

HOUSE BILL NO. 448

INTRODUCED BY NORDTVEDT, VINCENT, WALLIN

IN THE HOUSE

January 23, 1981	Introduced and referred to Committee on Business and Industry.
February 13, 1981	Committee recommend bill do pass as amended. Report adopted.
February 14, 1981	Bill printed and placed on members' desks.
February 17, 1981	Second reading, do pass.
February 18, 1981	Correctly engrossed.
February 19, 1981	Third reading, passed. Ayes, 94; Noes, 5. Transmitted to Senate.

IN THE SENATE

March 2, 1981	Introduced and referred to Committee on Business and Industry.
March 26, 1981	Committee recommend bill be concurred in as amended. Report adopted.
March 28, 1981	Second reading, concurred in.
March 30, 1981	Motion pass consideration.
March 31, 1981	Third reading, concurred in as amended. Ayes, 42; Noes, 8.
	On motion rules suspended. Bill allowed to be transmitted on 71st legislative day. Motion adopted.

IN THE HOUSE

April 1, 1981	Returned from Senate with amendments.
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April 8, 1981

Second reading, amendments
concurred in.

April 9, 1981

Third reading, amendments
concurred in. Ayes, 85; Noes,
12. Sent to enrolling.

Reported correctly enrolled.

1
2 INTRODUCED BY House BILL NO. 448
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE
5 ASSET, LIABILITY, RESERVE, INTEREST, DEPOSIT, AND INVESTMENT
6 REQUIREMENTS RELATING TO INSURANCE COMPANIES; AMENDING
7 SECTIONS 33-2-501, 33-2-502, 33-2-523, 33-2-531, 33-2-532,
8 33-2-611, 33-2-821, 33-2-822, 33-2-830, 33-2-832, 33-3-431
9 AND 33-20-206, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
10 DATE."

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

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

14 *33-2-501. Assets allowed. In any determination of the

15 financial condition of an insurer, there shall be allowed as

16 assets only such assets as are owned by the insurer and

17 which consist of:

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

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

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

1 on a basis including accrued interest;

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

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

4 (c) interest due or accrued upon a collateral loan in

5 an amount not to exceed 1 year's interest thereon;

6 (d) interest due or accrued on deposits in solvent

7 banks and trust companies and interest due or accrued on

8 other assets, if such interest is in the judgment of the

9 commissioner a collectable asset;

10 (e) interest due or accrued on a mortgage loan in an

11 amount not exceeding in any event the amount, if any, of the

12 excess of the value of the property less delinquent taxes

13 thereon over the unpaid principal. In no event shall

14 interest accrued for a period in excess of 18 months be

15 allowed as an asset.

16 (f) rent due or accrued on real property if such rent

17 is not in arrears for more than 3 months and rent more than

18 3 months in arrears if the payment of such rent be

19 adequately secured by property held in the name of the

20 tenant and conveyed to the insurer as collateral;

21 (g) the unaccrued portion of taxes paid prior to the

22 due date on real property;

23 (3) premium notes, policy loans, and other policy

24 assets and liens on policies and certificates of life

25 insurance and annuity contracts and accrued interest

1 thereon, in an amount not exceeding the legal reserve and
 2 other policy liabilities carried on each individual policy;

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

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

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

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

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

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

24 (10) deposits or equities recoverable from underwriting
 25 associations, syndicates, and reinsurance funds or from any

1 suspended banking institution, to the extent deemed by the
 2 commissioner available for the payment of losses and claims
 3 and at values to be determined by him;

4 (11) electronic data-processing-equipment-if--the--cost
 5 of--such-equipment-is-at-least-\$100,000, which-cost-shall-be
 6 amortized-in-full-over-a-period-of-not-to-exceed-10-calendar
 7 years--However-with-regard-to-life-insurers, such-equipment
 8 shall-be-allowed-as-an-asset-if-the-cost-of--such--equipment
 9 is--at--least-\$25,000, which-cost-shall-be-amortized-in-full
 10 over-a-period-of-not-to-exceed-5--calendar--years--and--the
 11 amount--of--such-asset-allowed-may-not-exceed-1%--of--the--total
 12 of--the--other--allowable--assets--of--the--insurer. machines
 13 constituting a data processing system or systems, office
 14 equipment, furniture, and motor vehicles, together with such
 15 other property, machines, and equipment as may be approved
 16 by the commissioner, purchased before or after [the
 17 effective date of this act] for use in connection with the
 18 transaction of the business of an insurance company, to the
 19 extent that the value of all such property, depreciated over
 20 its useful life not exceeding 10 years in accordance with
 21 standard accounting procedures, constitutes not more than 1%
 22 of its admitted assets;

23 (12) all assets, whether or not consistent with the
 24 provisions of this section, as may be allowed pursuant to
 25 the annual statement form approved by the commissioner for

1 the kinds of insurance to be reported upon therein;
 2 (13) other assets, not inconsistent with the provisions
 3 of this section, deemed by the commissioner to be available
 4 for the payment of losses and claims, at values to be
 5 determined by him."

6 Section 2. Section 33-2-502, MCA, is amended to read:
 7 "33-2-502. Assets expressly not allowed. In addition
 8 to assets impliedly excluded by the provisions of 33-2-501,
 9 the following expressly shall not be allowed as assets in
 10 any determination of the financial condition of an insurer:

11 (1) goodwill, trade names, and other like intangible
 12 assets of such insurer;

13 (2) advances to officers (other than policy loans),
 14 whether secured or not, and advances to employees, agents,
 15 and other persons on personal security only;

16 (3) stock of such insurer, owned by it, or any equity
 17 therein or loans secured thereby or any proportionate
 18 interest in such stock acquired or held through the
 19 ownership by such insurer of an interest in another firm,
 20 corporation, or business unit;

21 (4) furniture, fixtures (other than electronic data
 22 processing machines authorized under 33-2-501(11)),
 23 furnishings, safes, vehicles, libraries, stationery,
 24 literature, and supplies other than as authorized under
 25 33-2-501(11), except:

1 (a) in the case of title insurers, such materials and
 2 plants as the insurer is expressly authorized to invest in
 3 under 33-2-851; and
 4 (b) in the case of any insurer, such personal property
 5 as the insurer is permitted to hold pursuant to part 8 of
 6 this chapter or which is acquired through foreclosure of
 7 chattel mortgages acquired pursuant to 33-2-831 or which is
 8 reasonably necessary for the maintenance and operation of
 9 real estate lawfully acquired and held by the insurer other
 10 than real estate used by it for home office, branch office,
 11 and similar purposes;

12 (5) the amount, if any, by which the aggregate book
 13 value of investments as carried in the ledger assets of the
 14 insurer exceeds the aggregate value thereof as determined
 15 under this code."

16 Section 3. Section 33-2-523, MCA, is amended to read:
 17 "33-2-523. Contracts on or after the operative date of
 18 33-20-213 -- valuation. (1) This section shall apply to only
 19 those policies and contracts issued on or after the
 20 operative date of 33-20-213, except as otherwise provided in
 21 33-2-524 for group annuity and pure endowment contracts
 22 issued prior to that date.

23 (2) Except as otherwise provided in 33-2-524, the
 24 minimum standard for the valuation of all such policies and
 25 contracts shall be the commissioner's reserve valuation

1 methods defined in 33-2-525 and 32-2-526(3), 5% interest for
 2 group annuity and pure endowment contracts and 3 1/2%
 3 interest for all other such policies and contracts or in the
 4 case of policies and contracts, other than annuity and pure
 5 endowment contracts, issued on or after March 17, 1973, 4%
 6 interest for such policies issued prior to July 1, 1979, and
 7 4 1/2% interest for such policies issued on or after July 1,
 8 1979, and 5 1/2% interest for single premium life insurance
 9 policies issued on or after July 1, 1981, and the following
 10 tables:

11 (a) for all ordinary policies of life insurance issued
 12 on the standard basis, excluding any disability and
 13 accidental death benefits in such policies, the
 14 commissioner's 1941 standard ordinary mortality table for
 15 such policies issued prior to the operative date of
 16 33-20-206, as amended, and the commissioner's 1958 standard
 17 ordinary mortality table for such policies issued on or
 18 after that operative date, except that for any category of
 19 such policies issued on female risks, modified net premiums
 20 and present values, referred to in 33-2-525 and 33-2-526,
 21 may be calculated, at the option of the insurer with the
 22 approval of the commissioner, according to an age younger
 23 than the actual age of the insured;

24 (b) for all industrial life insurance policies issued
 25 on the standard basis, excluding any disability and

1 accidental death benefits in such policies, the 1941
 2 standard industrial mortality table for such policies issued
 3 prior to the operative date of 33-20-207, as amended, and
 4 the commissioner's 1961 standard industrial mortality table
 5 for such policies issued on or after that operative date;

6 (c) for individual annuity and pure endowment
 7 contracts, excluding any disability and accidental death
 8 benefits in such policies, the 1937 standard annuity
 9 mortality table or, at the option of the insurer, the
 10 annuity mortality table for 1949, ultimate, or any
 11 modification of either of these tables approved by the
 12 commissioner;

13 (d) for group annuity and pure endowment contracts,
 14 excluding any disability and accidental death benefits in
 15 such policies, the group annuity mortality table for 1951,
 16 any modification of such table approved by the commissioner,
 17 or, at the option of the insurer, any of the tables or
 18 modifications of tables specified for individual annuity and
 19 pure endowment contracts;

20 (e) (i) for total and permanent disability benefits in
 21 or supplementary to ordinary policies or contracts:

22 (A) for policies or contracts issued on or after
 23 January 1, 1966, the tables of period 2 disablement rates
 24 and the 1930 to 1950 termination rates of the 1952
 25 disability study of the society of actuaries, with due

1 regard to the type of benefit;

2 (B) for policies or contracts issued on or after
 3 January 1, 1961, and prior to January 1, 1966, either such
 4 tables or, at the option of the insurer, the class 3
 5 disability table (1926); and

6 (C) for policies issued prior to January 1, 1961, the
 7 class 3 disability table (1926);

8 (ii) any such table shall, for active lives, be
 9 combined with a mortality table permitted for calculating
 10 the reserves for life insurance policies;

11 (f) (i) for accidental death benefits in or
 12 supplementary to policies:

13 (A) for policies issued on or after January 1, 1966,
 14 the 1959 accidental death benefits table;

15 (B) for policies issued on or after January 1, 1961,
 16 and prior to January 1, 1966, either such table or, at the
 17 option of the insurer, the intercompany double indemnity
 18 mortality table; and

19 (C) for policies issued prior to January 1, 1961, the
 20 intercompany double indemnity mortality table;

21 (ii) either table shall be combined with a mortality
 22 table permitted for calculating the reserves for life
 23 insurance policies;

24 (g) for group life insurance, life insurance issued on
 25 the substandard basis and other special benefits, such

1 tables as may be approved by the commissioner."

2 Section 4. Section 33-2-531, MCA, is amended to read:
 3 "33-2-531. Deposit of reserves -- domestic life
 4 insurers. (1) Domestic life insurers shall deposit and
 5 maintain on deposit, in securities and assets, with
 6 depositaries and subject to conditions as provided for in
 7 part 6 of this chapter, an amount not less than the reserves
 8 on its outstanding life insurance policies and annuity
 9 contracts, as valued under 33-2-521 through 33-2-526.

10 (2) Annually on or before April 1, the insurer shall
 11 so deposit any additional such securities required under
 12 subsection (1) and related to the increase of such reserves
 13 during the calendar year next preceding, as determined from
 14 the insurer's annual statement as at December 31 of such
 15 preceding year.

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

20 (4) Deposits of the reserves of a domestic life
 21 insurer under this section shall consist of securities and
 22 assets acquired and valued in accordance with parts 5
 23 and 8 of this chapter, ~~except that securities required under~~
 24 ~~33-2-629 are not eligible for deposit.~~

25 (5) Real estate mortgage loans, chattel mortgage

1 loans, and policy loans may be made a part of the deposit by
 2 filing a verified statement of the loans with the
 3 commissioner, which statement shall be subject to audit at
 4 all times by the commissioner. Nonnegotiable securities
 5 where deposited with the commissioner shall be accompanied
 6 by transfer powers in due form. If the insurer uses real
 7 estate acquired under 33-2-832 as a deposit, then a deed of
 8 trust, mortgage, or other instrument sufficient to convey a
 9 security interest in such real estate, in a form acceptable
 10 to the commissioner, shall be completed in due form and
 11 recorded prior to being deposited with the commissioner.

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

17 Section 5. Section 33-2-532, MCA, is amended to read:
 18 "33-2-532. Valuation of bonds ~~debt securities~~. (1) (a)
 19 All bonds or other evidences of debt having a fixed term and
 20 rate of interest held by an insurer may, if amply secured ~~to~~
 21 ~~the extent required by this code~~ and not in default as to
 22 ~~the payment of principal or interest~~, be valued as follows:
 23 (i) if purchased at par or at an amount equal to the
 24 remaining unpaid principal balance, at the par value of the
 25 remaining unpaid principal balance, together with accrued

1 interest;

2 (ii) if purchased above or below par, on the basis of
 3 the purchase price adjusted so as to bring the value to par
 4 at maturity and so as to yield in the meantime the effective
 5 rate of interest at which the purchase was made, or in lieu
 6 of such method, according to such accepted method of
 7 valuation as is approved by the commissioner.

8 (b) Purchase if purchased, the purchase price shall in
 9 no case be taken at a higher figure than the actual market
 10 value at the time of purchase, plus actual brokerage,
 11 transfer, postage, or express charges paid in the
 12 acquisition of such securities.

13 (c) Unless otherwise provided by valuation established
 14 or approved by the commissioner, no such security shall be
 15 carried at above the call price for the entire issue during
 16 any period within which the security may be so called.

17 (d) No provision of this subsection prohibits an
 18 insurer from valuing bonds or other evidences of debt
 19 acquired in a bona fide exchange or pursuant to the
 20 provisions of 33-2-803(3) at the values established by the
 21 terms of the transaction. Assets acquired in any 1 year by
 22 exchange and valued in accordance with the provisions of
 23 this subsection (1)(d) may not exceed 2% of the insurer's
 24 total admitted assets at the end of such year, except with
 25 the consent of the commissioner. Any value so established

1 for any such debt security being acquired by the insurer may
 2 not exceed the greater of the market value, call price, par
 3 value, or remaining unpaid principal balance, together with
 4 accrued interest. In addition, the value of the asset or
 5 assets being acquired by the insurer in an exchange
 6 agreement may not exceed the cost of the asset or assets
 7 given by the insurer in the exchange, adjusted appropriately
 8 for accrual of discount or amortization of premiums in
 9 excess of par regarding bonds and for payments received in
 10 reduction of principal regarding mortgage loans or similar
 11 installment obligations.

12 (2) The commissioner shall have full discretion in
 13 determining the method of calculating values according to
 14 the rules set forth in this section."

15 Section 6. Section 33-2-611, MCA, is amended to read:
 16 "33-2-611. Deficiency of deposit -- revocation of
 17 certificate. If-for-any-reason Except as to the deposit of
 18 reserves of domestic life insurers pursuant to 33-2-531, if
 19 the market value of assets and securities of an insurer held
 20 on deposit in this state or in another state under custodial
 21 arrangements authorized by 33-2-604(3) falls below the
 22 amount required under this code to be so held, the insurer
 23 shall promptly deposit other or additional assets or
 24 securities eligible for deposit under this part and in
 25 amount sufficient to cure such deficiency. If the insurer

1 has failed to cure the deficiency within 20 30 days after
 2 receipt of notice thereof by registered or certified mail
 3 from the commissioner, the commissioner shall ~~may~~ in his
 4 discretion, forthwith revoke suspend the insurer's
 5 certificate of authority until the deficiency is cured, and
 6 may revoke the certificate of authority after a hearing
 7 thereon pursuant to 33-2-119(1), if the deficiency is not
 8 cured within 1 year."

9 Section 7. Section 33-2-821, MCA, is amended to read:
 10 "33-2-821. Insurance stocks. (1) An insurer may invest
 11 in the stocks of other solvent insurers formed under the
 12 laws of this or another state, which stocks meet the
 13 applicable requirements of 33-2-819 and 33-2-820.

14 (2) With the commissioner's consent, an insurer may
 15 acquire and hold the controlling interest in the outstanding
 16 voting stock of another stock insurer formed under the laws
 17 of this or another state. ~~Att-stocks-under-this-subsection~~
 18 ~~shall-be-subject-to-the-limitation-as-to-amount-as-provided~~
 19 ~~in-33-2-822*~~

20 Section 8. Section 33-2-822, MCA, is amended to read:
 21 "33-2-822. Stocks of subsidiaries. With the
 22 commissioner's consent, an insurer may invest in-the-stock
 23 of its subsidiary insurance corporation or in the stock of
 24 one or more of its subsidiary business corporation formed
 25 under-the-laws-of-this-state-and corporations necessary and

1 or incidental to the convenient operation of the insurer's
 2 insurance business or to the administration of any of its
 3 investments. All of the insurer's investments under this
 4 section shall not at any time exceed 10% of the investing
 5 insurer's assets. For the purposes of this section, a
 6 "subsidiary" is a corporation of which the insurer owns a
 7 majority of the outstanding shares of all voting stock."

8 Section 9. Section 33-2-830, MCA, is amended to read:

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

1 shall prohibit any investment by reason of the existence of
 2 any prior lien for ground rents, taxes, assessments, or
 3 other similar charges not yet delinquent. This section shall
 4 not be deemed to prohibit investment in mortgages or similar
 5 obligations when made under 33-2-828.

6 (2) "Improved real estate" means all farm lands used
 7 for tillage, crop, pasture, or timberlands and all real
 8 estate on which permanent improvements suitable for
 9 residential, institutional, commercial, or industrial use
 10 are situated.

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

15 (i) 80% of the value of the real property or leasehold
 16 securing the same, provided, however, if said real property
 17 or leasehold consists of one- or two-family residential
 18 property, 90% of said value;

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

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

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

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

8 ~~(5) No such mortgage loan or loans shall be made or acquired by an insurer which is a participation or a part of a series or issue secured by the same mortgage or deed of trust shall be a lawful investment under this section unless the entire series or issue which is secured by the same mortgage or deed of trust is held by such insurer or unless the insurer holds a senior participation in such mortgage or deed of trust giving it substantially the rights of a first mortgagee.~~

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

1 (6) An insurer may invest in a note secured by a new first mortgage, deed of trust, or trust indenture upon improved real property when the real property secures an existing first mortgage, deed of trust, or trust indenture on which the remaining principal balance due and owing is less than 40% of the current appraised value. The regular periodic payment on the new note shall be in a frequency and of a sufficient amount that will, upon payment of each installment, pay the original obligation pursuant to its terms and amortize the new note with its terms."

11 Section 10. Section 33-2-832, MCA, is amended to read:
 12 "33-2-832. Real estate. An insurer may invest in real estate only if used for the purposes or acquired in the manners and within the limits as follows:

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

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

24 (3) real estate acquired in part payment of the consideration on the sale of other real estate owned by it

1 if such transaction does not increase the insurer's
 2 investment in real estate;

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

6 (5) the seller's interest in real property subject to
 7 an agreement of purchase or sale. The sum invested in any
 8 such parcel of real estate shall not exceed 90% of the
 9 market value of such parcel provided the same consists of
 10 one- or two-family residential property and 80% of the
 11 market value of all other such parcels of real estate.

12 (6) real estate or any interest therein acquired or
 13 held by purchase, lease, or otherwise, other than real
 14 estate to be used primarily for agricultural, ranch, mining,
 15 development--of--other--mineral--resources, recreational,
 16 amusement, or club purposes, acquired as an investment for
 17 the production of income or acquired to be improved or
 18 developed for such investment purposes pursuant to an
 19 existing program therefor. The insurer may hold, improve,
 20 develop, maintain, manage, lease, sell, and convey real
 21 estate acquired by it under this provision. An insurer
 22 shall not, except with the commissioner's consent, have at
 23 any one time invested in real estate under this subsection
 24 an amount exceeding 5% 15% of its assets.

25 (7) additional real estate and equipment incident to

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

10 (8) except with the commissioner's consent, all real
 11 estate owned by the insurer under this section, except for
 12 real estate acquired according to subsection (2) and except
 13 as to seller's interest specified in subsection (5), shall
 14 not at any one time exceed 10% 25% of the insurer's assets."

15 Section 11. Section 33-3-431, MCA, is amended to read:

16 "33-3-431. Borrowed surplus. (1) A domestic stock or
 17 mutual insurer may borrow money to defray the expenses of
 18 its organization, provide it with surplus funds, or for any
 19 purpose of its business, upon a written agreement that such
 20 money is required to be repaid only out of the insurer's
 21 surplus in excess of that stipulated in such agreement. The
 22 agreement may provide for interest not exceeding 6%--per
 23 annum the amount provided in 31-1-101, which interest shall
 24 or shall not constitute a liability of the insurer as to its
 25 funds other than such excess of surplus, as stipulated in

1 the agreement. No commission or promotion expense shall be
 2 paid in connection with any such loan.

3 (2) Money so borrowed, together with the interest
 4 thereon if so stipulated in the agreement, shall not form a
 5 part of the insurer's legal liabilities except as to its
 6 surplus in excess of the amount thereof stipulated in the
 7 agreement or be the basis of any setoff; but until repaid,
 8 financial statements filed or published by the insurer shall
 9 show as a footnote thereto the amount thereof then unpaid
 10 together with any interest thereon accrued but unpaid.

11 (3) Any such loan to a mutual insurer shall be subject
 12 to the commissioner's approval. The insurer shall, in
 13 advance of the loan, file with the commissioner a statement
 14 of the purpose of the loan and a copy of the proposed loan
 15 agreement. The loan and agreement shall be deemed approved
 16 unless within 15 days after date of such filing the insurer
 17 is notified of the commissioner's disapproval and the
 18 reasons therefor. The commissioner shall disapprove any
 19 proposed loan or agreement if he finds the loan is
 20 unnecessary or excessive for the purpose intended or that
 21 the terms of the loan agreement are not fair and equitable
 22 to the parties, and to other similar lenders, if any, to the
 23 insurer, or that the information so filed by the insurer is
 24 inadequate.

25 (4) Any such loan to a mutual insurer or substantial

1 portion thereof shall be repaid by the insurer when no
 2 longer reasonably necessary for the purpose originally
 3 intended. No repayment of such loan shall be made by a
 4 mutual insurer unless in advance approved by the
 5 commissioner.

6 (5) This section shall not apply to loans obtained by
 7 the insurer in ordinary course of business from banks and
 8 other financial institutions or to loans secured by pledge
 9 or mortgage of assets."

10 Section 12. Section 33-20-206, MCA, is amended to
 11 read:

12 "33-20-206. Mortality tables -- policies issued after
 13 operative date. (1) In the case of ordinary policies issued
 14 on or after the operative date of this section as defined
 15 herein, all adjusted premiums and present values referred to
 16 in this part shall be calculated on the basis of the
 17 commissioner's 1958 standard ordinary mortality table and
 18 the rate of interest specified in the policy for calculating
 19 cash surrender values and paid-up nonforfeiture benefits,
 20 provided that:

21 (a) such rate of interest shall not exceed 3 1/2% per
 22 annum, except that a rate of interest not exceeding 4% per
 23 annum may be used for policies issued on or after March 17,
 24 1973, and prior to July 1, 1979, and a rate of interest not
 25 exceeding 5 1/2% a year may be used for policies issued on

1 or after July 1, 1979, and a rate of interest not exceeding
2 6 1/2% a year may be used for single premium life insurance
3 policies issued on or after July 1, 1981;

4 (b) for any category of ordinary insurance issued on
5 female risks, adjusted premiums and present values may be
6 calculated according to an age not more than 6 years younger
7 than the actual age of the insured;

8 (c) in calculating the present value of any paid-up
9 term insurance with accompanying pure endowment, if any,
10 offered as a nonforfeiture benefit, the rates of mortality
11 assumed may be not more than those shown in the
12 commissioner's 1958 extended term insurance table;

13 (d) for insurance issued on a substandard basis, the
14 calculation of any such adjusted premiums and present values
15 may be based on such other table of mortality as may be
16 specified by the company and approved by the commissioner.

17 (2) After July 1, 1961, any insurer may file with the
18 commissioner a written notice of its election to comply with
19 the provisions of this section after a specified date before
20 January 1, 1966. After the filing of such notice, then upon
21 such specified date (which shall be the operative date of
22 this section for such insurer), this section shall become
23 operative with respect to the ordinary policies thereafter
24 issued by such insurer. If an insurer makes no such
25 election, the operative date of this section for such

1 insurer shall be January 1, 1966."

2 Section 13. Effective date. This act is effective on
3 passage and approval.

-End-

Approved by Committee
on Business and Industry

1 HOUSE BILL NO. 448

2 INTRODUCED BY NORDTVEDT, VINCENT, WALLIN

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE
5 ASSET, LIABILITY, RESERVE, INTEREST, DEPOSIT, AND INVESTMENT
6 REQUIREMENTS RELATING TO INSURANCE COMPANIES; AMENDING
7 SECTIONS 33-2-501, 33-2-502, 33-2-523, 33-2-531, 33-2-532,
8 33-2-611, 33-2-821, 33-2-822, 33-2-830, 33-2-832, 33-3-201,
9 33-3-431, AND 33-20-206, MCA; AND PROVIDING AN IMMEDIATE
10 EFFECTIVE DATE."

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

12 Section 1. Section 33-2-501, MCA, is amended to read:
13 ~~33-2-501. Assets allowed. In any determination of the financial condition of an insurer, there shall be allowed as assets only such assets as are owned by the insurer and which consist of:~~
14 ~~(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;~~
15 ~~(2) investments, securities, properties, and loans acquired or held in accordance with this code and in connection therewith the following items:~~
16 ~~(a) interest due or accrued on any bond or evidence of indebtedness which is not in default and which is not valued~~

1 on a basis including accrued interest;
2 ~~(b) declared and unpaid dividends on stock and shares unless such amount has otherwise been allowed as an asset;~~
3 ~~(c) interest due or accrued upon a collateral loan in an amount not to exceed 1 year's interest thereon;~~
4 ~~(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;~~
5 ~~(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;~~
6 ~~(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;~~
7 ~~(g) the unaccrued portion of taxes paid prior to the due date on real property;~~
8 ~~(h) premium notes, policy loans, and other policy assets and liens on policies and certificates of life insurance and annuity contracts and accrued interest~~

1 thereon--in--an--amount--not--exceeding--the--legal--reserve--and
 2 other--policy--liabilities--carried--on--each--individual--policy;
 3 {4}--the--net--amount--of--uncollected--and--deferred
 4 premiums--and--annuity--considerations--in--the--case--of--a--life
 5 insurer;
 6 {5}--premiums--in--the--course--of--collection--other--than
 7 for--life--insurance--not--more--than--3--months--past--due--less
 8 commissions--payable--thereon--The--foregoing--limitation--shall
 9 not--apply--to--premiums--payable--directly--or--indirectly--by--the
10 United--States--government--or--by--any--of--its--instrumentalities;
 . {6}--installment--premiums--other--than--life--insurance
12 premiums--to--the--extent--of--the--unearned--premium--reserve
13 carried--on--the--policy--to--which--premiums--apply;
 14 {7}--notes--and--like--written--obligations--not--past--due
15 taken--for--premiums--other--than--life--insurance--premiums--on
16 policies--permitted--to--be--issued--on--such--basis--to--the--extent
17 of--the--unearned--premium--reserves--carried--thereon;
 18 {8}--the--full--amount--of--reinsurance--recoverable--by--a
19 ceding--insurer--from--a--solvent--reinsurer--and--which
20 reinsurance--is--authorized--under--33--2--1205;
 . {9}--amounts--receivable--by--an--assuming--insurer
22 representing--funds--withheld--by--a--solvent--ceding--insurer
23 under--a--reinsurance--treaty;
 24 {10}--deposits--or--equities--recoverable--from--underwriting
25 associations--syndicates--and--reinsurance--funds--or--from--any

1 suspended--banking--institutions--to--the--extent--deemed--by--the
 2 commissioner--available--for--the--payment--of--losses--and--claims
 3 and--at--values--to--be--determined--by--him;
 4 {11}--electronic--data--processing--equipment--if--the--cost
 5 of--such--equipment--is--at--least--\$100,000--which--cost--shall--be
 6 amortized--in--full--over--a--period--of--not--to--exceed--10--calendar
 7 years--However--with--regard--to--life--insurers--such--equipment
 8 shall--be--allowed--as--an--asset--if--the--cost--of--such--equipment
 9 is--at--least--\$25,000--which--cost--shall--be--amortized--in--full
10 over--a--period--of--not--to--exceed--5--calendar--years--and--the
11 amount--of--such--asset--allowed--may--not--exceed--1/3--of--the--total
12 of--the--other--allowable--assets--of--the--insurer. machines
 13 constituting--a--data--processing--system--or--systems--office
 14 equipment--furniture--and--motor--vehicles--together--with--such
 15 other--property--machines--and--equipment--as--may--be--approved
 16 by--the--commissioner--purchased--before--or--after--{the
 17 effective--date--of--this--act--for--use--in--connection--with--the
 18 transaction--of--the--business--of--an--insurance--company--to--the
 19 extent--that--the--value--of--all--such--property--depreciated--over
 20 its--useful--life--not--exceeding--10--years--in--accordance--with
 21 standard--accounting--procedures--constitutes--not--more--than--1/3
 22 of--its--admitted--assets;
 23 {12}--all--assets--whether--or--not--consistent--with--the
 24 provisions--of--this--section--as--may--be--allowed--pursuant--to
 25 the--annual--statement--form--approved--by--the--commissioner--for

1 the kinds of insurance to be reported upon thereint
 2 ~~(13) other assets, not inconsistent with the provisions~~
 3 of this section, deemed by the commissioner to be available
 4 for the payment of losses and claims, at values to be
 5 determined by him;"

6 Section 1. Section 33-2-502, MCA, is amended to read:
 7 "33-2-502. Assets expressly not allowed. In addition
 8 to assets impliedly excluded by the provisions of 33-2-501,
 9 the following expressly shall not be allowed as assets in
 10 any determination of the financial condition of an insurer:

11 (1) goodwill, trade names, and other like intangible
 12 assets of such insurer;

13 (2) advances to officers (other than policy loans),
 14 whether secured or not, and advances to employees, agents,
 15 and other persons on personal security only;

16 (3) stock of such insurer, owned by it, or any equity
 17 therein or loans secured thereby or any proportionate
 18 interest in such stock acquired or held through the
 19 ownership by such insurer of an interest in another firm,
 20 corporation, or business unit;

21 (4) furniture, fixtures (other than electronic data
 22 processing machines authorized under 33-2-501(11)),
 23 furnishings, safes, vehicles, libraries, stationery,
 24 literature, and supplies other than as authorized under
 25 33-2-501(11), except:

1 (a) in the case of title insurers, such materials and
 2 plants as the insurer is expressly authorized to invest in
 3 under 33-2-851; and
 4 (b) in the case of any insurer, such personal property
 5 as the insurer is permitted to hold pursuant to part 8 of
 6 this chapter or which is acquired through foreclosure of
 7 chattel mortgages acquired pursuant to 33-2-831 or which is
 8 reasonably necessary for the maintenance and operation of
 9 real estate lawfully acquired and held by the insurer other
 10 than real estate used by it for home office, branch office,
 11 and similar purposes;

12 (5) the amount, if any, by which the aggregate book
 13 value of investments as carried in the ledger assets of the
 14 insurer exceeds the aggregate value thereof as determined
 15 under this code."

16 Section 2. Section 33-2-523, MCA, is amended to read:
 17 "33-2-523. Contracts on or after the operative date of
 18 33-20-213 -- valuation. (1) This section shall apply to only
 19 those policies and contracts issued on or after the
 20 operative date of 33-20-213, except as otherwise provided in
 21 33-2-524 for group annuity and pure endowment contracts
 22 issued prior to that date.

23 (2) Except as otherwise provided in 33-2-524, the
 24 minimum standard for the valuation of all such policies and
 25 contracts shall be the commissioner's reserve valuation

1 methods defined in 33-2-525 and 32-2-526(3), 5% interest for
 2 group annuity and pure endowment contracts and 3 1/2%
 3 interest for all other such policies and contracts or in the
 4 case of policies and contracts, other than annuity and pure
 5 endowment contracts, issued on or after March 17, 1973, 4%
 6 interest for such policies issued prior to July 1, 1979, and
 7 4 1/2% interest for such policies issued on or after July 1,
 8 1979, and 5 1/2% interest for single premium life insurance
 9 policies issued on or after July 1, 1981, and the following
 10 tables:

11 (a) For all ordinary policies of life insurance issued
 12 on the standard basis, excluding any disability and
 13 accidental death benefits in such policies, the
 14 commissioner's 1941 standard ordinary mortality table for
 15 such policies issued prior to the operative date of
 16 33-20-206, as amended, and the commissioner's 1958 standard
 17 ordinary mortality table for such policies issued on or
 18 after that operative date, except that for any category of
 19 such policies issued on female risks, modified net premiums
 20 and present values, referred to in 33-2-525 and 33-2-526,
 21 may be calculated, at the option of the insurer with the
 22 approval of the commissioner, according to an age younger
 23 than the actual age of the insured;

24 (b) For all industrial life insurance policies issued
 25 on the standard basis, excluding any disability and

1 accidental death benefits in such policies, the 1941
 2 standard industrial mortality table for such policies issued
 3 prior to the operative date of 33-20-207, as amended, and
 4 the commissioner's 1961 standard industrial mortality table
 5 for such policies issued on or after that operative date;
 6 (c) for individual annuity and pure endowment
 7 contracts, excluding any disability and accidental death
 8 benefits in such policies, the 1937 standard annuity
 9 mortality table or, at the option of the insurer, the
 10 annuity mortality table for 1949, ultimate, or any
 11 modification of either of these tables approved by the
 12 commissioner;

13 (d) for group annuity and pure endowment contracts,
 14 excluding any disability and accidental death benefits in
 15 such policies, the group annuity mortality table for 1951,
 16 any modification of such table approved by the commissioner,
 17 or, at the option of the insurer, any of the tables or
 18 modifications of tables specified for individual annuity and
 19 pure endowment contracts;

20 (e) (i) for total and permanent disability benefits in
 21 or supplementary to ordinary policies or contracts:

22 (A) for policies or contracts issued on or after
 23 January 1, 1966, the tables of period 2 disablement rates
 24 and the 1930 to 1950 termination rates of the 1952
 25 disability study of the society of actuaries, with due

1 regard to the type of benefit;

2 (B) for policies or contracts issued on or after
 3 January 1, 1961, and prior to January 1, 1966, either such
 4 tables or, at the option of the insurer, the class 3
 5 disability table (1926); and

6 (C) for policies issued prior to January 1, 1961, the
 7 class 3 disability table (1926);

8 (ii) any such table shall, for active lives, be
 9 combined with a mortality table permitted for calculating
 10 the reserves for life insurance policies;

11 (f) (i) for accidental death benefits in or
 12 supplementary to policies:

13 (A) for policies issued on or after January 1, 1966,
 14 the 1959 accidental death benefits table;

15 (B) for policies issued on or after January 1, 1961,
 16 and prior to January 1, 1966, either such table or, at the
 17 option of the insurer, the intercompany double indemnity
 18 mortality table; and

19 (C) for policies issued prior to January 1, 1961, the
 20 intercompany double indemnity mortality table;

21 (ii) either table shall be combined with a mortality
 22 table permitted for calculating the reserves for life
 23 insurance policies;

24 (g) for group life insurance, life insurance issued on
 25 the substandard basis and other special benefits, such

1 tables as may be approved by the commissioner.*

2 Section 3. Section 33-2-531, MCA, is amended to read:
 3 "33-2-531. Deposit of reserves -- domestic life
 4 insurers. (1) Domestic life insurers shall deposit and
 5 maintain on deposit, in securities and assets, with
 6 depositaries and subject to conditions as provided for in
 7 part 6 of this chapter, an amount not less than the reserves
 8 on its outstanding life insurance policies and annuity
 9 contracts, as valued under 33-2-521 through 33-2-526.

10 (2) Annually on or before April 1, the insurer shall
 11 so deposit any additional such securities required under
 12 subsection (1) and related to the increase of such reserves
 13 during the calendar year next preceding, as determined from
 14 the insurer's annual statement as at December 31 of such
 15 preceding year.

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

20 (4) Deposits of the reserves of a domestic life
 21 insurer under this section shall consist of securities and
 22 assets acquired and valued in accordance with part parts 5
 23 and 8 of this chapter, ~~except that securities acquired under~~
 24 ~~33-2-829 are not eligible for deposit.~~

25 (5) Real estate mortgage loans, chattel mortgage

1 Loans, and policy loans may be made a part of the deposit by
 2 filing a verified statement of the loans with the
 3 commissioner, which statement shall be subject to audit at
 4 all times by the commissioner. Nonnegotiable securities
 5 where deposited with the commissioner shall be accompanied
 6 by transfer powers in due form. If the insurer uses real
 7 estate acquired under 33-2-832 as a deposit, then a deed of
 8 trust, mortgage, or other instrument sufficient to convey a
 9 security interest in such real estate, in a form acceptable
 10 to the commissioner, shall be completed in due form and
 11 recorded prior to being deposited with the commissioner.

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

17 Section 4. Section 33-2-532, MCA, is amended to read:
 18 "33-2-532. Valuation of bonds debt securities. (1) (a)
 19 All bonds or other evidences of debt having a fixed term and
 20 rate of interest held by an insurer may, if amply secured to
the extent required by this code and not in default as to
the payment of principal or interest, be valued as follows:
 21 (i) if purchased at par or at an amount equal to the
remaining unpaid principal balance, at the par value or the
remaining unpaid principal balance, together with accrued

1 interest;
 2 (ii) if purchased above or below par, on the basis of
 3 the purchase price adjusted so as to bring the value to par
 4 at maturity and so as to yield in the meantime the effective
 5 rate of interest at which the purchase was made, or in lieu
 6 of such method, according to such accepted method of
 7 valuation as is approved by the commissioner.

8 (b) Purchase If purchased, the purchase price shall in
 9 no case be taken at a higher figure than the actual market
 10 value at the time of purchase, plus actual brokerage,
 11 transfer, postage, or express charges paid in the
 12 acquisition of such securities.

13 (c) Unless otherwise provided by valuation established
 14 or approved by the commissioner, no such security shall be
 15 carried at above the call price for the entire issue during
 16 any period within which the security may be so called.

17 ~~fdi--No--provision--of--this--subsection--prohibits--an~~
 18 ~~insurer--from--valuing--bonds--or--other--evidences--of--debt~~
 19 ~~acquired--in--a--bond--fide--exchange--or--pursuant--to--the~~
 20 ~~provisions--of--33-2-803(3)--at--the--values--established--by--the~~
 21 ~~terms--of--the--transaction--Assets--acquired--in--any--1--year--by~~
 22 ~~exchange--and--valued--in--accordance--with--the--provisions--of~~
 23 ~~this--subsection--fdi--may--not--exceed--2%--of--the--insurer's~~
 24 ~~total--admitted--assets--at--the--end--of--such--year--except--with~~
the--consent--of--the--commissioner--Any--value--so--established

1 for any such debt security being acquired by the insurer may
 2 not exceed the greater of the market value or call price per
 3 value or remaining unpaid principal balance together with
 4 accrued interest in addition the value of the asset or
 5 assets being acquired by the insurer in an exchange
 6 agreement may not exceed the cost of the asset or assets
 7 given by the insurer in the exchange adjusted appropriately
 8 for accrual of discount or amortization of premiums in
 9 excess of par regarding bonds and for payments received in
 10 reduction of principal regarding mortgage loans or similar
 11 installment obligations.

12 (2) The commissioner shall have full discretion in
 13 determining the method of calculating values according to
 14 the rules set forth in this section."

15 Section 5. Section 33-2-611, MCA, is amended to read:
 16 "33-2-611. Deficiency of deposit -- revocation of
 17 certificate. If for any reason Except as to the deposit of
 18 reserves of domestic life insurers pursuant to 33-2-531, if
 19 the market value of assets and securities of an insurer held
 20 on deposit in this state or in another state under custodial
 21 arrangements authorized by 33-2-604(3) falls below the
 22 amount required under this code to be so held, the insurer
 23 shall promptly deposit other or additional assets or
 24 securities eligible for deposit under this part and in
 25 amount sufficient to cure such deficiency. If the insurer

1 has failed to cure the deficiency within 20 30 days after
 2 receipt of notice thereof by registered or certified mail
 3 from the commissioner, the commissioner shall may, in his
 4 discretion, forthwith revoke suspend the insurer's
 5 certificate of authority until the deficiency is cured, and
 6 may revoke the certificate of authority, after a hearing
 7 thereon pursuant to 33-2-119(1), if the deficiency is not
 8 cured within 1 year."

9 Section 6. Section 33-2-821, MCA, is amended to read:
 10 "33-2-821. Insurance stocks. (1) An insurer may invest
 11 in the stocks of other solvent insurers formed under the
 12 laws of this or another state, which stocks meet the
 13 applicable requirements of 33-2-819 and 33-2-820.

14 (2) With the commissioner's consent, an insurer may
 15 acquire and hold the controlling interest in the outstanding
 16 voting stock of another stock insurer formed under the laws
 17 of this or another state. All stocks under this subsection
 18 shall be subject to the limitation as to amount as provided
 19 in 33-2-822."

20 Section 7. Section 33-2-822, MCA, is amended to read:
 21 "33-2-822. Stocks of subsidiaries. With the
 22 commissioner's consent, an insurer may invest in the stock of
 23 of its subsidiary insurance corporation or in the stock of
 24 one or more of its subsidiary business corporation formed
 25 under the laws of this state and corporations necessary and

1 or incidental to the convenient operation of the insurer's
 2 insurance business or to the administration of any of its
 3 investments. All of the insurer's investments under this
 4 section shall not at any time exceed 10% of the investing
 5 insurer's assets. For the purposes of this section, a
 6 "subsidiary" is a corporation of which the insurer owns a
 7 majority of the outstanding shares of all voting stock."

8 Section 8. Section 33-2-830, MCA, is amended to read:

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

1 shall prohibit any investment by reason of the existence of
 2 any prior lien for ground rents, taxes, assessments, or
 3 other similar charges not yet delinquent. This section shall
 4 not be deemed to prohibit investment in mortgages or similar
 5 obligations when made under 33-2-828.

6 (2) "Improved real estate" means all farm lands used
 7 for tillage, crop, pasture, or timberlands and all real
 8 estate on which permanent improvements suitable for
 9 residential, institutional, commercial, or industrial use
 10 are situated.

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

15 (i) 80% of the value of the real property or leasehold
 16 securing the same, provided, however, if said real property
 17 or leasehold consists of one- or two-family residential
 18 property, 90% of said value;

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

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

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

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

8 ~~(5) No such mortgage loan or loans shall be made or acquired by an insurer which is a participation or a part of a series or issue secured by the same mortgage or deed of trust shall be a lawful investment under this section unless the entire series or issue which is secured by the same mortgage or deed of trust is held by such insurer or unless the insurer holds a senior participation in such mortgage or deed of trust giving it substantially the rights of a first mortgagee.~~

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

1 (6) An insurer may invest in a note secured by a new first mortgage, deed of trust or trust indenture upon improved real property when the real property secures an existing first mortgage, deed of trust, or trust indenture on which the remaining principal balance due and owing is less than 40% of the current appraised value. The regular periodic payment on the new note shall be in a frequency and of a sufficient amount that will, upon payment of each installment, pay the original obligation pursuant to its terms and amortize the new note with its terms."

11 Section 9. Section 33-2-832, MCA, is amended to read:
 12 "33-2-832. Real estate. An insurer may invest in real estate only if used for the purposes or acquired in the manners and within the limits as follows:

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

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

24 (3) real estate acquired in part payment of the consideration on the sale of other real estate owned by it

1 if such transaction does not increase the insurer's
 2 investment in real estate;

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

6 (5) the seller's interest in real property subject to
 7 an agreement of purchase or sale. The sum invested in any
 8 such parcel of real estate shall not exceed 90% of the
 9 market value of such parcel provided the same consists of
 10 one- or two-family residential property and 80% of the
 11 market value of all other such parcels of real estate.

12 (6) real estate or any interest therein acquired or
 13 held by purchase, lease, or otherwise, other than real
 14 estate to be used primarily for agricultural, ranch, mining,
 15 development--of--oil--or--mineral--resources, recreational,
 16 amusement, or club purposes, acquired as an investment for
 17 the production of income or acquired to be improved or
 18 developed for such investment purposes pursuant to an
 19 existing program therefor. The insurer may hold, improve,
 20 develop, maintain, manage, lease, sell, and convey real
 21 estate acquired by it under this provision. An insurer
 22 shall not, except with the commissioner's consent, have at
 23 any one time invested in real estate under this subsection
 24 an amount exceeding 5% ~~15%~~ 10% of its assets.

25 (7) additional real estate and equipment incident to

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

10 (8) except with the commissioner's consent, all real
 11 estate owned by the insurer under this section, except for
 12 real estate acquired according to subsection (2) and except
 13 as to seller's interest specified in subsection (5), shall
 14 not at any one time exceed ~~10%~~ ~~25%~~ 15% of the insurer's
 15 assets."

16 SECTION 10. SECTION 33-3-201, MCA, IS AMENDED TO READ:
 17 "33-3-201. Incorporation. (1) This section applies to
 18 stock and mutual insurers hereafter incorporated in this
 19 state.

20 (2) Five or more individuals, none of whom are less
 21 than 18 years of age, may incorporate a stock insurer. Ten
 22 or more of such individuals may incorporate a mutual
 23 insurer. At least a majority of the incorporators shall be
 24 citizens of the United States. At least a majority of the
 25 incorporators shall be residents of this state.

1 (3) The incorporators shall execute articles of
 2 incorporation in quadruplicate and acknowledge their
 3 execution thereof in the same manner as provided by law for
 4 the acknowledgment of deeds. The articles of incorporation
 5 shall state the purpose for which the corporation is formed
 6 and shall show:

7 (a) the name of the corporation. If a mutual, the word
 8 "mutual" must be a part of the name. An alternative name or
 9 names may be specified for use in jurisdictions wherein
 10 conflict of name with that of another insurer or
 11 organization might otherwise prevent the corporation from
 12 being authorized to transact insurance therein.

13 (b) the duration of its existence, which may be
 14 perpetual;

15 (c) the kinds of insurance, as defined in this code,
 16 which the corporation is formed to transact;

17 (d) if a stock corporation, its authorized capital
 18 stock~~s~~ and the number of shares of common stock into which
 19 divided~~s~~. These shares shall be issued as provided in
 20 35-1-601, except that the par value of any class shall not
 21 be less than \$1; the par value of each such share, which par
 22 value shall be at least \$1--Shares--without--par--value--or
 23 other--than--one--class--of--voting--common--stock--shall--not--be
 24 authorized--The--articles--of--incorporation--may--limit--or--deny
 25 present--or--future--stockholders--preemptive--or--preferential

1 rights-to-acquire-additional-issues-of-the-stock,-or--bonds-
 2 debentures--or--other-obligations-convertible-into-stock--of
 3 the-corporation--subject-to-the-laws-of-Montana--fixing--the
 4 required--representation---and--proportion--of--outstanding
 5 capital-stock-required-to--be--represented--and--voted--for
 6 specified--action--at--any--and--at--corporate--meetings--
 7 elections--votes--or--consent-proceedings--

8 (e) if a stock corporation, the extent, if any, to
 9 which shares of its stock are subject to assessment;

10 (f) if a stock corporation, the number of shares
 11 subscribed, if any, by each incorporator;

12 (g) if a mutual corporation, the maximum contingent
 13 liability of its members, other than as to nonassessable
 14 policies, for payment of losses and expenses incurred. Such
 15 liability shall be stated in the articles of incorporation
 16 but shall not be less than one or more than six times the
 17 premium for the member's policy at the annual premium rate
 18 for a term of 1 year.

19 (h) the minimum, not less than 5, and the maximum, not
 20 more than 21, number of directors who shall constitute the
 21 board of directors and conduct the affairs of the
 22 corporation; also, the names, addresses, and terms of the
 23 members of the initial board of directors. The term of
 24 office of initial directors shall be for not more than 1
 25 year after the date of incorporation.

1 (i) the name of the county, and the city, town, or
 2 place within the county, in which its principal office or
 3 principal place of business is to be located in this state;
 4 (j) such other provisions, not inconsistent with law,
 5 deemed appropriate by the incorporators;

6 (k) the name and residence address of each
 7 incorporator and the citizenship of each incorporator who is
 8 not a citizen of the United States."

9 Section 11. Section 33-3-431, MCA, is amended to read:
 10 "33-3-431. Borrowed surplus. (1) A domestic stock or
 11 mutual insurer may borrow money to defray the expenses of
 12 its organization, provide it with surplus funds, or for any
 13 purpose of its business, upon a written agreement that such
 14 money is required to be repaid only out of the insurer's
 15 surplus in excess of that stipulated in such agreement. The
 16 agreement may provide for interest not exceeding 6%—per
 17 annum the amount provided in 31-1-107, which interest shall
 18 or shall not constitute a liability of the insurer as to its
 19 funds other than such excess of surplus, as stipulated in
 20 the agreement. No commission or promotion expense shall be
 21 paid in connection with any such loan.

22 (2) Money so borrowed, together with the interest
 23 thereon if so stipulated in the agreement, shall not form a
 24 part of the insurer's legal liabilities except as to its
 25 surplus in excess of the amount thereof stipulated in the

I agreement or be the basis of any setoff; but until repaid,
 2 financial statements filed or published by the insurer shall
 3 show as a footnote thereto the amount thereof then unpaid
 4 together with any interest thereon accrued but unpaid.

5 (3) Any such loan to a mutual insurer shall be subject
 6 to the commissioner's approval. The insurer shall, in
 7 advance of the loan, file with the commissioner a statement
 8 of the purpose of the loan and a copy of the proposed loan
 9 agreement. The loan and agreement shall be deemed approved
 10 unless within 15 days after date of such filing the insurer
 11 is notified of the commissioner's disapproval and the
 12 reasons therefor. The commissioner shall disapprove any
 13 proposed loan or agreement if he finds the loan is
 14 unnecessary or excessive for the purpose intended or that
 15 the terms of the loan agreement are not fair and equitable
 16 to the parties, and to other similar lenders, if any, to the
 17 insurer, or that the information so filed by the insurer is
 18 inadequate.

19 (4) Any such loan to a mutual insurer or substantial
 20 portion thereof shall be repaid by the insurer when no
 21 longer reasonably necessary for the purpose originally
 22 intended. No repayment of such loan shall be made by a
 23 mutual insurer unless in advance approved by the
 24 commissioner.

25 (5) This section shall not apply to loans obtained by

1 the insurer in ordinary course of business from banks and
 2 other financial institutions or to loans secured by pledge
 3 or mortgage of assets."

4 Section 12. Section 33-20-206, MCA, is amended to
 5 read:

6 "33-20-205. Mortality tables -- policies issued after
 7 operative date. (1) In the case of ordinary policies issued
 8 on or after the operative date of this section as defined
 9 herein, all adjusted premiums and present values referred to
 10 in this part shall be calculated on the basis of the
 11 commissioner's 1958 standard ordinary mortality table and
 12 the rate of interest specified in the policy for calculating
 13 cash surrender values and paid-up nonforfeiture benefits,
 14 provided that:

15 (a) such rate of interest shall not exceed 3 1/2% per
 16 annum, except that a rate of interest not exceeding 4% per
 17 annum may be used for policies issued on or after March 17,
 18 1973, and prior to July 1, 1979, and a rate of interest not
 19 exceeding 5 1/2% a year may be used for policies issued on
 20 or after July 1, 1979, and a rate of interest not exceeding
 21 6 1/2% a year may be used for single premium life insurance
 22 policies issued on or after July 1, 1981;

23 (b) for any category of ordinary insurance issued on
 24 female risks, adjusted premiums and present values may be
 25 calculated according to an age not more than 6 years younger

1 than the actual age of the insured;
 2 (c) in calculating the present value of any paid-up
 3 term insurance with accompanying pure endowment, if any,
 4 offered as a nonforfeiture benefit, the rates of mortality
 5 assumed may be not more than those shown in the
 6 commissioner's 1958 extended term insurance table;
 7 (d) for insurance issued on a substandard basis, the
 8 calculation of any such adjusted premiums and present values
 9 may be based on such other table of mortality as may be
 10 specified by the company and approved by the commissioner.

11 (2) After July 1, 1961, any insurer may file with the
 12 commissioner a written notice of its election to comply with
 13 the provisions of this section after a specified date before
 14 January 1, 1966. After the filing of such notice, then upon
 15 such specified date (which shall be the operative date of
 16 this section for such insurer), this section shall become
 17 operative with respect to the ordinary policies thereafter
 18 issued by such insurer. If an insurer makes no such
 19 election, the operative date of this section for such
 20 insurer shall be January 1, 1966."

21 Section 13. Effective date. This act is effective on
 22 passage and approval.

-End-

HOUSE BILL NO. 448

INTRODUCED BY NORDTVEDT, VINCENT, WALLIN

1 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE
2 ASSET, LIABILITY, RESERVE, INTEREST, DEPOSIT, AND INVESTMENT
3 REQUIREMENTS RELATING TO INSURANCE COMPANIES; AMENDING
4 SECTIONS 33-2-501, 33-2-502, 33-2-523, 33-2-531, 33-2-532,
5 33-2-611, 33-2-821, 33-2-822, 33-2-830, 33-2-832, 33-3-201,
6 33-3-431, AND 33-20-206, MCA; AND PROVIDING AN IMMEDIATE
7 EFFECTIVE DATE."

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

9 Section ~~iv~~--Section--33-2-501--MCA--is-amended-to-read:
10 "33-2-501--Assets--allowed--in--any--determination--of
11 the--financial--condition--of--an--insurer--there--shall--be
12 allowed--as--assets--only--such--assets--as--are--owned--by--the
13 insurer--and--which--const--of:
14 ~~it~~--cash--in--the--possession--of--the--insurer--or--in
15 transit--under--its--control--and--including--the--true--balance--of
16 any--deposit--in--a--solvent--bank--or--trust--company;
17 ~~it~~--investments--securities--properties--and--loans
18 acquired--or--held--in--accordance--with--this--code--and--in
19 connection--therewith--the--following--items:
20 ~~it~~--interest--due--or--accrued--on--any--bond--or--evidence--of
21 indentedness--which--is--not--in--default--and--which--is--not--valued

1 on--a--basis--including--accrued--interest;
2 ~~it~~--declared--and--unpaid--dividends--on--stock--and--shares
3 unless--such--amount--has--otherwise--been--allowed--as--an--asset;
4 ~~it~~--interest--due--or--accrued--upon--a--collateral--loan--in
5 on--amount--not--to--exceed--~~t~~--year's--interest--thereon;
6 ~~it~~--interest--due--or--accrued--on--deposits--in--solvent
7 banks--and--trust--companies--and--interest--due--or--accrued--on
8 other--assets--if--such--interest--is--in--the--judgment--of--the
9 commissioner--a--collectable--asset;
10 ~~it~~--interest--due--or--accrued--on--a--mortgage--loan--in--an
11 amount--not--exceeding--in--any--event--the--amount--if--any--of--the
12 excess--of--the--value--of--the--property--less--delinquent--taxes
13 thereon--over--the--unpaid--principal--in--no--event--shall
14 interest--accrued--for--a--period--in--excess--of--18--months--be
15 allowed--as--an--asset;
16 ~~it~~--rent--due--or--accrued--on--real--property--if--such--rent
17 is--not--in--arrears--for--more--than--3--months--and--rent--more--than
18 3--months--in--arrears--if--the--payment--of--such--rent--be
19 adequately--secured--by--property--held--in--the--name--of--the
20 tenant--and--conveyed--to--the--insurer--as--collateral;
21 ~~it~~--the--unaccrued--portion--of--taxes--paid--prior--to--the
22 due--date--on--real--property;
23 ~~it~~--premium--notes--policy--loans--and--other--policy
24 assets--and--liens--on--policy--and--certificates--of--life
25 insurance--and--annuity--contracts--and--accrued--interest

1 thereon--in--an--amount--not--exceeding--the--legal--reserve--and
 2 other--policy--liabilities--carried--on--each--individual--policy;
 3 (f4)--the--net--amount--of--uncollected--and--deferred
 4 premiums--and--annuity--considerations--in--the--case--of--a--life
 5 insurer
 6 (f5)--premiums--in--the--course--of--collection--other--than
 7 for--life--insurance--not--more--than--3--months--past--due--less
 8 commissions--payable--thereon--the--foregoing--limitation--shall
 9 not--apply--to--premiums--payable--directly--or--indirectly--by--the
 10 United--States--government--or--by--any--of--its--instrumentalities;
 11 (f6)--installment--premiums--other--than--life--insurance
 12 premiums--to--the--extent--of--the--unearned--premium--reserve
 13 carried--on--the--policy--to--which--premiums--apply;
 14 (f7)--notes--and--like--written--obligations--not--past--due
 15 taken--for--premiums--other--than--life--insurance--premiums--on
 16 policies--permitted--to--be--issued--on--such--basis--to--the--extent
 17 of--the--unearned--premium--reserves--carried--thereon;
 18 (f8)--the--full--amount--of--reinsurance--recoverable--by--a
 19 ceding--insurer--from--a--solvent--reinsurer--and--which
 20 reinsurance--is--authorized--under--33--2--205t;
 21 (f9)--amounts--receivable--by--an--assuming--insurer
 22 representing--funds--withheld--by--a--solvent--ceding--insurer
 23 under--a--reinsurance--treaty;
 24 (f10)--deposits--or--equities--recoverable--from--underwriting
 25 associations--syndicates--and--reinsurance--funds--or--from--any

1 suspended--banking--institutions--to--the--extent--deemed--by--the
 2 commissioner--avaiable--for--the--payment--of--losses--and--claims
 3 and--at--values--to--be--determined--by--him;
 4 (f11)--electronic--data--processing--equipment--if--the--cost
 5 of--such--equipment--is--at--least--\$100,000--which--cost--shall--be
 6 amortized--in--full--over--a--period--of--not--to--exceed--10--calendar
 7 years--However--with--regard--to--life--insurers--such--equipment
 8 shall--be--allowed--as--an--asset--if--the--cost--of--such--equipment
 9 is--at--least--\$25,000--which--cost--shall--be--amortized--in--full
 10 over--a--period--of--not--to--exceed--5--calendar--years--and--the
 11 amount--of--such--asset--allowed--may--not--exceed--1%--of--the--total
 12 of--the--other--allowable--assets--of--the--insurer--machines
 13 constituting--a--data--processing--system--or--systems--office
 14 equipment--furniture--and--motor--vehicles--together--with--such
 15 other--property--machines--and--equipment--as--may--be--approved
 16 by--the--commissioner--purchased--before--or--after--[the
 17 effective--date--of--this--act]--for--use--in--connection--with--the
 18 transaction--of--the--business--of--an--insurance--company--to--the
 19 extent--that--the--value--of--all--such--property--depreciated--over
 20 its--useful--life--not--exceeding--10--years--in--accordance--with
 21 standard--accounting--procedures--constitutes--not--more--than--1%
 22 of--its--admitted--assets]
 23 (f12)--all--assets--whether--or--not--consistent--with--the
 24 provisions--of--this--section--as--may--be--allowed--pursuant--to
 25 the--annual--statement--form--approved--by--the--commissioner--for

1 the kinds of insurance to be reported upon thereint
 2 ~~if~~ other assets not inconsistent with the provisions
 3 of this section, deemed by the commissioner to be available
 4 for the payment of losses and claims at values to be
 5 determined by him."

6 Section 1. Section 33-2-502, MCA, is amended to read:
 7 "33-2-502. Assets expressly not allowed. In addition
 8 to assets impliedly excluded by the provisions of 33-2-501,
 9 the following expressly shall not be allowed as assets in
 10 any determination of the financial condition of an insurer:

11 (1) goodwill, trade names, and other like intangible
 12 assets of such insurer;

13 (2) advances to officers (other than policy loans),
 14 whether secured or not, and advances to employees, agents,
 15 and other persons on personal security only;

16 (3) stock of such insurer, owned by it, or any equity
 17 therein or loans secured thereby or any proportionate
 18 interest in such stock acquired or held through the
 19 ownership by such insurer of an interest in another firm,
 20 corporation, or business unit;

21 (4) furniture, fixtures (other than electronic data
 22 processing machines authorized under 33-2-501(11)),
 23 furnishings, safes, vehicles, libraries, stationery,
 24 literature, and supplies to ~~other than as authorized under~~
 25 ~~33-2-501(11)~~, except:

1 (a) in the case of title insurers, such materials and
 2 plants as the insurer is expressly authorized to invest in
 3 under 33-2-851; and

4 (b) in the case of any insurer, such personal property
 5 as the insurer is permitted to hold pursuant to part 8 of
 6 this chapter or which is acquired through foreclosure of
 7 chattel mortgages acquired pursuant to 33-2-831 or which is
 8 reasonably necessary for the maintenance and operation of
 9 real estate lawfully acquired and held by the insurer other
 10 than real estate used by it for home office, branch office,
 11 and similar purposes;

12 (5) the amount, if any, by which the aggregate book
 13 value of investments as carried in the ledger assets of the
 14 insurer exceeds the aggregate value thereof as determined
 15 under this code."

16 Section 2. Section 33-2-523, MCA, is amended to read:
 17 "33-2-523. Contracts on or after the operative date of
 18 33-20-213 -- valuation. (1) This section shall apply to only
 19 those policies and contracts issued on or after the
 20 operative date of 33-20-213, except as otherwise provided in
 21 33-2-524 for group annuity and pure endowment contracts
 22 issued prior to that date.

23 (2) Except as otherwise provided in 33-2-524, the
 24 minimum standard for the valuation of all such policies and
 25 contracts shall be the commissioner's reserve valuation

1 methods defined in 33-2-525 and 32-2-526(3), 5% interest for
 2 group annuity and pure endowment contracts and 3 1/2%
 3 interest for all other such policies and contracts or in the
 4 case of policies and contracts, other than annuity and pure
 5 endowment contracts, issued on or after March 17, 1973, 4%
 6 interest for such policies issued prior to July 1, 1979, and
 7 4 1/2% interest for such policies issued on or after July 1,
 8 and 5 1/2% interest for single premium life insurance
 9 policies issued on or after July 1, 1981, and the following
 10 tables:

11 (a) for all ordinary policies of life insurance issued
 12 on the standard basis, excluding any disability and
 13 accidental death benefits in such policies, the
 14 commissioner's 1941 standard ordinary mortality table for
 15 such policies issued prior to the operative date of
 16 33-20-206, as amended, and the commissioner's 1958 standard
 17 ordinary mortality table for such policies issued on or
 18 after that operative date, except that for any category of
 19 such policies issued on female risks, modified net premiums
 20 and present values, referred to in 33-2-525 and 33-2-526,
 21 may be calculated, at the option of the insurer with the
 22 approval of the commissioner, according to an age younger
 23 than the actual age of the insured;
 24 (b) for all industrial life insurance policies issued
 25 on the standard basis, excluding any disability and

1 accidental death benefits in such policies, the 1941
 2 standard industrial mortality table for such policies issued
 3 prior to the operative date of 33-20-207, as amended, and
 4 the commissioner's 1961 standard industrial mortality table
 5 for such policies issued on or after that operative date;
 6 (c) for individual annuity and pure endowment
 7 contracts, excluding any disability and accidental death
 8 benefits in such policies, the 1937 standard annuity
 9 mortality table or, at the option of the insurer, the
 10 annuity mortality table for 1949, ultimate, or any
 11 modification of either of these tables approved by the
 12 commissioner;
 13 (d) for group annuity and pure endowment contracts,
 14 excluding any disability and accidental death benefits in
 15 such policies, the group annuity mortality table for 1951,
 16 any modification of such table approved by the commissioner,
 17 or, at the option of the insurer, any of the tables or
 18 modifications of tables specified for individual annuity and
 19 pure endowment contracts;
 20 (e) (i) for total and permanent disability benefits in
 21 or supplementary to ordinary policies or contracts:
 22 (A) for policies or contracts issued on or after
 23 January 1, 1966, the tables of period 2 disablement rates
 24 and the 1930 to 1950 termination rates of the 1952
 25 disability study of the society of actuaries, with due

1 regard to the type of benefit;

2 (B) for policies or contracts issued on or after
 3 January 1, 1961, and prior to January 1, 1966, either such
 4 tables or, at the option of the insurer, the class 3
 5 disability table (1926); and

6 (C) for policies issued prior to January 1, 1961, the
 7 class 3 disability table (1926);

8 (ii) any such table shall, for active lives, be
 9 combined with a mortality table permitted for calculating
 10 the reserves for life insurance policies;

11 (f) (i) for accidental death benefits in or
 12 supplementary to policies:

13 (A) for policies issued on or after January 1, 1966,
 14 the 1959 accidental death benefits table;

15 (B) for policies issued on or after January 1, 1961,
 16 and prior to January 1, 1966, either such table or, at the
 17 option of the insurer, the intercompany double indemnity
 18 mortality table; and

19 (C) for policies issued prior to January 1, 1961, the
 20 intercompany double indemnity mortality table;

21 (ii) either table shall be combined with a mortality
 22 table permitted for calculating the reserves for life
 23 insurance policies;

24 (g) for group life insurance, life insurance issued on
 25 the substandard basis and other special benefits, such

1 tables as may be approved by the commissioner."

2 Section 3. Section 33-2-531, MCA, is amended to read:
 3 "33-2-531. Deposit of reserves -- domestic life
 4 insurers. (1) Domestic life insurers shall deposit and
 5 maintain on deposit, in securities and assets, with
 6 depositaries and subject to conditions as provided for in
 7 part 6 of this chapter, an amount not less than the reserves
 8 on its outstanding life insurance policies and annuity
 9 contracts, as valued under 33-2-521 through 33-2-526.

10 (2) Annually on or before April 1, the insurer shall
 11 so deposit any additional such securities required under
 12 subsection (1) and related to the increase of such reserves
 13 during the calendar year next preceding, as determined from
 14 the insurer's annual statement as at December 31 of such
 15 preceding year.

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

20 (4) Deposits of the reserves of a domestic life
 21 insurer under this section shall consist of securities and
 22 assets acquired and valued in accordance with part parts 5
 23 and 8 of this chapter--except--that--securities--acquired--under
 24 33-2-829--are--not--eligible--for--deposit.

25 (5) Real estate mortgage loans, chattel mortgage

1 loans, and policy loans may be made a part of the deposit by
 2 filing a verified statement of the loans with the
 3 commissioner, which statement shall be subject to audit at
 4 all times by the commissioner. Nonnegotiable securities
 5 where deposited with the commissioner shall be accompanied
 6 by transfer powers in due form. If the insurer uses real
 7 estate acquired under 33-2-832 as a deposit, then a deed of
 8 trust, mortgage, or other instrument sufficient to convey a
 9 security interest in such real estate, in a form acceptable
 10 to the commissioner, shall be completed in due form and
 11 recorded prior to being deposited with the commissioner.

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

17 Section 4. Section 33-2-532, MCA, is amended to read:
 18 "33-2-532. Valuation of bonds debt securities. (1) (a)
 19 All bonds or other evidences of debt having a fixed term and
 20 rate of interest held by an insurer may, if amply secured to
the extent required by this code and not in default as to
the payment of principal or interest, be valued as follows:
 21 (i) if purchased at par or at an amount equal to the
remaining unpaid principal balance, at the par value or the
remaining unpaid principal balance, together with accrued

1 interest;
 2 (ii) if purchased above or below par, on the basis of
 3 the purchase price adjusted so as to bring the value to par
 4 at maturity and so as to yield in the meantime the effective
 5 rate of interest at which the purchase was made, or in lieu
 6 of such method, according to such accepted method of
 7 valuation as is approved by the commissioner.

8 (b) Purchase If purchased, the purchase price shall in
 9 no case be taken at a higher figure than the actual market
 10 value at the time of purchase, plus actual brokerage,
 11 transfer, postage, or express charges paid in the
 12 acquisition of such securities.

13 (c) Unless otherwise provided by valuation established
 14 or approved by the commissioner, no such security shall be
 15 carried at above the call price for the entire issue during
 16 any period within which the security may be so called.

17 ~~fdi--No provision--of--this--subsection--prohibits--an~~
 18 ~~insurer--from--veturing--bonds--or--other--evidences--of--debt~~
acquired--in--a--bond--fide--exchange--or--pursuant--to--the
provisions--of--33-2-803f3j--at--the--values--established--by--the
terms--of--the--transaction--Assets--acquired--in--any--t--year--by
exchange--and--valued--in--accordance--with--the--provisions--of
this--subsection--fdi--may--not--exceed--2%--of--the--insurer's
total--admitted--assets--at--the--end--of--such--year--except--with
the--consent--of--the--commissioner--Any--value--so--established

1 for any such debt security being acquired by the insurer may
 2 not exceed the greater of the market value--call price--par
 3 value--or--remaining unpaid principal balance--together with
 4 accrued interest--in addition the value of--the--asset--or
 5 assets--being--acquired--by--the--insurer--in--an--exchange
 6 agreement--may--not--exceed--the--cost--of--the--asset--or--assets
 7 given--by--the--insurer--in--the--exchange--adjusted--appropriately
 8 for--accrual--of--discount--or--amortization--of--premiums--in
 9 excess--of--par--regarding--bonds--and--for--payments--received--in
 10 reduction--of--principal--regarding--mortgage--loans--or--similar
 11 installment--obligations.

12 (2) The commissioner shall have full discretion in
 13 determining the method of calculating values according to
 14 the rules set forth in this section."

15 Section 5. Section 33-2-611, MCA, is amended to read:
 16 "33-2-611. Deficiency of deposit -- revocation of
 17 certificate. If for any reason Except as to the deposit of
 18 reserves of domestic life insurers pursuant to 33-2-531, if
 19 the market value of assets and securities of an insurer held
 20 on deposit in this state or in another state under custodial
 21 arrangements authorized by 33-2-604(3) falls below the
 22 amount required under this code to be so held, the insurer
 23 shall promptly deposit other or additional assets or
 24 securities eligible for deposit under this part and in
 25 amount sufficient to cure such deficiency. If the insurer

1 has failed to cure the deficiency within 20 30 days after
 2 receipt of notice thereof by registered or certified mail
 3 from the commissioner, the commissioner shall in his
 4 discretion, forthwith revoke suspend the insurer's
 5 certificate of authority until the deficiency is cured, and
 6 may revoke the certificate of authority, after a hearing
 7 thereon pursuant to 33-2-119(1), if the deficiency is not
 8 cured within 1 year."

9 Section 6. Section 33-2-821, MCA, is amended to read:
 10 "33-2-821. Insurance stocks. (1) An insurer may invest
 11 in the stocks of other solvent insurers formed under the
 12 laws of this or another state, which stocks meet the
 13 applicable requirements of 33-2-819 and 33-2-820.

14 (2) With the commissioner's consent, an insurer may
 15 acquire and hold the controlling interest in the outstanding
 16 voting stock of another stock insurer formed under the laws
 17 of this or another state. All stocks under this subsection
 18 shall be subject to the limitation as to amount as provided
 19 in 33-2-822."

20 Section 7. Section 33-2-822, MCA, is amended to read:
 21 "33-2-822. Stocks of subsidiaries. With the
 22 commissioner's consent, an insurer may invest in the stock
 23 of its subsidiary insurance corporation or in the stock of
 24 one or more of its subsidiary business corporation formed
 25 under the laws of this state and corporations necessary and

1 or incidental to the convenient operation of the insurer's
 2 insurance business or to the administration of any of its
 3 investments. All of the insurer's investments under this
 4 section shall not at any time exceed 10% of the investing
 5 insurer's assets. For the purposes of this section, a
 6 "subsidiary" is a corporation of which the insurer owns a
 7 majority of the outstanding shares of all voting stock."

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

1 shall prohibit any investment by reason of the existence of
 2 any prior lien for ground rents, taxes, assessments, or
 3 other similar charges not yet delinquent. This section shall
 4 not be deemed to prohibit investment in mortgages or similar
 5 obligations when made under 33-2-828.

6 (2) "Improved real estate" means all farm lands used
 7 for tillage, crop, pasture, or timberlands and all real
 8 estate on which permanent improvements suitable for
 9 residential, institutional, commercial, or industrial use
 10 are situated.

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

15 (i) 80% of the value of the real property or leasehold
 16 securing the same, provided, however, if said real property
 17 or leasehold consists of one- or two-family residential
 18 property, 90% of said value;

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

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

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

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

8 (5) No such mortgage loan made or acquired by an
 9 insurer which is a participation or a part of a series or
 10 issue secured by the same mortgage or deed of trust shall be
 11 a lawful investment under this section unless the entire
 12 series or issue which is secured by the same mortgage or
 13 deed of trust is held by such insurer or unless the insurer
 14 holds a senior participation in such mortgage or deed of
 15 trust giving it substantially the rights of a first
 16 mortgagee.

17 (6) No mortgage loan upon a leasehold shall be made
 18 or acquired pursuant to this section unless the terms
 19 thereof shall provide for amortization payments to be made
 20 by the borrower on the principal thereof at least once in
 21 each year in amounts sufficient completely to amortize the
 22 loan within a period of four-fifths of the term of the
 23 leasehold, inclusive of the term which may be provided by an
 24 enforceable option of renewal, which is unexpired at the
 25 time the loan is made, but in no event exceeding 35 years.

1 (6) An insurer may invest in a note secured by a new
 2 first mortgage, deed of trust or trust indenture upon
 3 improved real property when the real property secures an
 4 existing first mortgage, deed of trust, or trust indenture
 5 on which the remaining principal balance due and owing is
 6 less than 40% of the current appraised value. The regular
 7 periodic payment on the new note shall be in a frequency and
 8 of a sufficient amount that will, upon payment of each
 9 installment, pay the original obligation pursuant to its
 10 terms and amortize the new note with its terms."

11 Section 9. Section 33-2-832, MCA, is amended to read:
 12 "33-2-832. Real estate. An insurer may invest in real
 13 estate only if used for the purposes or acquired in the
 14 manners and within the limits as follows:

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

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

24 (3) real estate acquired in part payment of the
 25 consideration on the sale of other real estate owned by it

1 if such transaction does not increase the insurer's
 2 investment in real estate;

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

6 (5) the seller's interest in real property subject to
 7 an agreement of purchase or sale. The sum invested in any
 8 such parcel of real estate shall not exceed 90% of the
 9 market value of such parcel provided the same consists of
 10 one- or two-family residential property and 80% of the
 11 market value of all other such parcels of real estate.

12 (6) real estate or any interest therein acquired or
 13 held by purchase, lease, or otherwise, other than real
 14 estate to be used primarily for agricultural, ranch, mining,
 15 development--or--oil--or--mineral--resources, recreational,
 16 amusement, or club purposes, acquired as an investment for
 17 the production of income or acquired to be improved or
 18 developed for such investment purposes pursuant to an
 19 existing program therefor. The insurer may hold, improve,
 20 develop, maintain, manage, lease, sell, and convey real
 21 estate acquired by it under this provision. An insurer
 22 shall not, except with the commissioner's consent, have at
 23 any one time invested in real estate under this subsection
 24 an amount exceeding 5% ~~15%~~ 10% of its assets.

25 (7) additional real estate and equipment incident to

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

10 (8) except with the commissioner's consent, all real
 11 estate owned by the insurer under this section, except for
 12 real estate acquired according to subsection (2) and except
 13 as to seller's interest specified in subsection (5), shall
 14 not at any one time exceed ~~10% 25% 15%~~ of the insurer's
 15 assets."

16 SECTION 10. SECTION 33-3-201, MCA, IS AMENDED TO READ:
 17 "33-3-201. Incorporation. (1) This section applies to
 18 stock and mutual insurers hereafter incorporated in this
 19 state.

20 (2) Five or more individuals, none of whom are less
 21 than 18 years of age, may incorporate a stock insurer. Ten
 22 or more of such individuals may incorporate a mutual
 23 insurer. At least a majority of the incorporators shall be
 24 citizens of the United States. At least a majority of the
 25 incorporators shall be residents of this state.

1 (3) The incorporators shall execute articles of
 2 incorporation in quadruplicate and acknowledge their
 3 execution thereof in the same manner as provided by law for
 4 the acknowledgment of deeds. The articles of incorporation
 5 shall state the purpose for which the corporation is formed
 6 and shall show:

7 (a) the name of the corporation. If a mutual, the word
 8 "mutual" must be a part of the name. An alternative name or
 9 names may be specified for use in jurisdictions wherein
 10 conflict of name with that of another insurer or
 11 organization might otherwise prevent the corporation from
 12 being authorized to transact insurance therein.

13 (b) the duration of its existence, which may be
 14 perpetual;

15 (c) the kinds of insurance, as defined in this code,
 16 which the corporation is formed to transact;

17 (d) if a stock corporation, its authorized capital
 18 stock~~s~~ and the number of shares of common stock into which
 19 divided~~s~~. These shares shall be issued as provided in
 20 35-1-601, except that the par value of any class shall not
 21 be less than \$1; the par value of each such share which par
 22 value shall be at least \$1--Shares--without--par--value--or
 23 other--than--one--class--of--voting--common--stock--shall--not--be
 24 authorized--The--articles--of--incorporation--may--limit--or--deny
 25 present--or--future--stockholders--preemptive--or--preferential

1 rights-to-require-additional-issues-of-the-stock,-or--bonds,-
 2 debentures,--or--other-obligations-convertible-into-stock,-of
 3 the-corporation,-subject-to-the-laws-of-Montana--fixing--the
 4 required--representation--and--proportion--of--outstanding
 5 capital-stock-required-to--be--represented--and--voted--for
 6 specified--actions,--at--any--and--all--corporate--meetings,-
 7 elections,-votes,-or--consent-proceedings,

8 (e) if a stock corporation, the extent, if any, to
 9 which shares of its stock are subject to assessment;

10 (f) if a stock corporation, the number of shares
 11 subscribed, if any, by each incorporator;

12 (g) if a mutual corporation, the maximum contingent
 13 liability of its members, other than as to nonassessable
 14 policies, for payment of losses and expenses incurred. Such
 15 liability shall be stated in the articles of incorporation
 16 but shall not be less than one or more than six times the
 17 premium for the member's policy at the annual premium rate
 18 for a term of 1 year.

19 (h) the minimum, not less than 5, and the maximum, not
 20 more than 21, number of directors who shall constitute the
 21 board of directors and conduct the affairs of the
 22 corporation; also, the names, addresses, and terms of the
 23 members of the initial board of directors. The term of
 24 office of initial directors shall be for not more than 1
 25 year after the date of incorporation.

1 (i) the name of the county, and the city, town, or
 2 place within the county, in which its principal office or
 3 principal place of business is to be located in this state;

4 (j) such other provisions, not inconsistent with law,
 5 deemed appropriate by the incorporators;

6 (k) the name and residence address of each
 7 incorporator and the citizenship of each incorporator who is
 8 not a citizen of the United States."

9 Section 11. Section 33-3-431, MCA, is amended to read:

10 "33-3-431. Borrowed surplus. (1) A domestic stock or
 11 mutual insurer may borrow money to defray the expenses of
 12 its organization, provide it with surplus funds, or for any
 13 purpose of its business, upon a written agreement that such
 14 money is required to be repaid only out of the insurer's
 15 surplus in excess of that stipulated in such agreement. The
 16 agreement may provide for interest not exceeding 6%--per
 17 annum the amount provided in 31-1-107, which interest shall
 18 or shall not constitute a liability of the insurer as to its
 19 funds other than such excess of surplus, as stipulated in
 20 the agreement. No commission or promotion expense shall be
 21 paid in connection with any such loan.

22 (2) Money so borrowed, together with the interest
 23 thereon if so stipulated in the agreement, shall not form a
 24 part of the insurer's legal liabilities except as to its
 25 surplus in excess of the amount thereof stipulated in the

1 agreement or be the basis of any setoff; but until repaid,
 2 financial statements filed or published by the insurer shall
 3 show as a footnote thereto the amount thereof then unpaid
 4 together with any interest thereon accrued but unpaid.

5 (3) Any such loan to a mutual insurer shall be subject
 6 to the commissioner's approval. The insurer shall, in
 7 advance of the loan, file with the commissioner a statement
 8 of the purpose of the loan and a copy of the proposed loan
 9 agreement. The loan and agreement shall be deemed approved
 10 unless within 15 days after date of such filing the insurer
 11 is notified of the commissioner's disapproval and the
 12 reasons therefor. The commissioner shall disapprove any
 13 proposed loan or agreement if he finds the loan is
 14 unnecessary or excessive for the purpose intended or that
 15 the terms of the loan agreement are not fair and equitable
 16 to the parties, and to other similar tenders, if any, to the
 17 insurer, or that the information so filed by the insurer is
 18 inadequate.

19 (4) Any such loan to a mutual insurer or substantial
 20 portion thereof shall be repaid by the insurer when no
 21 longer reasonably necessary for the purpose originally
 22 intended. No repayment of such loan shall be made by a
 23 mutual insurer unless in advance approved by the
 24 commissioner.

25 (5) This section shall not apply to loans obtained by

1 the insurer in ordinary course of business from banks and
 2 other financial institutions or to loans secured by pledge
 3 or mortgage of assets."

4 Section 12. Section 33-20-206, MCA, is amended to
 5 read:

6 "33-20-206. Mortality tables -- policies issued after
 7 operative date. (1) In the case of ordinary policies issued
 8 on or after the operative date of this section as defined
 9 herein, all adjusted premiums and present values referred to
 10 in this part shall be calculated on the basis of the
 11 commissioner's 1958 standard ordinary mortality table and
 12 the rate of interest specified in the policy for calculating
 13 cash surrender values and paid-up nonforfeiture benefits,
 14 provided that:

15 (a) such rate of interest shall not exceed 3 1/2% per
 16 annum, except that a rate of interest not exceeding 4% per
 17 annum may be used for policies issued on or after March 17,
 18 1973, and prior to July 1, 1979, and a rate of interest not
 19 exceeding 5 1/2% a year may be used for policies issued on
 20 or after July 1, 1979, and a rate of interest not exceeding
 21 6 1/2% a year may be used for single premium life insurance
 22 policies issued on or after July 1, 1981;

23 (b) for any category of ordinary insurance issued on
 24 female risks, adjusted premiums and present values may be
 25 calculated according to an age not more than 6 years younger

1 than the actual age of the insured;
 2 (c) in calculating the present value of any paid-up
 3 term insurance with accompanying pure endowment, if any,
 4 offered as a nonforfeiture benefit, the rates of mortality
 5 assumed may be not more than those shown in the
 6 commissioner's 1958 extended term insurance table;
 7 (d) for insurance issued on a substandard basis, the
 8 calculation of any such adjusted premiums and present values
 9 may be based on such other table of mortality as may be
 10 specified by the company and approved by the commissioner.
 11 (2) After July 1, 1961, any insurer may file with the
 12 commissioner a written notice of its election to comply with
 13 the provisions of this section after a specified date before
 14 January 1, 1966. After the filing of such notice, then upon
 15 such specified date (which shall be the operative date of
 16 this section for such insurer), this section shall become
 17 operative with respect to the ordinary policies thereafter
 18 issued by such insurer. If an insurer makes no such
 19 election, the operative date of this section for such
 20 insurer shall be January 1, 1966."

21 Section 13. Effective date. This act is effective on
 22 passage and approval.

-End-

HOUSE BILL NO. 448

INTRODUCED BY NORDTVEDT, VINCENT, WALLIN

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE ASSET, LIABILITY, RESERVE, INTEREST, DEPOSIT, AND INVESTMENT REQUIREMENTS RELATING TO INSURANCE COMPANIES; AMENDING SECTIONS 33-2-501,--33-2-502,--33-2-523, SECTION 33-2-531, 33-2-532,--33-2-611, 33-2-821, 33-2-822, 33-2-830, 33-2-832, 33-3-201,--33-3-431, AND 33-20-286, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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

#33-2-501. Assets allowed--in--any--determination--of the--financial--condition--of--an--insurer--there--shall--be allowed--as--assets--only--such--assets--as--are--owned--by--the insurer--and--which--consist--of:

(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;

(h) premium--notes--policy--loans--and--other--policy assets--and--liens--on--policies--and--certificates--of--life insurance--and--annuity--contracts--and--accrued--interest.

1 thereon--in--an--amount--not--exceeding--the--total--reserve--and
 2 other--policy--liabilities--carried--on--each--individual--policy
 3 (f4)--the--net--amount--of--uncollected--and--deferred
 4 premiums--and--annuity--considerations--in--the--case--of--a--life
 5 insurer
 6 (f5)--premiums--in--the--course--of--collection--other--than
 7 for--life--insurance--not--more--than--3--months--past--due--less
 8 commissions--payable--thereon--the--foregoing--limitation--shall
 9 not--apply--to--premiums--payable--directly--or--indirectly--by--the
 10 United--States--government--or--by--any--of--its--instrumentalities
 11 (f6)--installment--premiums--other--than--life--insurance
 12 premiums--to--the--extent--of--the--unearned--premium--reserve
 13 carried--on--the--policy--to--which--premiums--apply
 14 (f7)--notes--and--like--written--obligations--not--past--due,
 15 taken--for--premiums--other--than--life--insurance--premiums--on
 16 policies--permitted--to--be--issued--on--such--basis--to--the--extent
 17 of--the--unearned--premium--reserves--carried--thereon
 18 (f8)--the--full--amount--of--reinsurance--recoverable--by--a
 19 ceding--insurer--from--a--solvent--reinsurer--and--which
 20 reinsurance--is--authorized--under--33--2--1205f
 21 (f9)--amounts--receivable--by--an--assuming--insurer
 22 representing--funds--withheld--by--a--solvent--ceding--insurer
 23 under--a--reinsurance--treaty
 24 (f10)--deposits--or--equities--recoverable--from--underwriting
 25 associations--syndicates--and--reinsurance--funds--or--from--any

1 suspended--banking--institutions--to--the--extent--deemed--by--the
 2 commissioner--available--for--the--payment--of--losses--and--claims
 3 and--at--values--to--be--determined--by--him
 4 (f11)--electronic--data--processing--equipment--if--the--cost
 5 of--such--equipment--is--at--least--\$100,000--which--cost--shall--be
 6 amortized--in--full--over--a--period--of--not--to--exceed--10--calendar
 7 years--However--with--regard--to--life--insurers--such--equipment
 8 shall--be--allowed--as--an--asset--if--the--cost--of--such--equipment
 9 is--at--least--\$25,000--which--cost--shall--be--amortized--in--full
 10 over--a--period--of--not--to--exceed--5--calendar--years--and--the
 11 amount--of--such--asset--allowed--may--not--exceed--1%--of--the--total
 12 of--the--other--allowable--assets--of--the--insurer-- machines
 13 constituting--a--data--processing--system--or--systems--or--office
 14 equipment--furniture--and--motor--vehicles--together--with--such
 15 other--property--machinery--and--equipment--as--may--be--approved
 16 by--the--commissioner--purchased--before--or--after--the
 17 effective--date--of--this--act--for--use--in--connection--with--the
 18 transaction--of--the--business--of--an--insurance--company--to--the
 19 extent--that--the--value--of--all--such--property--depreciated--over
 20 its--useful--life--not--exceeding--10--years--in--accordance--with
 21 standard--accounting--procedures--constitutes--not--more--than--1%
 22 of--its--admitted--assets
 23 (f12)--all--assets--whether--or--not--consistent--with--the
 24 provisions--of--this--section--as--may--be--allowed--pursuant--to
 25 the--annual--statement--form--approved--by--the--commissioner--for

1 the kinds of insurance to be reported upon thereint
 2 (f3) other assets, not inconsistent with the provisions
 3 of this section, deemed by the commissioner to be available
 4 for the payment of losses and claims, at values to be
 5 determined by him;"
 6 Section 2--Section 33-2-502, MCA, is amended to read:
 7 "33-2-502--Assets--expressly not allowed--In addition
 8 to assets implicitly excluded by the provisions of 33-2-501,
 9 the following--expressly--shall not be allowed as assets in
 10 any determination of the financial condition of an insurer:
 11 (f1) goodwill, trade names, and other like intangible
 12 assets of such insurer;
 13 (f2) advances to officers (other than policy loans),
 14 whether secured or not, and advances to employees, agents,
 15 and other persons on personal security only;
 16 (f3) stock of such insurer owned by it, or any equity
 17 therein, or loans secured thereby, or any proportionate
 18 interest in such stock acquired or held through the
 19 ownership by such insurer of an interest in another firm,
 20 corporation, or business unit;
 21 (f4) furniture, fixtures, other than electronic data
 22 processing, machines, authorized under 33-2-502(f1);
 23 furnishings, safes, vehicles, libraries, stationery,
 24 literature, and supplies, other than as authorized under
 25 33-2-502(f1); except:

1 (f5) in the case of title insurers, such materials and
 2 plants as the insurer is expressly authorized to invest in
 3 under 33-2-851; and
 4 (f6) in the case of any insurer, such personal property
 5 as the insurer is permitted to hold pursuant to part 8 of
 6 this chapter or which is acquired through foreclosure of
 7 chattel mortgages acquired pursuant to 33-2-831 or which is
 8 reasonably necessary for the maintenance and operation of
 9 real estate lawfully acquired and held by the insurer other
 10 than real estate used by it for home office, branch office,
 11 and similar purposes;
 12 (f5) the amount, if any, by which the aggregate book
 13 value of investments as carried in the ledger assets of the
 14 insurer exceeds the aggregate value thereof as determined
 15 under this code;"
 16 Section 2--Section 33-2-523, MCA, is amended to read:
 17 "33-2-523--Contracts on or after the operative date of
 18 33-20-213--valuation--(f1) This section shall apply to
 19 only those policies and contracts issued on or after the
 20 operative date of 33-20-213, except as otherwise provided in
 21 33-2-524 for group annuity and pure endowment contracts
 22 issued prior to that date;
 23 (f2) Except as otherwise provided in 33-2-524, the
 24 minimum standard for the valuation of all such policies and
 25 contracts shall be the commissioner's reserve valuation

1 methods-defined-in-33-2-525-and-32-2-526{3}v-5% interest-for
 2 group--annuity--and--pure--endowment--contracts--and--3-1/2%
 3 interest-for-all-other-such-policies-and-contracts-or-in-the
 4 case--of-policies-and-contracts--other-than-annuity-and-pure
 5 endowment-contracts--issued-on-or-after-March-17v--1973v--4%
 6 interest-for-such-policies-issued-prior-to-July-1v--1979v-and
 7 4-1/2% interest-for-such-policies-issued-on-or-after-July-1v--
 8 +1979v--and-5-1/2% interest-for-single-premium-life-insurance
 9 policies-issued-on-or-after-July-1v--1981v-and-the--following
 10 tables:
 11 {a)--for-all-ordinary-policies-of-life-insurance-issued
 12 on---the---standard---basisv---excluding--any--disability--and
 13 accidental--death--benefits---in---such---policiesv---the
 14 commissioner's--1941--standard--ordinary-mortality-table-for
 15 such--policies--issued--prior--to--the--operative--date--of
 16 33-20-206v--as--amendedv--and--the--commissioner's--1958--standard
 17 ordinary-mortality-table-for--such--policies--issued--on--or
 18 after--that--operative--datev--except--that--for--any--category--of
 19 such--policies--issued--on--female--risksv--modified--net--premiums
 20 and--present--valuesv--referred--to--in--33-2-525-and-33-2-526v
 21 may--be--calculatedv--at--the--option--of--the--insurer--with--the
 22 approval--of--the--commissioner--according--to--an--age--younger
 23 than--the--actual--age--of--the--insured
 24 {b)--for-all-industrial-life-insurance-policies--issued
 25 on---the---standard---basisv---excluding--any--disability--and

1 accidental--death--benefits--in--such--policiesv--the--1941
 2 standard-industrial-mortality-table-for--such--policies-issued
 3 prior--to--the--operative--date--of--33-20-207v--as--amendedv--and
 4 the--commissioner's--1961--standard--industrial--mortality--table
 5 for--such--policies-issued-on--or--after--that--operative--datev
 6 {c)--for--individual--annuity--and--pure--endowment
 7 contractsv--excluding--any--disability--and--accidental--death
 8 benefits---in--such--policiesv--the--1937--standard--annuity
 9 mortality-table-orv--at--the--option--of--the--insurer--the
 10 annuity--mortality--table--for--1949v--ultimatev--or--any
 11 modification--of--either--of--these--tables--approved--by--the
 12 commissioner
 13 {d)--for--group--annuity--and--pure--endowment--contractsv
 14 excluding--any--disability--and--accidental--death--benefits--in
 15 such--policiesv--the--group--annuity--mortality--table--for--1951v
 16 any--modification--of--such--table--approved--by--the--commissioner
 17 orv--at--the--option--of--the--insurer--any--of--the--tables--or
 18 modifications--of--tables--specified--for--individual--annuity--and
 19 pure--endowment--contracts
 20 {e)--{f)--for--total--and--permanent--disability--benefits--in
 21 or--supplementary--to--ordinary--policies--or--contracts
 22 {g)--for--policies--or--contracts--issued--on--or--after
 23 January-1v--1966v--the--tables--of--period--2--disability--rates
 24 and--the--1930--to--1950--termination--rates--of--the--1952
 25 disability--study--of--the--society--of--actuariesv--with--due

1 regard-to-the-type-of-benefit

2 {B}--for--policies--or--contracts--issued--on--or--after
 3 january-1-1961--and--prior-to-january-1-1966--either--such
 4 tables--or--at--the--option--of--the--insurer--the-class-3
 5 disability-table-{1926}--and

6 {E}--for--policies--issued--prior--to--january-1-1961--the
 7 class-3-disability-table-{1926};

8 {F}--any--such--table--shall--for--active--lives--be
 9 combined--with--a--mortality-table--permitted--for--calculating
 10 the--reserves--for--life--insurance--policies

11 {F}--{F}--for--accidental--death--benefits--in--or
 12 supplementary--to--policies

13 {A}--for--policies--issued--on--or--after--january-1-1966
 14 the-1959--accidental--death--benefits-table

15 {B}--for--policies--issued--on--or--after--january-1-1961
 16 and--prior--to--january-1-1966--either--such--table--or--at--the
 17 option--of--the--insurer--the--intercompany-double--indemnity
 18 mortality-table--and

19 {E}--for--policies--issued--prior--to--january-1-1961--the
 20 intercompany-double--indemnity--mortality-table

21 {F}--either--table--shall--be--combined--with--a--mortality
 22 table--permitted--for--calculating--the--reserves--for--life
 23 insurance--policies

24 {G}--for--group--life--insurance--life--insurance--issued--on
 25 the--substandard--basis--and--other--special--benefits--such

1 tables-as-may-be-approved-by-the-commissioner"

2 Section 1. Section 33-2-531, MCA, is amended to read:
 3 "33-2-531. Deposit of reserves -- domestic life
 4 insurers. (1) Domestic life insurers shall deposit and
 5 maintain on deposit, in securities and assets, with
 6 depositaries and subject to conditions as provided for in
 7 part 6 of this chapter, an amount not less than the reserves
 8 on its outstanding life insurance policies and annuity
 9 contracts, as valued under 33-2-521 through 33-2-526.

10 (2) Annually on or before April 1, the insurer shall
 11 so deposit any additional such securities required under
 12 subsection (1) and related to the increase of such reserves
 13 during the calendar year next preceding, as determined from
 14 the insurer's annual statement as at December 31 of such
 15 preceding year.

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

20 (4) Deposits of the reserves of a domestic life
 21 insurer under this section shall consist of securities and
 22 assets acquired and valued in accordance with parts 5
 23 and 8 of this chapter--except--that--securities--acquired--under
 24 33-2-829--are--not--eligible--for--deposit.

25 (5) Real estate mortgage loans, chattel mortgage

1 loans, and policy loans may be made a part of the deposit by
 2 filing a verified statement of the loans with the
 3 commissioner, which statement shall be subject to audit at
 4 all times by the commissioner. Nonnegotiable securities
 5 where deposited with the commissioner shall be accompanied
 6 by transfer powers in due form. If the insurer uses real
 7 estate acquired under 33-2-832 as a deposit, then a deed of
 8 trust, mortgage, or other instrument sufficient to convey a
 9 security interest in such real estate, in a form acceptable
 10 to the commissioner, shall be completed in due form and
 11 recorded prior to being deposited with the commissioner.

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

17 Section 4--Section--33-2-532,--MEA--is-amended-to-read--
 18 "33-2-532--Valuation---of---bonds---debt---securities--
 19 ~~if--for--all--bonds--or--other--evidences--of--debt--having--a--fixed~~
 20 ~~term--and--rate--of--interest--held--by--an--insurer--may--if--empty~~
 21 ~~secured--to--the--extent--required--by--this--code--and--not--in~~
 22 ~~default--as--to--the--payment--of--principal--or--interest--be~~
 23 ~~valued--as--follows--~~

24 ~~(i)--if--purchased--at--par--or--at--an--amount--equal--to--the~~
 25 ~~remaining--unpaid--principal--balance--at--the--par--value--or--the~~

1 remaining--unpaid--principal--balance--together--with--accrued
 2 interest
 3 ~~(ii)--if--purchased--above--or--below--par--on--the--basis--of~~
 4 ~~the--purchase--price--adjusted--so--as--to--bring--the--value--to--par~~
 5 ~~at--maturity--and--so--as--to--yield--in--the--meantime--the--effective~~
 6 ~~rate--of--interest--at--which--the--purchase--was--made--or--in--the~~
 7 ~~of--such--method--according--to--such--accepted--method--of~~
 8 ~~valuation--as--is--approved--by--the--commissioner--~~
 9 ~~(b)--Purchase--if--purchased--the--purchase--price--shall--in~~
 10 ~~no--case--be--taken--at--a--higher--figure--than--the--actual--market~~
 11 ~~value--at--the--time--of--purchase--plus--actual--brokerage--~~
 12 ~~transfer--postage--or--express--charges--paid--in--the~~
 13 ~~acquisition--of--such--securities--~~
 14 ~~(c)--Unless--otherwise--provided--by--valuation--established~~
 15 ~~or--approved--by--the--commissioner--no--such--security--shall--be~~
 16 ~~carried--at--above--the--last--price--for--the--entire--issue--during~~
 17 ~~any--period--within--which--the--security--may--be--so--carried--~~
 18 ~~(d)--No--provision--of--this--subsection--prohibits--an~~
 19 ~~insurer--from--valuing--bonds--or--other--evidences--of--debt~~
 20 ~~acquired--in--a--bona--fide--exchange--or--pursuant--to--the~~
 21 ~~provisions--of--33-2-803(3)--at--the--values--established--by--the~~
 22 ~~terms--of--the--transactions--Assets--acquired--in--any--1--year--by~~
 23 ~~exchange--and--valued--in--accordance--with--the--provisions--of~~
 24 ~~this--subsection--(d)--may--not--exceed--2%--of--the--insurer's~~
 25 ~~total--admitted--assets--at--the--end--of--such--year--except--with~~

1 the consent of the commissioner. Any value so established
 2 for any such debt security being acquired by the insurer may
 3 not exceed the greater of the market value, call price, or
 4 value, or remaining unpaid principal balance, together with
 5 accrued interest, in addition the value of the asset or
 6 assets being acquired by the insurer in an exchange
 7 agreement may not exceed the cost of the asset or assets
 8 given by the insurer in the exchange, adjusted appropriately
 9 for accrual of discount or amortization of premiums in
 10 excess of par regarding bonds and for payments received in
 11 reduction of principal regarding mortgage loans or similar
 12 installment obligations.

13 (2) The commissioner shall have full discretion in
 14 determining the method of calculating values according to
 15 the rules set forth in this section."

16 Section 5. Section 33-2-611v-MCA is amended to read:
 17 "33-2-611v--Deficiency--of--deposit-----revocation--of
 18 certificate--if--for--any--reason--Except as to the deposit of
 19 reserves of domestic life insurers pursuant to 33-2-532v--if
 20 the market value of assets and securities of an insurer held
 21 on deposit in this state or in another state under custodial
 22 arrangements authorized by 33-2-604(3)--falls--below--the
 23 amount required under this code to be so held, the insurer
 24 shall--promptly--deposit--other--or--additional--assets--or
 25 securities--eligible--for--deposit--under--this--part--and--in

1 amount sufficient to cure such deficiency--if--the--insurer
 2 has failed to cure the deficiency within 20 30 days after
 3 receipt of notice thereof by registered or certified mail
 4 from the--commissioner--the--commissioner shall may in his
 5 discretion--forthwith--revoke suspend--the--insurer's
 6 certificate--of--authority--until--the--deficiency--is--cured--and
 7 may revoke the certificate of authority--after--a--hearing
 8 thereon--pursuant to 33-2-119ffv--if--the--deficiency--is--not
 9 cured--within--1--year--"

10 Section 6. Section 33-2-821v-MCA is amended to read:
 11 "33-2-821v--Insurance--stocks----(1)--An--insurer--may
 12 invest in the stocks of other solvent insurers formed under
 13 the laws of this or another state which stocks meet the
 14 applicable requirements of 33-2-819 and 33-2-820v
 15 (2) With the commissioner's consent--an--insurer--may
 16 acquire and hold the controlling interest in the outstanding
 17 voting stock of another stock insurer formed under the laws
 18 of this or another state. All stocks under this subsection
 19 shall be subject to the limitation as to amount as provided
 20 in 33-2-822v."

21 Section 7. Section 33-2-822v-MCA is amended to read:
 22 "33-2-822v--Stocks----of----subsidiaries----With--the
 23 commissioner's consent--an--insurer--may--invest--in--the--stock
 24 of--its--subsidiary--insurance--corporation--or--in--the--stock--of
 25 one or more of its subsidiary business corporation formed

1 under--the--laws--of--this--state--and--corporations--necessary--and
 2 or--incidental--to--the--convenient--operation--of--the--insurer's
 3 insurance--business--or--to--the--administration--of--any--of--its
 4 investments--All--of--the--insurer's--investments--under--this
 5 section--shall--not--at--any--time--exceed--10%--of--the--investing
 6 insurer's--assets--For--the--purposes--of--this--section--a
 7 "subsidiary"--is--a--corporation--of--which--the--insurer--owns--a
 8 majority--of--the--outstanding--shares--of--all--voting--stock--"
 9 Section--8--Section--33-2-830--HEAV--is--amended--to--read--
 10 "33-2-830--Real--estate--mortgages--{(1) An--insurer--may
 11 invest--any--of--its--funds--in--bonds--notes--or--other--evidences
 12 of--indebtedness--which--are--secured--by--first--mortgages--or
 13 deeds--of--trust--upon--improved--real--property--located--in--the
 14 United--States--or--Canada--or--which--are--secured--by--first
 15 mortgages--or--deeds--of--trust--upon--leasehold--estates--having--an
 16 unexpired--term--of--not--less--than--21--years--inclusive--of--the
 17 term--or--terms--which--may--be--provided--by--enforceable--options
 18 of--renewals--in--improved--real--property--located--in--the--United
 19 States--or--Canada--in--all--cases--the--security--for--the--loan
 20 must--be--a--first--lien--upon--such--real--property--and--there--must
 21 not--be--any--condition--or--right--of--reentry--or--forfeiture--not
 22 insured--against--under--which--in--the--case--of--real--property
 23 other--than--leaseholds--such--lien--can--be--cut--off--or
 24 subordinated--or--otherwise--disturbed--or--under--which--in--the
 25 case--of--leaseholds--the--insurer--is--unable--to--continue--the

1 lease--in--force--for--the--duration--of--the--loan--Nothing--herein
 2 shall--prohibit--any--investment--by--reason--of--the--existence--of
 3 any--prior--lien--for--ground--rents--taxes--assessments--or
 4 other--similar--charges--not--yet--delinquent--this--section--shall
 5 not--be--deemed--to--prohibit--investment--in--mortgages--or--similar
 6 obligations--when--made--under--33-2-828--
 7 (2)--"improved--real--estate"--means--all--farm--lands--used
 8 for--tilage--crop--pasture--or--timberlands--and--all--real
 9 estate--on--which--permanent--improvements--suitable--for
 10 residential--institutional--commercial--or--industrial--use
 11 are--situated--
 12 (3)--(a) No--such--mortgage--loan--or--loans--made--or
 13 acquired--by--an--insurer--on--any--one--property--shall--at--the
 14 time--of--investment--by--the--insurer--exceed--the--larger--of--the
 15 following--amounts--as--applicable--
 16 (i) 80%--of--the--value--of--the--real--property--or--leasehold
 17 securing--the--same--provided--however--if--said--real--property
 18 or--leasehold--consists--of--one--or--two--family--residential
 19 property--90%--of--said--value--
 20 (ii) the--amount--of--any--insurance--or--guaranty--of--such
 21 loan--by--the--United--States--of--America--or--by--any--agency--or
 22 instrumentality--thereof--or
 23 (iii) the--amounts--provided--in--subsection--(1)--herein,
 24 plus--the--amount--by--which--the--excess--of--such--loan--over--such
 25 amount--is--insured--or--guaranteed--by--the--United--States--of

1 America or by any agency or instrumentality thereof
 2 (b) in the case of a purchase money mortgage given to
 3 secure the purchase price of real estate sold by the
 4 insurer the amount so loaned or invested shall not exceed
 5 the unpaid portion of the purchase price.
 6 (4) No such mortgage loan or loans shall be made or
 7 acquired by an insurer except after an appraisal made by a
 8 qualified appraiser for the purpose of such investment.
 9 (5) No such mortgage loan made or acquired by an
 10 insurer which is a participation or a part of a series or
 11 issue secured by the same mortgage or deed of trust shall be
 12 lawful investment under this section unless the entire
 13 series or issue which is secured by the same mortgage or
 14 deed of trust is held by such insurer or unless the insurer
 15 holds a senior participation in such mortgage or deed of
 16 trust giving it substantially the rights of a first
 17 mortgagee.
 18 (6) No mortgage loan upon a household shall be made
 19 or acquired pursuant to this section unless the terms
 20 thereof shall provide for amortization payments to be made
 21 by the borrower on the principal thereof at least once in
 22 each year in amounts sufficient completely to amortize the
 23 loan within a period of four-fifths of the term of the
 24 household inclusive of the term which may be provided by an
 25 enforceable option of renewal which is unexpired at the

1 time the loan is made but in no event exceeding 35 years.
 2 (6) An insurer may invest in a note secured by a new
 3 first mortgage, deed of trust or trust indenture upon
 4 improved real property when the real property secures an
 5 existing first mortgage, deed of trust or trust indenture
 6 on which the remaining principal balance due and owing is
 7 less than 40% of the current appraised value the regular
 8 periodic payment on the new note shall be in a frequency and
 9 of a sufficient amount that with upon payment of each
 10 installment pay the original obligation pursuant to its
 11 terms and amortize the new note with its terms.
 12 Section 9--Section 33-2-832, MCA, is amended to read:
 13 "33-2-832--Real estate--An insurer may invest in real
 14 estate only if used for the purposes or acquired in the
 15 manners and within the limits as follows:
 16 (1) the land and the buildings thereon in which it has
 17 its principal office and such other real estate as shall be
 18 requisite for its convenient accommodation in the
 19 transaction of its business. Except with the consent of the
 20 commissioners all such investments shall not aggregate more
 21 than 5% of the insurer's assets.
 22 (2) real estate acquired in satisfaction of loans,
 23 mortgages, tugs, judgments, decrees, or debts previously
 24 owing to the insurer in the course of its business.
 25 (3) real estate acquired in part payment of the

1 consideration on the sale of other real estate owned--by--it
 2 if---such---transaction--does--not--increase--the--insurer's
 3 investment in real estate
 4 (f) real estate acquired by gift or devise or through
 5 merger, consolidation, or bulk reinsurance of another
 6 insurer under this codet
 7 (f) the settler's interest in real property subject to
 8 an agreement of purchase or sale, the sum invested in any
 9 such parcel of real estate shall not exceed 90% of the
10 market value of such parcel provided the same consists of
11 one or two family residential property and 80% of the
12 market value of all other such parcels of real estate
13 (f) real estate or any interest therein acquired or
14 held by purchase, lease, or otherwise, other than real
15 estate to be used primarily for agricultural, ranch, mining,
16 development of oil or mineral resources, recreational,
17 amusement or club purposes, acquired as an investment for
18 the production of income or acquired to be improved or
19 developed for such investment purposes pursuant to an
20 existing program, therefore, the insurer may hold, improve,
21 develop, manage, lease, sell, and convey real
22 estate acquired by it under this provision. An insurer
23 shall not, except with the commissioner's consent, have at
24 any one time invested in real estate under this subsection
25 an amount exceeding 5% ~~15%~~ ~~10%~~ of its assets.

1 (f) additional real estate and equipment--incident to
 2 real estate if necessary or convenient for the purpose of
 3 enhancing the sale or other value of real estate previously
 4 acquired or held by the insurer under subsections (2), (3),
 5 (4) or (6) of this section. Such real estate and equipment
 6 shall be included together with the real estate for the
 7 enhancement of which it was acquired for the purpose of
 8 applicable investment limits and shall be subject to
 9 disposal at the same time and under the same conditions as
10 applying to such enhanced real estate under 33-2-841.
11 (f) except with the commissioner's consent all real
12 estate owned by the insurer under this section, except for
13 real estate required according to subsection (2) and except
14 as to settler's interest specified in subsection (5), shall
15 not at any one time exceed 10% ~~25%~~ ~~15%~~ of the insurer's
16 assets.
17 SECTION 10 -- SECTION 33-3-201 -- MAY BE AMENDED TO READ
18 "33-3-201 -- Incorporation -- (1) This section applies to
19 stock and mutual insurers hereafter incorporated in this
20 state.
21 (f) five or more individuals, none of whom are less
22 than 18 years of age, may incorporate a stock insurer, ten
23 or more of such individuals may incorporate a mutual
24 insurer. At least a majority of the incorporators shall be
25 citizens of the United States. At least a majority of the

1 incorporators shall be residents of this state
 2 (3) the incorporators shall execute articles of
 3 incorporation in quadruplicate and acknowledge their
 4 execution thereof in the same manner as provided by law for
 5 the acknowledgment of deeds. The articles of incorporation
 6 shall state the purpose for which the corporation is formed
 7 and shall show
 8 (a) the name of the corporation. If a mutual, the word
 9 "mutual" must be a part of the name. An alternative name or
 10 names may be specified for use in jurisdictions wherein
 11 conflict of name with that of another insurer or
 12 organization might otherwise prevent the corporation from
 13 being authorized to transact insurance therein.
 14 (b) the duration of its existence which may be
 15 perpetual.
 16 (c) the kinds of insurance as defined in this code
 17 which the corporation is formed to transact.
 18 (d) if a stock corporation, its authorized capital
 19 stock and the number of shares of common stock into which
 20 divided. These shares shall be issued as provided in
 21 ~~35-1-602~~ except that the par value of any class shall not
 22 be less than five the par value of each such share which par
 23 value shall be at least \$1. Shares without par value or
 24 other than one class of voting common stock shall not be
 25 authorized. The articles of incorporation may limit or deny

1 present or future stockholders preemptive or preferential
 2 rights to acquire additional issues of the stock or bonds,
 3 debentures or other obligations convertible into stock, of
 4 the corporation subject to the laws of Montana fixing the
 5 required representation and proportion of outstanding
 6 capital stock required to be represented and voted for
 7 specified actions at any and all corporate meetings,
 8 elections, votes or consent proceedings.
 9 (e) if a stock corporation, the extent if any to
 10 which shares of its stock are subject to assessments
 11 (f) if a stock corporation, the number of shares
 12 subscribed if any by each incorporator.
 13 (g) if a mutual corporation, the maximum contingent
 14 liability of its members other than as to nonassessable
 15 policies for payment of losses and expenses incurred. Such
 16 liability shall be stated in the articles of incorporation
 17 but shall not be less than one or more than six times the
 18 premium for the member's policy at the annual premium rate
 19 for a term of 1 year.
 20 (h) the minimum not less than 5 and the maximum not
 21 more than 21 number of directors who shall constitute the
 22 board of directors and conduct the affairs of the
 23 corporation also the names, addresses and terms of the
 24 members of the initial board of directors. The term of
 25 office of initial directors shall be for not more than 1

1 year-after-the-date-of-incorporation
 2 (i)--the-name-of-the-county--and--the--city--town--or
 3 place--within--the--county--in--which--its-principal-office--or
 4 principal-place-of-business--is--to--be--located--in--this--state
 5 (j)--such--other-provisions--not--inconsistent--with--law,
 6 deemed--appropriate--by--the--incorporator;
 7 (k)--the--name--and--residence--address--of--each
 8 incorporator--and--the--citizenship--of--each--incorporator--who--is
 9 not--a--citizen--of--the--United--States.
 10 Section--is--Section--33-3-432,--HCA--is--amended--to--read
 11 "33-3-432--Borrowed--surplus--for--a--domestic--stock--or
 12 mutual--insurer--may--borrow--money--to--defray--the--expenses--of
 13 its--organization--provide--it--with--surplus--funds--or--for--any
 14 purpose--of--its--business--upon--a--written--agreement--that--such
 15 money--is--required--to--be--repaid--only--out--of--the--insurer's
 16 surplus--in--excess--of--that--stipulated--in--such--agreement--The
 17 agreement--may--provide--for--interest--not--exceeding--6%--per
 18 annum--the--amount--provided--in--31-1-107--which--interest--shall
 19 or--shall--not--constitute--a--liability--of--the--insurer--as--to--its
 20 funds--other--than--such--excess--of--surplus--as--stipulated--in
 21 the--agreement--No--commission--or--promotion--expense--shall--be
 22 paid--in--connection--with--any--such--loan.
 23 (2)--Money--so--borrowed--together--with--the--interest
 24 thereon--if--so--stipulated--in--the--agreement--shall--not--form--a
 25 part--of--the--insurer's--legal--liabilities--except--as--to--its

1 surplus--in--excess--of--the--amount--thereof--stipulated--in--the
 2 agreement--or--be--the--basis--of--any--setoff--but--until--repaid,
 3 financial--statements--fitted--or--published--by--the--insurer--shall
 4 show--as--a--footnote--thereto--the--amount--thereof--then--unpaid
 5 together--with--any--interest--thereon--accrued--but--unpaid.
 6 (3)--Any--such--loan--to--a--mutual--insurer--shall--be--subject
 7 to--the--commissioner's--approval--the--insurer--shall--in
 8 advance--of--the--loan--file--with--the--commissioner--a--statement
 9 of--the--purpose--of--the--loan--and--a--copy--of--the--proposed--loan
 10 agreement--The--loan--and--agreement--shall--be--deemed--approved
 11 unless--within--15--days--after--date--of--such--filing--the--insurer
 12 is--notified--of--the--commissioner's--disapproval--and--the
 13 reasons--therefor--The--commissioner--shall--disapprove--any
 14 proposed--loan--or--agreement--if--he--finds--the--loan--is
 15 unnecessary--or--excessive--for--the--purpose--intended--or--that
 16 the--terms--of--the--loan--agreement--are--not--fair--and--equitable
 17 to--the--parties--and--to--other--similar--tenders--if--any--to--the
 18 insurer--or--that--the--information--so--fitted--by--the--insurer--is
 19 inadequate.
 20 (4)--Any--such--loan--to--a--mutual--insurer--or--substantial
 21 portion--thereof--shall--be--repaid--by--the--insurer--when--no
 22 longer--reasonably--necessary--for--the--purpose--originally
 23 intended--No--repayment--of--such--loan--shall--be--made--by--a
 24 mutual--insurer--unless--in--advance--approved--by--the
 25 commissioner.

1 (5)--This--section--shall--not--apply--to--loans--obtained--by
 2 the--insurer--in--ordinary--course--of--business--from--banks--and
 3 other--financial--institutions--or--to--loans--secured--by--pledge
 4 or--mortgage--of--assets--"

5 Section--12--Section--33-20-206,--MEA,--is--amended--to
 6 read:

7 "33-20-206--Mortality--tables----policies--issued--after
 8 operative--date--{(1)}--in--the--case--of--ordinary--policies--issued
 9 on--or--after--the--operative--date--of--this--section--as--defined
 10 herein,--all--adjusted--premiums--and--present--values--referred--to
 11 in--this--part--shall--be--calculated--on--the--basis--of--the
 12 commissioner's--1958--standard--ordinary--mortality--table--and
 13 the--rate--of--interest--specified--in--the--policy--for--calculating
 14 cash--surrender--values--and--paid--up--nonforfeiture--benefits,
 15 provided--that:

16 (a)--such--rate--of--interest--shall--not--exceed--3-1/2%--per
 17 annum--except--that--a--rate--of--interest--not--exceeding--4%--per
 18 annum--may--be--used--for--policies--issued--on--or--after--March--17,
 19 1973,--and--prior--to--July--1,--1979,--and--a--rate--of--interest--not
 20 exceeding--5-1/2%--a--year--may--be--used--for--policies--issued--on
 21 or--after--July--1,--1979,--and--a--rate--of--interest--not--exceeding
 22 6-1/2%--a--year--may--be--used--for--single--premium--life--insurance
 23 policies--issued--on--or--after--July--1,--1981;

24 (b)--for--any--category--of--ordinary--insurance--issued--on
 25 female--risks,--adjusted--premiums--and--present--values--may--be

1 calculated--according--to--an--age--not--more--than--6--years--younger
 2 than--the--actual--age--of--the--insured;
 3 (c)--in--calculating--the--present--value--of--any--paid--up
 4 term--insurance--with--accompanying--pure--endowment--if--any
 5 offered--as--a--nonforfeiture--benefit,--the--rates--of--mortality
 6 assumed--may--be--not--more--than--those--shown--in--the
 7 commissioner's--1958--extended--term--insurance--table;
 8 (d)--for--insurance--issued--on--a--substandard--basis,--the
 9 calculation--of--any--such--adjusted--premiums--and--present--values
 10 may--be--based--on--such--other--table--of--mortality--as--may--be
 11 specified--by--the--company--and--approved--by--the--commissioner;
 12 (2)--After--July--1,--1966,--any--insurer--may--file--with--the
 13 commissioner--a--written--notice--of--its--election--to--comply--with
 14 the--provisions--of--this--section--after--a--specified--date--before
 15 January--1,--1966;--After--the--fitting--of--such--notice,--then--upon
 16 such--specified--date--(which--shall--be--the--operative--date--of
 17 this--section--for--such--insurer),--this--section--shall--become
 18 operative--with--respect--to--the--ordinary--policies--thereafter
 19 issued--by--such--insurer;--if--an--insurer--makes--no--such
 20 election--the--operative--date--of--this--section--for--such
 21 insurer--shall--be--January--1,--1966;"

22 Section 2. Effective date. This act is effective on
 23 passage and approval.

-End-

March 26, 1981

SENATE STANDING COMMITTEE REPORT
(Business and Industry)

That House Bill No. 448 be amended as follows:

1. Title, line 5.

Following: line 4

Strike: "ASSET, LIABILITY, RESERVE, INTEREST,"

Following: "DEPOSIT"

Strike: ", AND INVESTMENT"

2. Title, line 7.

Following: line 6

Strike: "SECTIONS 33-2-501, 33-2-502, 33-2-523,"

Insert: "SECTION"

Following: "33-2-531,"

Strike: "33-2-532,"

3. Title, lines 8 and 9.

Following: line 7

Strike: all of line 8 through "33-20-206, " on line 9

4. Page 5, line 6 through line 1 on page 10.

Strike: Sections 1 and 2 in their entirety.

Renumber: subsequent sections

5. Page 11, line 17 through line 20 on page 26.

Strike: sections 4 through 12 in their entirety.

Renumber: subsequent sections