

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 concurred 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.

House BILL NO. 887

1 INTRODUCED BY Seall

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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;

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

6 ~~1121~~ 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 values.

12 ~~1121~~ 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 ~~1121~~ 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 (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 shall be
 13 eligible for deposit and in no case shall the value of
 14 such real estate for deposit purposes exceed the original
 15 costs.

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 as a deposit or 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 corporations,
 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 33-2-818, except
13 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 ~~171~~ 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 corporations--if any are eligible for investment under this
 17 part--if the issuing--corporation--has--not--been--in--teget
 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 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 ~~five-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--15--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 quantifies--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
under construction, suitable for residential, institutional,
 7 commercial, or industrial use are situated. Real estate to
 8 be developed for such uses on which durable structural
 9 improvements or durable structural improvements under
construction, including but not limited to streets and
 10 utilities which will become an integral part of such
 11 developments, are situated or abut shall also be considered
 12 to be improved real estate.

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

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

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

24 (iii) the amounts provided in subsection (i) herein,
 25 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.

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

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

33 (5) No such mortgage loan made or acquired by an
 34 insurer which is a participation or a part of a series or
 35 issue secured by the same mortgage or deed of trust shall be
 36 a lawful investment under this section unless the entire
 37 series or issue which is secured by the same mortgage or
 38 deed of trust is held by such insurer or unless the insurer
 39 holds a senior participation in such mortgage or deed of
 40 trust giving it substantially the rights of a first
 41 mortgagee. The entire obligation secured by a first lien on
 42 real estate shall be owned by the company except that the
 43 company may own such an obligation in common with other
 44 participants if, at the time of the company's investment,
 45 each participant has an investment of not less than \$30,000
 46 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--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--therefore. 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

1 INTRODUCED BY Sealt

2
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
5 LAWS RELATING TO THE REGULATION OF INSURANCE COMPANIES;
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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 institutions, 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~~, 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 values.~~

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 ~~to other--than--electronic--data~~
 11 ~~processing---machines---authorized---under---33-2-501(12)~~,
 12 furnishings, safes, vehicles ~~except as authorized under~~
 13 ~~33-2-501(12)~~, libraries, stationery, literature, and other
 14 equipment, machines and supplies ~~to other than electronic~~
 15 ~~data processing equipment authorized under 33-2-501(12)~~.
 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 (a) 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 (c) Only real estate acquired under 33-2-832(t) 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 costs.
 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 to real estate under 33-2-832(t) 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 33-2-818,
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--33-2-823, 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 ~~189171~~ 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
 9 "~~33-2-820. Common stocks. An insurer may invest in~~
~~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 five years preceding such acquisition and if, further,
 15 all prior obligations or preference stock of such
 16 corporations if any are eligible for investment under this
 17 portion if the issuing corporation has not been in legal
 18 existence for the whole of the 5 preceding five 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
 15 "~~33-2-822. Stocks of subsidiaries. With the~~
 16 ~~commissioner's consent, an insurer may invest in the stock~~
 17 ~~of its wholly-owned subsidiary insurance corporation or in~~
 18 ~~the stock of its wholly-owned subsidiary business~~
 19 ~~corporation formed under the laws of this state and~~
 20 ~~necessary and incidental to the convenient operation of the~~
 21 ~~insurer's insurance business or to the administration of any~~
 22 ~~of its investments. All of the insurer's investments under~~
 23 ~~this section together with its investments in insurance~~
 24 ~~stocks under 33-2-821(t2) shall not at any time exceed the~~
 25 ~~amount of the investing insurer's surplus if a life~~
~~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--1/8--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--pay--loan--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
under construction, suitable for residential, institutional,
 7 commercial, or industrial use are situated. Real estate to
 8 be developed for such uses on which durable structural
 9 improvements or durable structural improvements under
 10 construction, including but not limited to streets and
 11 utilities which will become an integral part of such
 12 developments, are situated or about shall also be considered
 13 to be improved real estate.

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

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

22 (ii) the amount of any insurance or guaranty of such
 23 loan by the United States of America or by any agency or
 24 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--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--therefore 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-

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, 33-2-826--THROUGH 33-2-822, 33-2-829,
8 33-2-830, AND 33-2-832, MCA."

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

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;

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 to 10
 6 calendar years, 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.

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 is 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~~ 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~~ 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-father--than--policy--to-constitute

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--toans--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--father--than--electronic--data

17 processing--machines--authorized--under--33-2-501;

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

19 33-2-501;

20 libraries--stationery--literature--and--other

21 equipment--machines--and--supplies--father--than--electronic

22 data--processing--equipment--authorized--under--33-2-501;

23 except;

24 {(5)}--in-the-case-of-title-insurer--such--materials--and

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

under-33-2-501;

1 {(6)}--in-the-case-of-any-insurer--such--personel--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--offices--branch--offices

8 and--similar--purposes;

9 {(7)}--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 depositaries 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 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,
EXCEPT THAT SECURITIES ACQUIRED UNDER 33-2-829 ARE NOT
ELIGIBLE FOR DEPOSITS except as follows:

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

15 (b) Securities acquired under 33-2-829 shall not be
 16 eligible for deposits.

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

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

24 commissioner, which statement shall be subject to audit at
 25 all times by the commissioner. Nonnegotiable securities
 where deposited with the commissioner shall be accompanied
 by transfer powers in due form. ~~if-the-insurer-uses-the-home~~
~~office-real-estate-under-33-2-832(t)-as-a-deposit-a-deed-of~~
~~trust-to-the-commissioner-shall-be-completed-in-due-form-and~~
~~recorded--prior-to-being-deposited-with-the-commissioner~~ IE
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.

26 (6) If default occurs in the payment of interest or
 27 principal of any deposited security and such default
 28 continues for a period of 120 days, the commissioner may
 29 declare such security no longer eligible for deposit under
 30 this section."

31 Section 4--Section 33-2-804, ~~is~~ is amended to read
 32 ~~33-2-804--Prohibited--investments--and--investment~~
 33 ~~underwriting--(t)--In--addition--to--investments--excluded~~
 34 ~~pursuant--to--other--provisions--of--this--code--an--insurer--shall~~
 35 ~~not--invest--in--or--lend--its--funds--upon--the--security--of--~~
 36 ~~issued--shares--of--its--own--capital--stocks--except--for--~~
 37 ~~the--purpose--of--mutualization--under--33-3-215--or--for--the~~

1 purpose-of-retiring-its-stockt

2 (b)--except---with---the---advance---consent---of---the
 3 commissionery--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--corporations
 8 subsidiaries--or--controlling--stockholders--Investments-in
 9 subsidiaries-under-33-2-822-shall-not--be--subject--to--this
 10 provision*

11 (c)--any--note-or-other-evidence-of-indebtedness-of-any
 12 directorry--officer--or--controlling--stockholders--of---the
 13 insurer---except---as--to--policy--loans--authorized--under
 14 33-2-825v

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--33-2-886v--MEA--is-amended-to-read
 19 #33-2-886v--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-commissionery--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

1 insurer--aggregating-an-amount-exceeding-5%--of--the--insurer's
 2 assets--this-restriction--shall--not--apply--as--to--generat
 3 obligations--of-the-United-States-of-America--or--of--any--state
 4 or--include--policy-loans--made--under-33-2-825v
 5 (2)--An-insurer--shall-not--invest-in-or-hold-at-any--one
 6 time--more--than--10%--of--the--outstanding--voting--stock--of--any
 7 corporation--except--with--the--consent--of--the--commissioner
 8 given--with--respect--to--voting--rights--of--preference--stock
 9 during-default-of-dividends--this-provision--does--not--apply
 10 as--to--stock--of--a--wholly--owned--subsidiary--of--the--insurer--or
 11 to--controlling--stock--of--an--insurer--acquired--under--33-2-821v
 12 (3)--An--insurer--other--than--title--insurer--shall--invest
 13 and--maintain--invested--funds--not--less--in--amount--than--the
 14 minimum-paid-in-capital--stock--required--under--this--code--of--a
 15 domestic--stock--insurer--transacting--like--kinds--of--insurance
 16 only--in--cash--and--the--securities--provided--for--under--the
 17 following--sections--33-2-831ffv--33-2-822v--and--33-2-830v
 18 (4)--A--life--insurer--shall--also--invest--and--keep--invested
 19 its--funds--in--amount--not--less--than--the--reserves--under--its
 20 life--insurance--policies--and--annuity--contracts--other--than
 21 variable--annuities--in--force--in--cash--and/or--the--securities
 22 or--investments--provided--for--under--33-2-531v
 23 (5)--Except--with--the--commissioner's--consent--an--insurer
 24 shall--not--have--invested--at--any--one--time--more--than--20%--of--its
 25 assets--in--the--class--of--securities--described--in--33-2-838v

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

2 16751--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--33-2-820v--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 33-2-824v--and--33-2-822v

11 17762--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 18771--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--6--Section--33-2-820v--MCAv--is--amended--to--read--
 21 "33-2-820v--Common--stocks--An--insurer--may--invest--in
 22 nonvotable--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 forma--statements--of--the--predecessor--or
 11 constituent--institutions--that--qualify--as--a--prudent
 12 investment--of--the--insurer's--assets--"

13 Section--7--Section--33-2-821v--MCAv--is--amended--to--read--
 14 "33-2-821v--Insurance--stocks--18781--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 33-2-819v--and--33-2-820v--the--District--of--Columbia--or--any
 19 province--of--Canada--"

20 18791--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 33-2-823~~t27~~ shall not at any time exceed the

12 amount of the investing insurer's surplus if the insurer

13 is not an insurer 10% of the investing insurer's assets. For the

14 purposes of this section, a "subsidiary" is a corporation of

15 which the insurer owns sufficient stock to give it effective

16 control. A MAJORITY OF THE OUTSTANDING SHARES OF ALL VOTING

17 STOCKS"

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

19 "33-2-829. Miscellaneous investments. (1) An insurer

20 may make loans or investments not otherwise expressly

21 permitted under this part in aggregate amount not over 5%

22 of the insurer's assets and not over 1/8 of such assets as to

23 any one such loan or investment if such loan or investment

24 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 (t) 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 cottage lot 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 (f) 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--about--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 90% 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 in--a--bank--whose--depositors--are--insured--by--the--federal
 16 deposit--insurance--corporation
 17 in--a--savings--and--loan--association--whose--members--are
 18 insured--by--the--federal--savings--and--loan--insurance
 19 corporation
 20 in--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, 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--therefore, OTHER THAN REAL ESTATE TO BE
 25 USED PRIMARILY FOR AGRICULTURAL, RANCH, MINING, DEVELOPMENT

1 OR OIL OR MINERAL RESOURCES, RECREATIONAL, AMUSEMENT, OR
 2 CLUB PURPOSES, ACQUIRED AS AN INVESTMENT FOR THE PRODUCTION
 3 OR INCOME OR ACQUIRED TO BE IMPROVED OR DEVELOPED FOR SUCH
 4 INVESTMENT PURPOSES PURSUANT TO AN EXISTING PROGRAM
 5 THEREFORE, 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% ~~25~~
 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 (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: "#"
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

March 21, 1979

Page 2

House Bill No. 887

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: "."

March 21, 1979
Page 3
House Bill No. 887

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%"