness which is not in default and which is not valued
24 on a basis including accrued interest;

25 (b) declared and unpaid dividends on stock and shares

1 unless such amount has otherwise been allowed as an asset;

2 (c) interest due or accrued upon a collateral loan in
3 an amount not to exceed 1 year's interest thereon;

4 (d) interest due or accrued on deposits in solvent
5 banks and trust companies and interest due or accrued on
6 other assets, if such interest is in the judgment of the
7 commissioner a collectable asset;

8 (e) interest due or accrued on a mortgage loan in an
9 amount not exceeding in any event the amount, if any, of the
10 excess of the value of the property less delinquent taxes
11 thereon over the unpaid principal. In no event shall
12 interest accrued for a period in excess of 18 months be
13 allowed as an asset.

14 (f) rent due or accrued on real property if such rent
15 is not in arrears for more than 3 months and rent more than
16 3 months in arrears if the payment of such rent be
17 adequately secured by property held in the name of the
18 tenant and conveyed to the insurer as collateral;

19 (g) the unaccrued portion of taxes paid prior to the
20 due date on real property;

21 (3) premium notes, policy loans, and other policy
22 assets and liens on policies and certificates of life
23 insurance and annuity contracts and accrued interest
24 thereon, in an amount not exceeding the legal reserve and
25 other policy liabilities carried on each individual policy;

1 (4) the net amount of uncollected and deferred
2 premiums and annuity considerations in the case of a life
3 insurer;

4 (5) premiums in the course of collection, other than
5 for life insurance, not more than 3 months past due, less
6 commissions payable thereon. The foregoing limitation shall
7 not apply to premiums payable directly or indirectly by the
8 United States government or by any of its instrumentalities.

9 (6) installment premiums other than life insurance
10 premiums to the extent of the unearned premium reserve
11 carried on the policy to which premiums apply;

12 (7) notes and like written obligations not past due,
13 taken for premiums other than life insurance premiums, on
14 policies permitted to be issued on such basis, to the extent
15 of the unearned premium reserves carried thereon;

16 (8) the full amount of reinsurance recoverable by a
17 ceding insurer from a solvent reinsurer and which
18 reinsurance is authorized under 33-2-1205;

19 (9) amounts receivable by an assuming insurer
20 representing funds withheld by a solvent ceding insurer
21 under a reinsurance treaty;

22 (10) deposits or equities recoverable from underwriting
23 associations, syndicates, and reinsurance funds or from any
24 suspended banking institution, to the extent deemed by the
25 commissioner available for the payment of losses and claims

1 and at values to be determined by him;

2 (11) electronic data processing machines ~~equipment~~ if
 3 the cost of each such machine ~~equipment-in-the-aggregate~~ is
 4 at least ~~\$100,000~~ ~~\$25,000~~ \$100,000, which cost shall be
 5 amortized in full over a period of not to exceed ~~10~~ ~~7~~ 10
 6 calendar years~~;~~. HOWEVER, WITH REGARD TO LIFE INSURERS, SUCH
 7 EQUIPMENT SHALL BE ALLOWED AS AN ASSET IF THE COST OF SUCH
 8 EQUIPMENT IS AT LEAST \$25,000, WHICH COST SHALL BE AMORTIZED
 9 IN FULL OVER A PERIOD OF NOT TO EXCEED 5 CALENDAR YEARS, AND
 10 THE AMOUNT OF SUCH ASSET ALLOWED MAY NOT EXCEED 1% OF THE
 11 TOTAL OF THE OTHER ALLOWABLE ASSETS OF THE INSURER.

12 ~~(12) all office equipment and office furniture~~
 13 ~~necessary for the conduct of insurance business; the~~
 14 ~~aggregate of which may not at any one time exceed 1% of the~~
 15 ~~other assets of the insurer. The cost of such equipment~~
 16 ~~shall be depreciated on a reasonable basis in determining~~
 17 ~~book values.~~

18 ~~(12)~~~~(13)~~ (12) all assets, whether or not consistent with
 19 the provisions of this section, as may be allowed pursuant
 20 to the annual statement form approved by the commissioner
 21 for the kinds of insurance to be reported upon therein;

22 ~~(13)~~~~(14)~~ (13) other assets, not inconsistent with the
 23 provisions of this section, deemed by the commissioner to be
 24 available for the payment of losses and claims, at values to
 25 be determined by him."

1 Section 27--Section 33-2-502v-MEA-is-amended-to--reads

2 "33-2-502v--Assets--expressly-not-allowed--In-addition

3 to-assets-implicitly-excluded-by-the-provisions-of--33-2-501v

4 the--following--expressly--shall-not-be-allowed-as-assets-in

5 any-determination-of-the-financial-condition-of-an--insurer:

6 (1)--goodwill--trade--names--and-other-like-intangible

7 assets;

8 (2)--advances-to-officers-(other--than--policy--loans)--

9 whether--secured--or-not--and-advances-to-employees--agents

10 and-other-persons-on-personal-security-only;

11 (3)--stock-of-such-insurer-owned-by-it--or-any--equity

12 therein--or--loans--secured--thereby--or--any--proportionate

13 interest--in--such--stock--acquired--or--held--through--the

14 ownership--by--such--insurer-of-an-interest-in-another-firm

15 corporation--or-business-unit;

16 (4)--furniture--fixtures--(other--than--electronic--data

17 processing--machines--authorized--under--33-2-501(11))v

18 furnishings--safes--vehicles--~~except--as--authorized--under~~

19 ~~33-2-501(12))v~~--libraries--stationery--literature--and-other

20 equipment--machines--and--supplies--~~(other--than--electronic~~

21 ~~data--processing--equipment--authorized-under-33-2-501(11))v~~

22 ~~except~~;

23 (a)--in-the-case-of-title-insurers--such-materials--and

24 plants--as--the-insurer-is-expressly-authorized-to-invest-in

25 under-33-2-851--and

1 (b) -- in the case of any insurer, such personal property
 2 as the insurer is permitted to hold pursuant to part 8 of
 3 this chapter or which is acquired through foreclosure of
 4 chattel mortgages acquired pursuant to 33-2-531 or which is
 5 reasonably necessary for the maintenance and operation of
 6 real estate lawfully acquired and held by the insurer other
 7 than real estate used by it for home office, branch office,
 8 and similar purposes;

9 (5) -- the amount, if any, by which the aggregate book
 10 value of investments as carried in the ledger assets of the
 11 insurer exceeds the aggregate value thereof as determined
 12 under this code;

13 Section 2. Section 33-2-531, MCA, is amended to read:

14 "33-2-531. Deposit of reserves -- domestic life
 15 insurers. (1) Domestic life insurers shall deposit and
 16 maintain on deposit, in securities and assets, with
 17 depositories and subject to conditions as provided for in
 18 part 6 of this chapter, an amount not less than the reserves
 19 on its outstanding life insurance policies and annuity
 20 contracts, as valued under 33-2-521 through 33-2-526.

21 (2) Annually on or before April 1, the insurer shall
 22 so deposit any additional such securities required under
 23 subsection (1) and related to the increase of such reserves
 24 during the calendar year next preceding, as determined from
 25 the insurer's annual statement as at December 31 of such

1 preceding year.

2 (3) A domestic stock life insurer may credit toward
3 such deposit the amount of any other deposit of the insurer
4 held under part 6 of this chapter for the protection of its
5 policyholders or of its policyholders and creditors.

6 (4) Deposits of the reserves of a domestic life
7 insurer under this section shall consist of securities and
8 assets acquired in accordance with part 8 of this chapter,
9 EXCEPT THAT SECURITIES ACQUIRED UNDER 33-2-829 ARE NOT
10 ELIGIBLE FOR DEPOSIT. ~~except as follows:~~

11 ~~(a) Common stocks acquired under 33-2-828 and~~
12 ~~investment trust securities acquired under 33-2-824 shall be~~
13 ~~eligible for deposit only to the extent of 50% of the value~~
14 ~~at which they are carried in the last financial statement on~~
15 ~~file with the commissioner or their cost if acquired since~~
16 ~~the date of the last statement on file.~~

17 ~~(b) Securities acquired under 33-2-829 shall not be~~
18 ~~eligible for deposit.~~

19 ~~(c) Only real estate acquired under 33-2-832(1) shall~~
20 ~~be eligible for deposit and in no case shall the value of~~
21 ~~such real estate for deposit purposes exceed the original~~
22 ~~cost.~~

23 (5) Real estate ~~real estate~~ mortgage loans, chattel
24 mortgage loans, and policy loans may be made a part of the
25 deposit by filing a verified statement of the loans with the

1 commissioner, which statement shall be subject to audit at
 2 all times by the commissioner. Nonnegotiable securities
 3 where deposited with the commissioner shall be accompanied
 4 by transfer powers in due form. ~~If the insurer uses the home~~
 5 ~~office real estate under 33-2-832(1) as a deposit, a deed of~~
 6 ~~trust to the commissioner shall be completed in due form and~~
 7 ~~recorded prior to being deposited with the commissioner. IF~~
 8 THE INSURER USES REAL ESTATE ACQUIRED UNDER 33-2-832 AS A
 9 DEPOSIT, THEN A DEED OF TRUST, MORTGAGE, OR OTHER INSTRUMENT
 10 SUFFICIENT TO CONVEY A SECURITY INTEREST IN SUCH REAL
 11 ESTATE, IN A FORM ACCEPTABLE TO THE COMMISSIONER, SHALL BE
 12 COMPLETED IN DUE FORM AND RECORDED PRIOR TO BEING DEPOSITED
 13 WITH THE COMMISSIONER.

14 (6) If default occurs in the payment of interest or
 15 principal of any deposited security and such default
 16 continues for a period of 120 days, the commissioner may
 17 declare such security no longer eligible for deposit under
 18 this section."

19 ~~Section 4, Section 33-2-864, H&A, is amended to read:~~
 20 ~~"33-2-864--Prohibited--investments--and--investment~~
 21 ~~underwritings--(1)--In--addition--to--investments--excluded~~
 22 ~~pursuant--to--other--provisions--of--this--code, an insurer shall~~
 23 ~~not invest in or lend its funds upon the security of:~~

24 ~~(a)--issued shares of its own capital stock, except for~~
 25 ~~the purpose of mutualization under 33-3-215 or for the~~

1 ~~purpose of retiring its stock~~

2 ~~(b) except with the advance consent of the~~
3 ~~commissioner, securities issued by any corporation or~~
4 ~~enterprise the controlling interest of which is or after~~
5 ~~such acquisition by the insurer will be held directly or~~
6 ~~indirectly by the insurer or any combination of the insurer~~
7 ~~and the insurer's directors, officers, parent corporation,~~
8 ~~subsidiaries, or controlling stockholders. Investments in~~
9 ~~subsidiaries under 33-2-822 shall not be subject to this~~
10 ~~provisions.~~

11 ~~(c) any note or other evidence of indebtedness of any~~
12 ~~director, officer, or controlling stockholders of the~~
13 ~~insurer, except as to policy loans authorized under~~
14 ~~33-2-625.~~

15 ~~(2) No insurer shall underwrite or participate in the~~
16 ~~underwriting of an offering of securities or property by any~~
17 ~~other person."~~

18 ~~Section 5. Section 33-2-866, H&A, is amended to read:~~

19 ~~"33-2-866. Diversification of investments. An insurer~~
20 ~~shall invest in or hold as admitted assets categories of~~
21 ~~investments only within applicable limits as follows:~~

22 ~~(1) An insurer shall not, except with the consent of~~
23 ~~the commissioner, have at any one time any combination of~~
24 ~~investments in or loans upon the security of the~~
25 ~~obligations, property, or securities of any one person or~~

insurer aggregating an amount exceeding 5% of the insurer's assets. This restriction shall not apply as to general obligations of the United States of America or of any state or include policy loans made under 33-2-625.

(2) An insurer shall not invest in or hold at any one time more than 10% of the outstanding voting stock of any corporation, except with the consent of the commissioner given with respect to voting rights of preference stock during default of dividends. This provision does not apply as to stock of a wholly owned subsidiary of the insurer or to controlling stock of an insurer acquired under 33-2-621.

(3) An insurer, other than title insurer, shall invest and maintain invested funds not less in amount than the minimum paid-in capital stock required under this code of a domestic stock insurer transacting like kinds of insurance, only in cash and the securities provided for under the following sections: 33-2-611(1), 33-2-612, and 33-2-636.

(4) A life insurer shall also invest and keep invested its funds in amount not less than the reserves under its life insurance policies and annuity contracts, other than variable annuities, in force in cash and/or the securities or investments provided for under 33-2-531.

(5) Except with the commissioner's consent, an insurer shall not have invested at any one time more than 25% of its assets in the class of securities described in 33-2-612.

1 exclusive-of-obligations-of-public-utilities"

2 ~~(6)(12)~~--An--insurer--may--invest--and--have--invested--at--any
3 one--time--in--aggregate--amount--not--more--than--10%--of--its--assets
4 in--all--stocks--under--33-2-828v--33-2-821v--and--33-2-824v
5 determination--of--the--amount--which--an--insurer--has--invested--in
6 common--stocks--for--the--purposes--of--this--provision--shall--be
7 based--on--the--cost--of--such--stocks--to--the--insurer--This
8 provision--shall--not--apply--as--to--stock--of--a--controlled--or
9 subsidiary--insurance--corporation--or--other--corporations--under
10 33-2-821--and--33-2-822v

11 ~~(7)(16)~~--Except--with--the--commissioner's--consent--an
12 insurer--shall--not--have--invested--at--any--one--time--more--than
13 10%--of--its--assets--in--the--class--of--securities--described--in
14 any--one--of--the--following--sections: 33-2-814v, 33-2-819v--and
15 33-2-823v

16 ~~(8)(17)~~--Limits--as--to--investments--in--the--category--of
17 real--estate--shall--be--as--provided--in--33-2-832v--Other--specific
18 limits--shall--apply--as--stated--in--the--sections--dealing--with
19 other--respective--kinds--of--investments"

20 Section--6v--Section--33-2-828v--824v--is--amended--to--read:

21 "33-2-828v--Common--stocks--An--insurer--may--invest--in
22 nonassessable--common--stocks--other--than--insurance--stocks
23 ~~common--shares--of--stock~~--of--any--solvent--corporation--existing
24 under--the--laws--of--the--United--States--of--America--or--of--Canada
25 or--any--state--or--province--thereof--if--cash--or--stock--dividends

1 have-been-earned-and-paid-on-its-common-stock-in-each-of-the
 2 5-fiscal-years-preceding-such-acquisition-and--if--further
 3 all--prior--obligations--or--preference--stock--of--such
 4 corporations--if-any--are-eligible-for-investment-under--this
 5 part--If--the--issuing--corporation--has--not--been--in--legal
 6 existence-for-the-whole-of-the-5-preceding-fiscal-years--but
 7 was--formed--as--a--consolidation--or--merger--of--two--or--more
 8 businesses--the-test-of-eligibility-for--investment--of--its
 9 common--stock--under--this--section--shall--be--based--upon
 10 consolidation-pro-forma-statements--of--the--predecessor--or
 11 constituent--institutions that--qualify--as--a--present
 12 investment-of-the-insurer's-assets"

13 Section-7--Section-33-2-821v-M64v-is-amended-to--read:
 14 "33-2-821v--Insurance--stocks--(1)--an--insurer--may
 15 invest--~~up-to-10%--of--its--assets~~--in--the--stocks--of--other
 16 solvent--insurers--formed--under--the--laws--of--this--or--another
 17 state--which--stocks--meet--the--applicable--requirements--of
 18 33-2-819--and--33-2-820 the--District--of--Columbia--or--any
 19 province--of--Canada"

20 (2)--With--the--commissioner's--consent--an--insurer--may
 21 acquire--and--hold--the--controlling--interest--in--the--outstanding
 22 voting--stock--of--another--stock--insurer--formed--under--the--laws
 23 of--this--or--another--state--all--stocks--under--this--subsection
 24 shall--be--subject--to--the--limitation--as--to--amount--as--provided
 25 in-33-2-822v"

1 Section 3. Section 33-2-822, MCA, is amended to read:

2 "33-2-822. Stocks of subsidiaries. With the
3 commissioner's consent, an insurer may invest in the stock
4 of its wholly-owned subsidiary insurance corporation or in
5 the stock of its wholly-owned subsidiary business
6 corporation formed under the laws of this state and
7 necessary and incidental to the convenient operation of the
8 insurer's insurance business or to the administration of any
9 of its investments. All of the insurer's investments under
10 this section ~~together with its investments in insurance~~
11 ~~stocks under 33-2-821(2)~~ shall not at any time exceed the
12 ~~amount of the investing insurer's surplus if a life~~
13 ~~insurer or its surplus to policyholders if other than a~~
14 ~~life insurer~~ 10% of the investing insurer's assets. For the
15 purposes of this section, a "subsidiary" is a corporation of
16 which the insurer owns sufficient stock to give it effective
17 control A MAJORITY OF THE OUTSTANDING SHARES OF ALL VOTING
18 STOCK."

19 Section 9. Section 33-2-829, MCA, is amended to read:

20 "33-2-829. Miscellaneous investments. (1) An insurer
21 may make loans or investments not otherwise expressly
22 permitted under this part in aggregate amount not over 5%
23 of the insurer's assets and not over 1% of such assets as to
24 any one such loan or investment if such loan or investment
25 fulfills the requirements of 33-2-803 and otherwise

1 qualifies as a sound investment but no such loan or
2 investment shall be represented by:

3 (a) any item described in 33-2-502 or any loan or
4 investment otherwise expressly prohibited;

5 (b) agents' balances or amounts advanced to or owing
6 by agents or former agents of the insurer whether or not
7 secured except as to policy loans, mortgage loans, and
8 collateral loans otherwise authorized under this part;

9 (c) any category of loans or investments eligible
10 under any other provisions of this part;

11 (d) any asset theretofore acquired or held by the
12 insurer under any other category of loans or investments
13 eligible under this part loan or investment funds in an
14 aggregate amount not exceeding 25 of its assets in kind of
15 loans or investments not otherwise specifically made
16 eligible for investment and not specifically prohibited or
17 made ineligible by this or other provisions of this code;

18 (2) The insurer shall keep a separate record of all
19 loans and investments made under this section."

20 Section 4. Section 33-2-830, MCA, is amended to read:

21 "33-2-830. Real estate mortgages. (1) An insurer may
22 invest any of its funds in bonds, notes, or other evidences
23 of indebtedness which are secured by first mortgages or
24 deeds of trust upon improved real property located in the
25 United States or Canada or which are secured by first

1 mortgages or deeds of trust upon leasehold estates having an
2 unexpired term of not less than 21 years, inclusive of the
3 term or terms which may be provided by enforceable options
4 of renewal, in improved real property located in the United
5 States or Canada. In all cases the security for the loan
6 must be a first lien upon such real property, and there must
7 not be any condition or right of reentry or forfeiture not
8 insured against, under which, in the case of real property
9 other than leaseholds, such lien can be cut off or
10 subordinated or otherwise disturbed or under which, in the
11 case of leaseholds, the insurer is unable to continue the
12 lease in force for the duration of the loan. Nothing herein
13 shall prohibit any investment by reason of the existence of
14 any prior lien for ground rents, taxes, assessments, or
15 other similar charges not yet delinquent. This section shall
16 not be deemed to prohibit investment in mortgages or similar
17 obligations when made under 33-2-826.

18 (2) "Improved real estate" means all farm lands used
19 for tillage, crop, or pasture, or timberlands, and all real
20 estate on which permanent improvements ~~or improvements~~
21 ~~under construction~~ suitable for residential, institutional,
22 commercial, or industrial use are situated. ~~Real estate to~~
23 ~~be developed for such uses on which durable structural~~
24 ~~improvements or durable structural improvements under~~
25 ~~construction including but not limited to streets and~~

~~utilities--which--will--become--an--integral--part--of--such
developments--are--situated--or--about--shall--also--be--considered
to--be--improved--real--estate~~

(3) (a) No such mortgage loan or loans made or acquired by an insurer on any one property shall, at the time of investment by the insurer, exceed the larger of the following amounts as applicable:

(i) ~~two-thirds~~ 90% of the value of the real property or leasehold securing the same, provided, however, if said real property or leasehold consists of one- or two-family residential property, ~~three-fourths~~ 90% of said value;

(ii) the amount of any insurance or guaranty of such loan by the United States of America or by any agency or instrumentality thereof; or

(iii) the amounts provided in subsection (i) herein, plus the amount by which the excess of such loan over such amount is insured or guaranteed by the United States of America or by any agency or instrumentality thereof.

(b) In the case of a purchase money mortgage given to secure the purchase price of real estate sold by the insurer, the amount so loaned or invested shall not exceed the unpaid portion of the purchase price.

(4) No such mortgage loan or loans shall be made or acquired by an insurer except after an appraisal made by a qualified appraiser for the purpose of such investment.

1 (5) ~~No such mortgage loan made or acquired by an~~
 2 ~~insurer which is a participation or a part of a series or~~
 3 ~~issue secured by the same mortgage or deed of trust shall be~~
 4 ~~a lawful investment under this section unless the entire~~
 5 ~~series or issue which is secured by the same mortgage or~~
 6 ~~deed of trust is held by such insurer or unless the insurer~~
 7 ~~holds a senior participation in such mortgage or deed of~~
 8 ~~trust giving it substantially the rights of a first~~
 9 ~~mortgagee. The entire obligation secured by a first lien on~~
 10 ~~real estate shall be owned by the company except that the~~
 11 ~~company may own such an obligation in common with other~~
 12 ~~participants if at the time of the company's investment~~
 13 ~~each participant has an investment of not less than \$25,000~~
 14 ~~in the obligation and is~~

15 ~~fel a bank whose depositors are insured by the federal~~
 16 ~~deposit insurance corporation~~

17 ~~fbt a savings and loan association whose members are~~
 18 ~~insured by the federal savings and loan insurance~~
 19 ~~corporation~~

20 ~~fcf an insurance company organized in any state of the~~
 21 ~~United States, the District of Columbia or any province of~~
 22 ~~Canada~~ NO SUCH MORTGAGE LOAN MADE OR ACQUIRED BY AN INSURER
 23 WHICH IS A PARTICIPATION OR A PART OF A SERIES OR ISSUE
 24 SECURED BY THE SAME MORTGAGE OR DEED OF TRUST SHALL BE A
 25 LAWFUL INVESTMENT UNDER THIS SECTION UNLESS THE ENTIRE

1 SERIES OR ISSUE WHICH IS SECURED BY THE SAME MORTGAGE OR
 2 DEED OF TRUST IS HELD BY SUCH INSURER OR UNLESS THE INSURER
 3 HOLDS A SENIOR PARTICIPATION IN SUCH MORTGAGE OR DEED OF
 4 TRUST, GIVING IT SUBSTANTIALLY THE RIGHTS OF A FIRST
 5 MORTGAGEE.

6 (6) No mortgage loan upon a leasehold shall be made or
 7 acquired pursuant to this section unless the terms thereof
 8 shall provide for amortization payments to be made by the
 9 borrower on the principal thereof at least once in each year
 10 in amounts sufficient completely to amortize the loan within
 11 a period of four-fifths of the term of the leasehold,
 12 inclusive of the term which may be provided by an
 13 enforceable option of renewal, which is unexpired at the
 14 time the loan is made, but in no event exceeding 35 years."

15 Section 5. Section 33-2-832, MCA, is amended to read:

16 "33-2-832. Real estate. An insurer may invest in real
 17 estate only if used for the purposes or acquired in the
 18 manners and within the limits as follows:

19 (1) the land and the buildings thereon in which it has
 20 its principal office and such other real estate as shall be
 21 requisite for its convenient accommodation in the
 22 transaction of its business. Except with the consent of the
 23 commissioner, all such investments shall not aggregate more
 24 than 5% of the insurer's assets.

25 (2) real estate acquired in satisfaction of loans,

1 SERIES OR ISSUE WHICH IS SECURED BY THE SAME MORTGAGE OR
 2 DEED OF TRUST IS HELD BY SUCH INSURER OR UNLESS THE INSURER
 3 HOLDS A SENIOR PARTICIPATION IN SUCH MORTGAGE OR DEED OF
 4 TRUST, GIVING IT SUBSTANTIALLY THE RIGHTS OF A FIRST
 5 MORTGAGEE.

6 (6) No mortgage loan upon a leasehold shall be made or
 7 acquired pursuant to this section unless the terms thereof
 8 shall provide for amortization payments to be made by the
 9 borrower on the principal thereof at least once in each year
 10 in amounts sufficient completely to amortize the loan within
 11 a period of four-fifths of the term of the leasehold,
 12 inclusive of the term which may be provided by an
 13 enforceable option of renewal, which is unexpired at the
 14 time the loan is made, but in no event exceeding 35 years."

15 Section 5. Section 33-2-832, MCA, is amended to read:

16 "33-2-832. Real estate. An insurer may invest in real
 17 estate only if used for the purposes or acquired in the
 18 manners and within the limits as follows:

19 (1) the land and the buildings thereon in which it has
 20 its principal office and such other real estate as shall be
 21 requisite for its convenient accommodation in the
 22 transaction of its business. Except with the consent of the
 23 commissioner, all such investments shall not aggregate more
 24 than 5% of the insurer's assets.

25 (2) real estate acquired in satisfaction of loans,

1 mortgages, liens, judgments, decrees, or debts previously
2 owing to the insurer in the course of its business;

3 (3) real estate acquired in part payment of the
4 consideration on the sale of other real estate owned by it
5 if such transaction does not increase the insurer's
6 investment in real estate;

7 (4) real estate acquired by gift or devise or through
8 merger, consolidation, or bulk reinsurance of another
9 insurer under this code;

10 (5) the seller's interest in real property subject to
11 an agreement of purchase or sale. The sum invested in any
12 such parcel of real estate shall not exceed three-fourths
13 90% of the market value of such parcel provided the same
14 consists of one- or two-family residential property and
15 ~~two-thirds~~ 80% of the market value of all other such parcels
16 of real estate.

17 (6) real estate or any interest therein acquired or
18 held by purchase, lease, or otherwise ~~or other than real~~
19 ~~estate to be used primarily for agricultural, ranch, mining,~~
20 ~~development of oil or mineral resources, recreational,~~
21 ~~amusement, or club purposes, required as an investment for~~
22 ~~the production of income or acquired to be improved or~~
23 ~~developed for such investment purposes pursuant to an~~
24 ~~existing program therefore.~~ OTHER THAN REAL ESTATE TO BE
25 USED PRIMARILY FOR AGRICULTURAL, RANCH, MINING, DEVELOPMENT

1 OF OIL OR MINERAL RESOURCES, RECREATIONAL, AMUSEMENT, OR
2 CLUB PURPOSES, ACQUIRED AS AN INVESTMENT FOR THE PRODUCTION
3 OF INCOME OR ACQUIRED TO BE IMPROVED OR DEVELOPED FOR SUCH
4 INVESTMENT PURPOSES PURSUANT TO AN EXISTING PROGRAM
5 THEREFOR. The insurer may hold, improve, develop, maintain,
6 manage, lease, sell, and convey real estate acquired by it
7 under this provision. An insurer shall not, except with the
8 commissioner's consent, have at any one time invested in
9 real estate under this subsection an amount exceeding ~~5%~~ 15%
10 5% of its assets.

11 (7) additional real estate and equipment incident to
12 real estate if necessary or convenient for the purpose of
13 enhancing the sale or other value of real estate previously
14 acquired or held by the insurer under subsections (2), (3),
15 (4), or (6) of this section. Such real estate and equipment
16 shall be included, together with the real estate for the
17 enhancement of which it was acquired, for the purpose of
18 applicable investment limits and shall be subject to
19 disposal at the same time and under the same conditions as
20 applying to such enhanced real estate under 33-2-841.

21 (3) except with the commissioner's consent, all real
22 estate owned by the insurer under this section, except as to
23 seller's interest specified in subsection (5), shall not at
24 any one time exceed ~~10%~~ 25% 10% of the insurer's assets."

-End-

NAME:

DATE:

ADDRESS:

PHONE :

REPRESENTING WHOM?

APPEARING ON WHICH PROPOSAL:

DO YOU:

SUPPORT?

AMEND?

OPPOSE?

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Ross Cannon DATE: 3/29/79

ADDRESS: 2031 11th Ave Helene

PHONE: 442-9930

REPRESENTING WHOM? MT Savings & Loan League

APPEARING ON WHICH PROPOSAL: HB 566

DO YOU: SUPPORT? _____ AMEND? ☒ OPPOSE? _____

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME:

David D. T. Brown

DATE:

3-20-79

ADDRESS:

1st Natl. Bk. Helena

PHONE:

442-2540

REPRESENTING WHOM?

1st Natl. Bk. Helena

APPEARING ON WHICH PROPOSAL:

HR - 500

DO YOU: SUPPORT?

☒

AMEND?

☒

OPPOSE?

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Michael T. Griffith DATE: 3/15/79

ADDRESS: P.O. Box 587, Houston

PHONE: 442-5050

REPRESENTING WHOM? Northwestern Bank of America

APPEARING ON WHICH PROPOSAL: HR 561

DO YOU: SUPPORT? ☐ AMEND? ☒ OPPOSE? ☐

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Rev. L. M. King DATE: 4-4-68

ADDRESS: Home, 1st

PHONE: 442-3000

REPRESENTING WHOM? Home, 1st

APPEARING ON WHICH PROPOSAL: 11th-500

DO YOU: SUPPORT? ✓ AMEND? ✓ OPPOSE? ✓

COMMENTS: Report on the

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PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: A Sheehy, Jr DATE: 3/29/79

ADDRESS: 2031 11th Ave Helena

PHONE: 442-9930

REPRESENTING WHOM? MT Savings & Loan League

APPEARING ON WHICH PROPOSAL: HB 566

DO YOU: SUPPORT? _____ AMEND? ☒ OPPOSE? _____

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: _____ DATE: _____

ADDRESS: _____

PHONE: _____

REPRESENTING WHOM? _____

APPEARING ON WHICH PROPOSAL: _____

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? _____

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.