

CHAPTER NO. 570.

HOUSE BILL NO. 887

INTRODUCED BY SCULLY

IN THE HOUSE

February 19, 1979	On motion, rules suspended. Bill allowed to be introduced.
February 20, 1979	Introduced and referred to Committee on Judiciary. Committee recommend bill do pass. Report adopted.
February 22, 1979	Second reading, do pass. Considered correctly engrossed.
February 23, 1979	Third reading, passed. Transmitted to second house.

IN THE SENATE

February 23, 1979	Introduced and referred to Committee on Business and Industry.
March 21, 1979	Committee recommend bill be concurring in as amended. Report adopted.
March 23, 1979	Motion pass consideration.
March 24, 1979	Second reading, concurred in.
March 27, 1979	Third reading, concurred in as amended.

IN THE HOUSE

March 28, 1979	Returned from second house. Concurred in as amended.
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March 31, 1979

Second reading, amendments
adopted.

April 2, 1979

Third reading, amendments
adopted. Sent to enrolling.

Reported correctly enrolled.

1 House BILL NO. 887
 2 INTRODUCED BY Scull

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
 5 LAWS RELATING TO THE REGULATION OF INSURANCE COMPANIES;
 6 AMENDING SECTIONS 33-2-501, 33-2-502, 33-2-531, 33-2-804,
 7 33-2-806, 33-2-820 THROUGH 33-2-822, 33-2-829, 33-2-830, AND
 8 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;

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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 ~~125,000~~, which cost shall be amortized in
5 full over a period of not to exceed 10 I calendar years;

6 ~~(12) all office equipment and office furniture~~
7 ~~necessary for the conduct of insurance business, the~~
8 ~~aggregate of which may not at any one time exceed 1% of the~~
9 ~~other assets of the insurer. The cost of such equipment~~
10 ~~shall be depreciated on a reasonable basis in determining~~
11 ~~book value.~~

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

16 ~~(14)~~ other assets, not inconsistent with the
17 provisions of this section, deemed by the commissioner to be
18 available for the payment of losses and claims, at values to
19 be determined by him."

20 Section 2. Section 33-2-502, MCA, is amended to read:

21 "33-2-502. Assets expressly not allowed. In addition
22 to assets impliedly excluded by the provisions of 33-2-501,
23 the following expressly shall not be allowed as assets in
24 any determination of the financial condition of an insurer:

25 (1) goodwill, trade names, and other like intangible

1 assets;

2 (2) advances to officers (other than policy loans),

3 whether secured or not, and advances to employees, agents,

4 and other persons on personal security only;

5 (3) stock of such insurer, owned by it, or any equity

6 therein or loans secured thereby or any proportionate

7 interest in such stock acquired or held through the

8 ownership by such insurer of an interest in another firm,

9 corporation, or business unit;

10 (4) furniture, fixtures ~~(other--than--electronic--data~~

11 ~~processing---machines---authorized---under---33-2-501(11)),~~

12 furnishings, safes, vehicles except as authorized under

13 33-2-501(12), libraries, stationery, literature, and other

14 equipment, machines, and supplies (other than electronic

15 data processing equipment authorized under 33-2-501(11)),

16 except:

17 (a) in the case of title insurers, such materials and

18 plants as the insurer is expressly authorized to invest in

19 under 33-2-851; and

20 (b) in the case of any insurer, such personal property

21 as the insurer is permitted to hold pursuant to part 8 of

22 this chapter or which is acquired through foreclosure of

23 chattel mortgages acquired pursuant to 33-2-831 or which is

24 reasonably necessary for the maintenance and operation of

25 real estate lawfully acquired and held by the insurer other

1 than real estate used by it for home office, branch office,

2 and similar purposes;

3 (5) the amount, if any, by which the aggregate book

4 value of investments as carried in the ledger assets of the

5 insurer exceeds the aggregate value thereof as determined

6 under this code."

7 Section 3. Section 33-2-531, MCA, is amended to read:

8 "33-2-531. Deposit of reserves -- domestic life

9 insurers. (1) Domestic life insurers shall deposit and

10 maintain on deposit, in securities and assets, with

11 depositories and subject to conditions as provided for in

12 part 6 of this chapter, an amount not less than the reserves

13 on its outstanding life insurance policies and annuity

14 contracts, as valued under 33-2-521 through 33-2-526.

15 (2) Annually on or before April 1, the insurer shall

16 so deposit any additional such securities required under

17 subsection (1) and related to the increase of such reserves

18 during the calendar year next preceding, as determined from

19 the insurer's annual statement as at December 31 of such

20 preceding year.

21 (3) A domestic stock life insurer may credit toward

22 such deposit the amount of any other deposit of the insurer

23 held under part 6 of this chapter for the protection of its

24 policyholders or of its policyholders and creditors.

25 (4) Deposits of the reserves of a domestic life

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1 insurer under this section shall consist of securities and
 2 assets acquired in accordance with part 8 of this chapter,
 3 except as follows:

4 ~~(a) Common stocks acquired under 33-2-820 and~~
 5 ~~investment trust securities acquired under 33-2-824 shall be~~
 6 ~~eligible for deposit only to the extent of 50% of the value~~
 7 ~~at which they are carried in the last financial statement on~~
 8 ~~file with the commissioner or their cost if acquired since~~
 9 ~~the date of the last statement on file.~~

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

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

16 (5) Real estate, real estate mortgage loans, chattel
 17 mortgage loans, and policy loans may be made a part of the
 18 deposit by filing a verified statement of the loans with the
 19 commissioner, which statement shall be subject to audit at
 20 all times by the commissioner. Nonnegotiable securities
 21 where deposited with the commissioner shall be accompanied
 22 by transfer powers in due form, ~~if the insurer uses the home~~
 23 ~~office real estate under 33-2-832(1) as a deposit, a deed of~~
 24 ~~trust to the commissioner shall be completed in due form and~~
 25 ~~recorded prior to being deposited with the commissioner.~~

1 (6) If default occurs in the payment of interest or
 2 principal of any deposited security and such default
 3 continues for a period of 120 days, the commissioner may
 4 declare such security no longer eligible for deposit under
 5 this section."

6 Section 4. Section 33-2-804, MCA, is amended to read:
 7 "33-2-804. Prohibited investments and investment
 8 underwriting. (1) In addition to investments excluded
 9 pursuant to other provisions of this code, an insurer shall
 10 not invest in or lend its funds upon the security of:

11 (a) issued shares of its own capital stock, except for
 12 the purpose of mutualization under 33-3-215 or for the
 13 purpose of retiring its stock;

14 (b) except with the advance consent of the
 15 commissioner, securities issued by any corporation or
 16 enterprise the controlling interest of which is, or after
 17 such acquisition by the insurer will be, held directly or
 18 indirectly by the insurer or any combination of the insurer
 19 and the insurer's directors, officers, parent corporation,
 20 subsidiaries, or controlling stockholders. Investments in
 21 subsidiaries under 33-2-822 shall not be subject to this
 22 provision.

23 (c) any note or other evidence of indebtedness of any
 24 director, officer, or controlling stockholders of the
 25 insurer, except as to policy loans authorized under

1 33-2-825.

2 (2) No insurer shall underwrite or participate in the
3 underwriting of an offering of securities or property by any
4 other person."

5 Section 5. Section 33-2-806, MCA, is amended to read:

6 "33-2-806. Diversification of investments. An insurer
7 shall invest in or hold as admitted assets categories of
8 investments only within applicable limits as follows:

9 (1) An insurer shall not, except with the consent of
10 the commissioner, have at any one time any combination of
11 investments in or loans upon the security of the
12 obligations, property, or securities of any one person or
13 insurer aggregating an amount exceeding 5% of the insurer's
14 assets. This restriction shall not apply as to general
15 obligations of the United States of America or of any state
16 or include policy loans made under 33-2-825.

17 (2) An insurer shall not invest in or hold at any one
18 time more than 10% of the outstanding voting stock of any
19 corporation, except with the consent of the commissioner
20 given with respect to voting rights of preference stock
21 during default of dividends. This provision does not apply
22 as to stock of a wholly-owned subsidiary of the insurer or
23 to controlling stock of an insurer acquired under 33-2-821.

24 (3) An insurer, other than title insurer, shall invest
25 and maintain invested funds not less in amount than the

1 minimum paid-in capital stock required under this code of a
2 domestic stock insurer transacting like kinds of insurance,
3 only in cash and the securities provided for under the
4 following sections: 33-2-811(1), 33-2-812, and 33-2-830.

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

10 ~~(5) Except with the commissioner's consent, an insurer~~
11 ~~shall not have invested at any one time more than 20% of its~~
12 ~~assets in the class of securities described in 33-2-816,~~
13 ~~exclusive of obligations of public utilities.~~

14 (6)(5) An insurer may invest and have invested at any
15 one time in aggregate amount not more than 10% of its assets
16 in all stocks under 33-2-820, ~~33-2-821,~~ and 33-2-824.
17 Determination of the amount which an insurer has invested in
18 common stocks for the purposes of this provision shall be
19 based on the cost of such stocks to the insurer. This
20 provision shall not apply as to stock of a controlled or
21 subsidiary insurance corporation or other corporations under
22 33-2-821 and 33-2-822.

23 ~~(7)(6)~~ Except with the commissioner's consent, an
24 insurer shall not have invested at any one time more than
25 10% of its assets in the class of securities described in

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1 any one of the following sections: 33-2-814, 33-2-819, and
2 33-2-823.

3 ~~(8)(7)~~ Limits as to investments in the category of
4 real estate shall be as provided in 33-2-832. Other specific
5 limits shall apply as stated in the sections dealing with
6 other respective kinds of investments."

7 Section 6. Section 33-2-820, MCA, is amended to read:

8 "33-2-820. Common stocks. An insurer may invest in
9 ~~nonassessable common stocks, other than insurance stocks,~~
10 common shares of stock of any solvent corporation existing
11 under the laws of the United States of America or of Canada
12 or any state or province thereof ~~if cash or stock dividends~~
13 ~~have been earned and paid on its common stock in each of the~~
14 ~~5 fiscal years preceding such acquisition and if, further,~~
15 ~~all prior obligations or preference stock of such~~
16 ~~corporation, if any, are eligible for investment under this~~
17 ~~part, if the issuing corporation has not been in legal~~
18 ~~existence for the whole of the 5 preceding fiscal years but~~
19 ~~was formed as a consolidation or merger of two or more~~
20 ~~businesses, the test of eligibility for investment of its~~
21 ~~common stock under this section shall be based upon~~
22 ~~consolidation pro forma statements of the predecessor or~~
23 ~~constituent institutions that qualify as a prudent~~
24 investment of the insurer's assets."

25 Section 7. Section 33-2-821, MCA, is amended to read:

1 "33-2-821. Insurance stocks. (1) An insurer may invest
2 up to 10% of its assets in the stocks of other solvent
3 insurers formed under the laws of this or another state,
4 ~~which stocks meet the applicable requirements of 33-2-819~~
5 ~~and 33-2-820~~ the District of Columbia, or any province of
6 Canada.

7 (2) With the commissioner's consent, an insurer may
8 acquire and hold the controlling interest in the outstanding
9 voting stock of another stock insurer formed under the laws
10 of this or another state. ~~All stocks under this subsection~~
11 ~~shall be subject to the limitation as to amount as provided~~
12 ~~in 33-2-822."~~

13 Section 8. Section 33-2-822, MCA, is amended to read:

14 "33-2-822. Stocks of subsidiaries. With the
15 commissioner's consent, an insurer may invest in the stock
16 of its wholly-owned subsidiary insurance corporation or in
17 the stock of its wholly-owned subsidiary business
18 corporation formed under the laws of this state and
19 necessary and incidental to the convenient operation of the
20 insurer's insurance business or to the administration of any
21 of its investments. All of the insurer's investments under
22 this section, ~~together with its investments in insurance~~
23 ~~stocks under 33-2-821(2),~~ shall not at any time exceed the
24 ~~amount of the investing insurer's surplus, if a life~~
25 ~~insurer, or its surplus to policyholders if other than a~~

1 ~~life insurer, 10% of the investing insurer's assets. For the~~
 2 ~~purposes of this section, a "subsidiary" is a corporation of~~
 3 ~~which the insurer owns sufficient stock to give it effective~~
 4 ~~control."~~

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

6 "33-2-829. Miscellaneous investments. (1) An insurer
 7 may ~~make loans or investments not otherwise expressly~~
 8 ~~permitted under this part, in aggregate amount not over 5%~~
 9 ~~of the insurer's assets and not over 1% of such assets as to~~
 10 ~~any one such loan or investment, if such loan or investment~~
 11 ~~fulfills the requirements of 33-2-803 and otherwise~~
 12 ~~qualifies as a sound investment. But no such loan or~~
 13 ~~investment shall be represented by:~~

14 ~~(a) any item described in 33-2-502 or any loan or~~
 15 ~~investment otherwise expressly prohibited;~~

16 ~~(b) agents' balances or amounts advanced to or owing~~
 17 ~~by agents or former agents of the insurer, whether or not~~
 18 ~~secured, except as to policy loans, mortgage loans, and~~
 19 ~~collateral loans otherwise authorized under this part;~~

20 ~~(c) any category of loans or investments eligible~~
 21 ~~under any other provisions of this part;~~

22 ~~(d) any asset theretofore acquired or held by the~~
 23 ~~insurer under any other category of loans or investments~~
 24 ~~eligible under this part loan or invest its funds in an~~
 25 ~~aggregate amount not exceeding 5% of its assets in kinds of~~

1 ~~loans or investments not otherwise specifically made~~
 2 ~~eligible for investment and not specifically prohibited or~~
 3 ~~made ineligible by this or other provisions of this code.~~

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

6 Section 10. Section 33-2-830, MCA, is amended to read:

7 "33-2-830. Real estate mortgages. (1) An insurer may
 8 invest any of its funds in bonds, notes, or other evidences
 9 of indebtedness which are secured by first mortgages or
 10 deeds of trust upon improved real property located in the
 11 United States or Canada or which are secured by first
 12 mortgages or deeds of trust upon leasehold estates having an
 13 unexpired term of not less than 21 years, inclusive of the
 14 term or terms which may be provided by enforceable options
 15 of renewal, in improved real property located in the United
 16 States or Canada. In all cases the security for the loan
 17 must be a first lien upon such real property, and there must
 18 not be any condition or right of reentry or forfeiture not
 19 insured against, under which, in the case of real property
 20 other than leaseholds, such lien can be cut off or
 21 subordinated or otherwise disturbed or under which, in the
 22 case of leaseholds, the insurer is unable to continue the
 23 lease in force for the duration of the loan. Nothing herein
 24 shall prohibit any investment by reason of the existence of
 25 any prior lien for ground rents, taxes, assessments, or

1 other similar charges not yet delinquent. This section shall
2 not be deemed to prohibit investment in mortgages or similar
3 obligations when made under 33-2-828.

4 (2) "Improved real estate" means all farm lands used
5 for tillage, crop, or pasture, or timberlands, and all real
6 estate on which permanent improvements, or improvements
7 under construction, suitable for residential, institutional,
8 commercial, or industrial use are situated. Real estate to
9 be developed for such uses on which durable structural
10 improvements or durable structural improvements under
11 construction, including but not limited to streets and
12 utilities which will become an integral part of such
13 development, are situated or abut shall also be considered
14 to be improved real estate.

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

19 (i) two-thirds ~~80%~~ of the value of the real property
20 or leasehold securing the same, provided, however, if said
21 real property or leasehold consists of one- or two-family
22 residential property, three-fourths ~~90%~~ of said value;

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

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

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

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

12 (5) ~~No such mortgage loan made or acquired by an~~
13 ~~insurer which is a participation or a part of a series or~~
14 ~~issue secured by the same mortgage or deed of trust shall be~~
15 ~~a lawful investment under this section unless the entire~~
16 ~~series or issue which is secured by the same mortgage or~~
17 ~~deed of trust is held by such insurer or unless the insurer~~
18 ~~holds a senior participation in such mortgage or deed of~~
19 ~~trust, giving it substantially the rights of a first~~
20 ~~mortgagee.~~ The entire obligation secured by a first lien on
21 real estate shall be owned by the company except that the
22 company may own such an obligation in common with other
23 participants if, at the time of the company's investment,
24 each participant has an investment of not less than \$30,000
25 in the obligation and is:

1 (a) a bank whose depositors are insured by the federal
2 deposit insurance corporation;

3 (b) a savings and loan association whose members are
4 insured by the federal savings and loan insurance
5 corporation;

6 (c) an insurance company organized in any state of the
7 United States, the District of Columbia, or any province of
8 Canada.

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

18 Section 11. Section 33-2-832, MCA, is amended to read:

19 "33-2-832. Real estate. An insurer may invest in real
20 estate only if used for the purposes or acquired in the
21 manners and within the limits as follows:

22 (1) the land and the buildings thereon in which it has
23 its principal office and such other real estate as shall be
24 requisite for its convenient accommodation in the
25 transaction of its business. Except with the consent of the

1 commissioner, all such investments shall not aggregate more
2 than 5% of the insurer's assets.

3 (2) real estate acquired in satisfaction of loans,
4 mortgages, liens, judgments, decrees, or debts previously
5 owing to the insurer in the course of its business;

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

10 (4) real estate acquired by gift or devise or through
11 merger, consolidation, or bulk reinsurance of another
12 insurer under this code;

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

20 (6) real estate or any interest therein acquired or
21 held by purchase, lease, or otherwise ~~or other than real~~
22 ~~estate to be used primarily for agricultural, ranch, mining,~~
23 ~~development of oil or mineral resources, recreational,~~
24 ~~amusement or club purposes, acquired as an investment for~~
25 ~~the production of income or acquired to be improved or~~

1 ~~developed--for--such--investment--purposes--pursuant--to--an~~
2 ~~existing--program--therefor.~~ The insurer may hold, improve,
3 develop, maintain, manage, lease, sell, and convey real
4 estate acquired by it under this provision. An insurer
5 shall not, except with the commissioner's consent, have at
6 any one time invested in real estate under this subsection
7 an amount exceeding ~~5%~~ 15% of its assets.

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

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

-End-

House BILL NO. 887

INTRODUCED BY *Sully*

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

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

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

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

(b) declared and unpaid dividends on stock and shares

unless such amount has otherwise been allowed as an asset;

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

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

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

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

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

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

-2- HB 887 THIRD READING

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~~ \$75,000, which cost shall be amortized in
5 full over a period of not to exceed 10 [] calendar years;

6 ~~(12) all office equipment and office furniture~~
7 ~~necessary for the conduct of insurance business, the~~
8 ~~aggregate of which may not at any one time exceed 1% of the~~
9 ~~other assets of the insurer. The cost of such equipment~~
10 ~~shall be depreciated on a reasonable basis in determining~~
11 ~~book value.~~

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

16 ~~(13)(14)~~ other assets, not inconsistent with the
17 provisions of this section, deemed by the commissioner to be
18 available for the payment of losses and claims, at values to
19 be determined by him."

20 Section 2. Section 33-2-502, MCA, is amended to read:

21 "33-2-502. Assets expressly not allowed. In addition
22 to assets impliedly excluded by the provisions of 33-2-501,
23 the following expressly shall not be allowed as assets in
24 any determination of the financial condition of an insurer:

25 (1) goodwill, trade names, and other like intangible

1 assets;

2 (2) advances to officers (other than policy loans),

3 whether secured or not, and advances to employees, agents,

4 and other persons on personal security only;

5 (3) stock of such insurer, owned by it, or any equity

6 therein or loans secured thereby or any proportionate

7 interest in such stock acquired or held through the

8 ownership by such insurer of an interest in another firm,

9 corporation, or business unit;

10 (4) furniture, fixtures ~~(other than electronic data~~

11 ~~processing machines authorized under 33-2-501(11)),~~

12 furnishings, safes, vehicles (except as authorized under

13 33-2-501(12), libraries, stationery, literature, and other

14 equipment, machines, and supplies (other than electronic

15 data processing equipment authorized under 33-2-501(11)),

16 except:

17 (a) in the case of title insurers, such materials and

18 plants as the insurer is expressly authorized to invest in

19 under 33-2-851; and

20 (b) in the case of any insurer, such personal property

21 as the insurer is permitted to hold pursuant to part 8 of

22 this chapter or which is acquired through foreclosure of

23 chattel mortgages acquired pursuant to 33-2-831 or which is

24 reasonably necessary for the maintenance and operation of

25 real estate lawfully acquired and held by the insurer other

1 than real estate used by it for home office, branch office,

2 and similar purposes;

3 (5) the amount, if any, by which the aggregate book

4 value of investments as carried in the ledger assets of the

5 insurer exceeds the aggregate value thereof as determined

6 under this code."

7 Section 3. Section 33-2-531, MCA, is amended to read:

8 "33-2-531. Deposit of reserves — domestic life

9 insurers. (1) Domestic life insurers shall deposit and

10 maintain on deposit, in securities and assets, with

11 depositaries and subject to conditions as provided for in

12 part 6 of this chapter, an amount not less than the reserves

13 on its outstanding life insurance policies and annuity

14 contracts, as valued under 33-2-521 through 33-2-526.

15 (2) Annually on or before April 1, the insurer shall

16 so deposit any additional such securities required under

17 subsection (1) and related to the increase of such reserves

18 during the calendar year next preceding, as determined from

19 the insurer's annual statement as at December 31 of such

20 preceding year.

21 (3) A domestic stock life insurer may credit toward

22 such deposit the amount of any other deposit of the insurer

23 held under part 6 of this chapter for the protection of its

24 policyholders or of its policyholders and creditors.

25 (4) Deposits of the reserves of a domestic life

1 insurer under this section shall consist of securities and
 2 assets acquired in accordance with part 8 of this chapter,
 3 except as follows:

4 ~~(e) Common stocks acquired under 33-2-828 and~~
 5 ~~investment trust securities acquired under 33-2-824 shall be~~
 6 ~~eligible for deposit only to the extent of 50% of the value~~
 7 ~~at which they are carried in the last financial statement on~~
 8 ~~file with the commissioner or their cost if acquired since~~
 9 ~~the date of the last statement on file.~~

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

12 ~~(e) Only real estate acquired under 33-2-832(f) shall~~
 13 ~~be eligible for deposit, and in no case shall the value of~~
 14 ~~such real estate for deposit purposes exceed the original~~
 15 ~~cost.~~

16 (5) Real estate, real estate mortgage loans, chattel
 17 mortgage loans, and policy loans may be made a part of the
 18 deposit by filing a verified statement of the loans with the
 19 commissioner, which statement shall be subject to audit at
 20 all times by the commissioner. Nonnegotiable securities
 21 where deposited with the commissioner shall be accompanied
 22 by transfer powers in due form. ~~if the insurer uses the home~~
 23 ~~office real estate under 33-2-832(f) as a deposit, a deed of~~
 24 ~~trust to the commissioner shall be completed in due form and~~
 25 ~~recorded prior to being deposited with the commissioner.~~

1 (6) If default occurs in the payment of interest or
 2 principal of any deposited security and such default
 3 continues for a period of 120 days, the commissioner may
 4 declare such security no longer eligible for deposit under
 5 this section."

6 Section 4. Section 33-2-804, MCA, is amended to read:

7 "33-2-804. Prohibited investments and investment
 8 underwriting. (1) In addition to investments excluded
 9 pursuant to other provisions of this code, an insurer shall
 10 not invest in or lend its funds upon the security of:

11 (a) issued shares of its own capital stock, except for
 12 the purpose of mutualization under 33-3-215 or for the
 13 purpose of retiring its stock;

14 (b) except with the advance consent of the
 15 commissioner, securities issued by any corporation or
 16 enterprise the controlling interest of which is, or after
 17 such acquisition by the insurer will be, held directly or
 18 indirectly by the insurer or any combination of the insurer
 19 and the insurer's directors, officers, parent corporation,
 20 subsidiaries, or controlling stockholders. Investments in
 21 subsidiaries under 33-2-822 shall not be subject to this
 22 provision.

23 (c) any note or other evidence of indebtedness of any
 24 director, officer, or controlling stockholders of the
 25 insurer, except as to policy loans authorized under

1 33-2-825.

2 (2) No insurer shall underwrite or participate in the
3 underwriting of an offering of securities or property by any
4 other person."

5 Section 5. Section 33-2-806, MCA, is amended to read:

6 "33-2-806. Diversification of investments. An insurer
7 shall invest in or hold as admitted assets categories of
8 investments only within applicable limits as follows:

9 (1) An insurer shall not, except with the consent of
10 the commissioner, have at any one time any combination of
11 investments in or loans upon the security of the
12 obligations, property, or securities of any one person or
13 insurer aggregating an amount exceeding 5% of the insurer's
14 assets. This restriction shall not apply as to general
15 obligations of the United States of America or of any state
16 or include policy loans made under 33-2-825.

17 (2) An insurer shall not invest in or hold at any one
18 time more than 10% of the outstanding voting stock of any
19 corporation, except with the consent of the commissioner
20 given with respect to voting rights of preference stock
21 during default of dividends. This provision does not apply
22 as to stock of a wholly-owned subsidiary of the insurer or
23 to controlling stock of an insurer acquired under 33-2-821.

24 (3) An insurer, other than title insurer, shall invest
25 and maintain invested funds not less in amount than the

1 minimum paid-in capital stock required under this code of a
2 domestic stock insurer transacting like kinds of insurance,
3 only in cash and the securities provided for under the
4 following sections: 33-2-811(1), 33-2-812, and 33-2-830.

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

10 ~~(5) Except with the commissioner's consent, an insurer~~
11 ~~shall not have invested at any one time more than 20% of its~~
12 ~~assets in the class of securities described in 33-2-810~~
13 ~~exclusive of obligations of public utilities.~~

14 (6)(5) An insurer may invest and have invested at any
15 one time in aggregate amount not more than 10% of its assets
16 in all stocks under 33-2-820, ~~33-2-821,~~ and 33-2-824.
17 Determination of the amount which an insurer has invested in
18 common stocks for the purposes of this provision shall be
19 based on the cost of such stocks to the insurer. This
20 provision shall not apply as to stock of a controlled or
21 subsidiary insurance corporation or other corporations under
22 33-2-821 and 33-2-822.

23 (7)(6) Except with the commissioner's consent, an
24 insurer shall not have invested at any one time more than
25 10% of its assets in the class of securities described in

1 any one of the following sections: 33-2-814, 33-2-819, and
2 33-2-823.

3 (b)(1) Limits as to investments in the category of
4 real estate shall be as provided in 33-2-832. Other specific
5 limits shall apply as stated in the sections dealing with
6 other respective kinds of investments."

7 Section 6. Section 33-2-820, MCA, is amended to read:

8 "33-2-820. Common stocks. An insurer may invest in
9 ~~nonassessable common stocks, other than insurance stocks,~~
10 common shares of stock of any solvent corporation existing
11 under the laws of the United States of America or of Canada
12 or any state or province thereof ~~if cash or stock dividends~~
13 ~~have been earned and paid on its common stock in each of the~~
14 ~~5 fiscal years preceding such acquisition and if further~~
15 ~~all prior obligations or preference stock of such~~
16 ~~corporation, if any, are eligible for investment under this~~
17 ~~part, if the issuing corporation has not been in legal~~
18 ~~existence for the whole of the 5 preceding fiscal years but~~
19 ~~was formed as a consolidation or merger of two or more~~
20 ~~businesses, the test of eligibility for investment of its~~
21 ~~common stock under this section shall be based upon~~
22 ~~consolidation pro forma statements of the predecessor or~~
23 ~~constituent institutions that qualify as a prudent~~
24 investment of the insurer's assets."

25 Section 7. Section 33-2-821, MCA, is amended to read:

1 "33-2-821. Insurance stocks. (1) An insurer may invest
2 up to 10% of its assets in the stocks of other solvent
3 insurers formed under the laws of this or another state,
4 ~~which stocks meet the applicable requirements of 33-2-819~~
5 ~~and 33-2-820~~ the District of Columbia, or any province of
6 Canada.

7 (2) With the commissioner's consent, an insurer may
8 acquire and hold the controlling interest in the outstanding
9 voting stock of another stock insurer formed under the laws
10 of this or another state. ~~All stocks under this subsection~~
11 ~~shall be subject to the limitation as to amount as provided~~
12 ~~in 33-2-822."~~

13 Section 8. Section 33-2-822, MCA, is amended to read:

14 "33-2-822. Stocks of subsidiaries. With the
15 commissioner's consent, an insurer may invest in the stock
16 of its wholly-owned subsidiary insurance corporation or in
17 the stock of its wholly-owned subsidiary business
18 corporation formed under the laws of this state and
19 necessary and incidental to the convenient operation of the
20 insurer's insurance business or to the administration of any
21 of its investments. All of the insurer's investments under
22 ~~this section together with its investments in insurance~~
23 ~~stocks under 33-2-821(2),~~ shall not at any time exceed the
24 ~~amount of the investing insurer's surplus, if a life~~
25 ~~insurer, or its surplus to policyholders, if other than a~~

1 ~~life insurer's 10% of the investing insurer's assets, for the~~
 2 ~~purposes of this section, a "subsidiary" is a corporation of~~
 3 ~~which the insurer owns sufficient stock to give it effective~~
 4 ~~control."~~

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

6 "33-2-829. Miscellaneous investments. (1) An insurer
 7 may make ~~loans or investments not otherwise expressly~~
 8 ~~permitted under this part, in aggregate amount not over 5%~~
 9 ~~of the insurer's assets and not over 1% of such assets as to~~
 10 ~~any one such loan or investment, if such loan or investment~~
 11 ~~fulfills the requirements of 33-2-803 and otherwise~~
 12 ~~qualifies as a sound investment. But no such loan or~~
 13 ~~investment shall be represented by:~~

14 ~~(a) any item described in 33-2-502 or any loan or~~
 15 ~~investment otherwise expressly prohibited;~~

16 ~~(b) agents' balances or amounts advanced to or owing~~
 17 ~~by agents or former agents of the insurer, whether or not~~
 18 ~~secured, except as to policy loans, mortgage loans, and~~
 19 ~~collateral loans otherwise authorized under this part;~~

20 ~~(c) any category of loans or investments eligible~~
 21 ~~under any other provisions of this part;~~

22 ~~(d) any asset theretofore acquired or held by the~~
 23 ~~insurer under any other category of loans or investments~~
 24 ~~eligible under this part.~~ loan or invest its funds in an
 25 aggregate amount not exceeding 5% of its assets in kinds of

1 loans or investments not otherwise specifically made
 2 eligible for investment and not specifically prohibited or
 3 made ineligible by this or other provisions of this code.

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

6 Section 10. Section 33-2-830, MCA, is amended to read:

7 "33-2-830. Real estate mortgages. (1) An insurer may
 8 invest any of its funds in bonds, notes, or other evidences
 9 of indebtedness which are secured by first mortgages or
 10 deeds of trust upon improved real property located in the
 11 United States or Canada or which are secured by first
 12 mortgages or deeds of trust upon leasehold estates having an
 13 unexpired term of not less than 21 years, inclusive of the
 14 term or terms which may be provided by enforceable options
 15 of renewal, in improved real property located in the United
 16 States or Canada. In all cases the security for the loan
 17 must be a first lien upon such real property, and there must
 18 not be any condition or right of reentry or forfeiture not
 19 insured against, under which, in the case of real property
 20 other than leaseholds, such lien can be cut off or
 21 subordinated or otherwise disturbed or under which, in the
 22 case of leaseholds, the insurer is unable to continue the
 23 lease in force for the duration of the loan. Nothing herein
 24 shall prohibit any investment by reason of the existence of
 25 any prior lien for ground rents, taxes, assessments, or

1 other similar charges not yet delinquent. This section shall
2 not be deemed to prohibit investment in mortgages or similar
3 obligations when made under 33-2-828.

4 (2) "Improved real estate" means all farm lands used
5 for tillage, crops, or pasture, or timberlands, and all real
6 estate on which permanent improvements, or improvements
7 under construction, suitable for residential, institutional,
8 commercial, or industrial use are situated. Real estate to
9 be developed for such uses on which durable structural
10 improvements or durable structural improvements under
11 construction, including but not limited to streets and
12 utilities which will become an integral part of such
13 developments, are situated or abut shall also be considered
14 to be improved real estate.

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

19 (i) ~~two-thirds~~ 80% of the value of the real property
20 or leasehold securing the same, provided, however, if said
21 real property or leasehold consists of one- or two-family
22 residential property, ~~three-fourths~~ 90% of said value;

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

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

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

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

12 ~~(5) No such mortgage loan made or acquired by an~~
13 ~~insurer which is a participation or a part of a series or~~
14 ~~issue secured by the same mortgage or deed of trust shall be~~
15 ~~a lawful investment under this section unless the entire~~
16 ~~series or issue which is secured by the same mortgage or~~
17 ~~deed of trust is held by such insurer or unless the insurer~~
18 ~~holds a senior participation in such mortgage or deed of~~
19 ~~trust giving it substantially the rights of a first~~
20 ~~mortgagee. The entire obligation secured by a first lien on~~
21 ~~real estate shall be owned by the company except that the~~
22 ~~company may own such an obligation in common with other~~
23 ~~participants if, at the time of the company's investment,~~
24 ~~each participant has an investment of not less than \$30,000~~
25 ~~in the obligation and is:~~

1 (a) a bank whose depositors are insured by the federal
 2 deposit insurance corporation;

3 (b) a savings and loan association whose members are
 4 insured by the federal savings and loan insurance
 5 corporation;

6 (c) an insurance company organized in any state of the
 7 United States, the District of Columbia, or any province of
 8 Canada.

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

18 Section 11. Section 33-2-832, MCA, is amended to read:

19 "33-2-832. Real estate. An insurer may invest in real
 20 estate only if used for the purposes or acquired in the
 21 manners and within the limits as follows:

22 (1) the land and the buildings thereon in which it has
 23 its principal office and such other real estate as shall be
 24 requisite for its convenient accommodation in the
 25 transaction of its business. Except with the consent of the

1 commissioner, all such investments shall not aggregate more
 2 than 5% of the insurer's assets.

3 (2) real estate acquired in satisfaction of loans,
 4 mortgages, liens, judgments, decrees, or debts previously
 5 owing to the insurer in the course of its business;

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

10 (4) real estate acquired by gift or devise or through
 11 merger, consolidation, or bulk reinsurance of another
 12 insurer under this code;

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

20 (6) real estate or any interest therein acquired or
 21 held by purchase, lease, or otherwise, ~~other than real~~
 22 ~~estate to be used primarily for agriculture, ranch, mining,~~
 23 ~~development of oil or mineral resources, recreational,~~
 24 ~~amusement or club purposes, required as an investment for~~
 25 ~~the production of income or acquired to be improved or~~

1 ~~developed--for--such--investment--purposes--pursuant--to--an~~
2 ~~existing--program--thereof.~~ The insurer may hold, improve,
3 develop, maintain, manage, lease, sell, and convey real
4 estate acquired by it under this provision. An insurer
5 shall not, except with the commissioner's consent, have at
6 any one time invested in real estate under this subsection
7 an amount exceeding ~~5%~~ 15% of its assets.

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

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

-End-

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~~ 5 ~~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 ~~112) 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 ~~112)113)112)~~ 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 ~~113)114)113)~~ 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 2. Section 33-2-502, MCA, is amended to read:

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

3 to assets impliedly excluded by the provisions of 33-2-501,

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(1)),

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

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

20 equipment, machinery, and supplies (other than electronic

21 data processing equipment authorized under 33-2-501(1))

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 33-2-831 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(i) 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(i) 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 4v Section 33-2-804v MEA is amended to read:~~
 20 ~~"33-2-804v Prohibited investments and investment~~
 21 ~~underwriting (i) 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~~

~~purpose of retiring its stock~~

~~(b) except with the advance consent of the commissioner securities issued by any corporation or enterprise the controlling interest of which is or after such acquisition by the insurer will be held directly or indirectly by the insurer or any combination of the insurer and the insurer's directors officers parent corporation subsidiaries or controlling stockholders investments in subsidiaries under 33-2-822 shall not be subject to this provision~~

~~(c) any note or other evidence of indebtedness of any director officer or controlling stockholders of the insurer except as to policy loans authorized under 33-2-825~~

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

~~Section 5 Section 33-2-806 MEA is amended to read~~

~~33-2-806 Diversification of investments An insurer shall invest in or hold as admitted assets categories of investments only within applicable limits as follows~~

~~(1) An insurer shall not except with the consent of the commissioner have at any one time any combination of investments in or loans upon the security of the 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 33-2-825~~

~~(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 33-2-821~~

~~(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 33-2-811(1) 33-2-812 and 33-2-830~~

~~(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 20% of its assets in the class of securities described in 33-2-818~~

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

2 ~~(6)(5)~~ An insurer may invest and have invested at any

3 one-time-in-aggregate-amount-not-more-than-10%-of-its-assets

4 in-any-stocks-under-33-2-828, 33-2-821, and 33-2-824.

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 33-2-822.

11 ~~(7)(6)~~ 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: 33-2-814, 33-2-819, and

15 33-2-823.

16 ~~(8)(1)~~ Limits-as-to-investments-in-the-category-of

17 real-estate-shall-be-as-provided-in-33-2-832. Other-specific

18 limits-shall-apply-as-stated-in-the-sections-dealing-with

19 other-respective-kinds-of-investments.

20 Section-6, Section-33-2-828, MCA, is amended-to-read:

21 "33-2-828. 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 not-prior-obligations-or-preference-stock-of-such

4 corporation-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-forme-statements-of-the-predecessor-or

11 constituent-institutions ~~that-qualify-as-a-prudent~~

12 ~~investment-of-the-insurer's-assets.~~"

13 Section-7, Section-33-2-821, MCA, is amended-to-read:

14 "33-2-821. 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-33-2-822."

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 invest its funds in an~~
 14 ~~aggregate amount not exceeding 5% of its assets in kinds 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 33-2-828.

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~~

1 ~~utilities which will become an integral part of such~~
 2 ~~development, are situated or abut shall also be considered~~
 3 ~~to be improved real estate~~

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

8 (i) ~~two-thirds 80%~~ of the value of the real property
 9 or leasehold securing the same, provided, however, if said
 10 real property or leasehold consists of one- or two-family
 11 residential property, ~~three-fourths 20%~~ of said value;

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

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

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

23 (4) No such mortgage loan or loans shall be made or
 24 acquired by an insurer except after an appraisal made by a
 25 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 \$10,000~~
 14 ~~in the obligation and is~~
 15 ~~(a) a bank whose depositors are insured by the federal~~
 16 ~~deposit insurance corporation~~
 17 ~~(b) a savings and loan association whose members are~~
 18 ~~insured by the federal savings and loan insurance~~
 19 ~~corporation~~
 20 ~~(c) 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 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 ~~by 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, acquired 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 therefor.~~ 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 ~~HEREFOR.~~ 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 ~~2%~~ 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 (8) 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-

March 21, 1979

SENATE STANDING COMMITTEE REPORT
(Business & Industry)

That House Bill No. 887, 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: "33-2-531,"

Strike: "33-2-804,"

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: "±0"

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 6.

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"

11. Page 7, line 25.

Following: "~~commissioner-~~"

Insert: "If the insurer uses real estate acquired under
33-2-832 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 8 on page 17.

Following: "~~mortgagee-~~" on line 20

Strike: the remainder of line 20 through "Canada." on line 8,
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 invest-
ment 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 mortgagee."

18. Page 18, line 21.

Following: "otherwise"

Strike: "."

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: "~~10%~~"

Strike: "25%"

Insert: "10%"