INTRODUCED BY NORDTVEDT, VINCENT, WALLIN

|  | IN THE | HOUSE |
| :---: | :---: | :---: |
| January 23, 1981 |  | Introduced and referred to Comiltee on Business and Industry. |
| February 13, 1981 |  | Comittee recommend bill do pass as amended. Report adopted. |
| February 14, 1981 |  | Bill printed and placed on members desks. |
| Pebruary 17. 1981 |  | Second reading, do pass. |
| February 18, 1981 |  | Correctly engrossed. |
| Pebruary 19, 1981 |  | Third reading, passed. Ayes, 94; Noes, 5. Tranmitted to Senate. |
|  | IN THE | SENATE |
| March 2, 1981 |  | Introduced and referred to Comittee 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 7lst legislative day. Motion adopted. |
|  | In the | House |
| April 1, 1981 |  | Returned from Senate with amendments. |

Apri1 8, 1981

April 9. 1981
second reading, amendments concurred in.

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

Reported correctiy encolled.

[^0]on a basis including accrued interest;
(b) declared and unpaid dividends on stock and shares unless such amount has otherwise been allowed as an asseti
$(c)$ 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 assetsp 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 asount, 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 wonths be allowed as an asset.
(f) rent due or accrued on real property if such rent is not in arrears for more than 3 months and rent more than 3 months in arrears if the payment of such rent be adequately secured by property held in the name of the tenant and conveyed to the insurer as collateral;
(g) the unaccrued portion of taxes paid prior to the due date on real property;
(3) premium notes, policy loans, and other policy assets and liens on palicies and certificates of life insurance and annuity contracts and accrued interest
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thereon，in an amount not exceeding the legal reserve and other policy liabilities carried on each individual policy；
（4）the net amount of uncollected and deferred premiums and annuity considerations in the case of a life insurer：
（5）preasiums in the course of collection，other than for life insurance，not more than 3 months past due，less commissions payable thereon．The foregoing limitation shall not apply to premiums payable directly or indirectly by the United States government or by any of its instrumentalities．
（6）installment premiuns other than lifeinsurance premiuns to the extent of the unearned premium reserve carried on the policy to which premiums apply；
（7）notes and like written obligations not past due， taken for premiums other than life insurance prefilums，on policies permitted to be issued on such basis，to the extent of the unearned premium reserves carried thereon；
（B）the full amount of reinsurance recoverable by a ceding insurer from a solvent reinsurer and which reinsurance is authorized under 33－2－1205；
（9）amounts receivable by an assuming insurer representing funds withheld by a solvent ceding insurer under a reinsurance treaty；
（10）deposits or equities recoverable from underwfiting associations，syndicates，and reinsurance funds or from any
suspended banking institution，to the extent deemed by the commissioner available for the payment of losses and claims and at values to be determined by him；
（11）electronic dite－processing－equipment－if－－the－－eost
 amortized－fn－fułf－over－s－pertod－of－not－to－exceed－i日－eatender Yearst－Howevery－mith－regerd－to－tife－tnsurersy－sueh－equipment shat7－be－aflowed－as－an－asset－if－the－cost－of－－stueh－－equipment is－－st－－7eest－fZ57日G日v－whieh－eost－sheł子－be－amortized－in－fu7t over－a－period－of－not－to－exeeed－5－－entendar－nyearsy－－and－－the amount－－of－sueh－esset－a77owed－may－not－exeeed－it－of－the－total of－the－other－－at7owabte－－assets－－of－－the－－insurerm Hachines constitutiog＿a＿data＿orocessing＿system＿or＿systemse＿office equiomenti＿furaiture，and fotor rehiclesı＿togetber＿uith＿such Qther＿propertyemacbipes，and＿equipment＿as＿rax＿be＿approved by＿the＿＿comissionere＿ourchased＿hefore＿or＿after＿Ltbe effective date of this＿act＿for＿use＿in＿connection＿nitn＿the transaction＿of＿the＿ousioess＿ot＿an＿iosurance＿companyetonthe extent that the value＿of all such＿propertyedepreciated＿oxer its＿useful＿life＿not exceeding＿10＿years＿in＿accordance＿with stendard＿accounting＿proceduress＿constitutes＿oot＿ogre＿than＿1\％ of＿its＿admitted＿assets：
（12）all assets，whether or not consistent with the provisions of this section，as may be allowed pursuant to the annual statement form approved by the commissioner for
the kinds of insurance to be reported upon therein;
(13) other assets, not inconsistent with the provisions of this section, deemed by the commissioner to be available for the payment of losses and claims, at values to be determined by himem

Section 2. Section 33-2-502, MCA, is amended to reat:
"33-2-502. Assets expressly not allowed. In addition to assets impliedly excluded by the provisions of 33-2-501, the following expressiy shall not be allowed as assets in any determination of the financial condition of an insurer:
(1) goodwill, trade names, and other like intangible assets af such insurer;
(2) advances to officers (other than policy loans)? whether secured or not, and advances to employees, agents, and other persons on personal security only;
(3) stock of such insurer, owned by it, or any equity therein or loans secured thereby or any proportionate interest in such stock acquired or held tirough the ownership by such insurer of an interest in another firmi, corporation, or business unit;
(4) furniture, fixtures (other than electronic data processing machines authorizef under 33-2-501(11)), furnishings, safes, vehicles, libraries, stationery, literature, and supplies lother_-tban_as_authorized_under $33-2=501(1111$, except:
(a) in the case of title insurers, such materials and plants as the insurer is expressiy authorized to invest in under 33-2-851; and
(b) in the case of any insurer, such personal property as the insurer is permitted to hold pursuant to part 8 of this chapter or which is acquired through foreclosure of chattel mortgages acquired pursuant to $33-2-831$ or which is reasonably necessary for the maintenance and operation of real estate lawfully acquired and held by the insurer other than real estate used by it for nome office, branch office* and similar purposes;
(5) the amount, if any, by which the aggregate book value of investments as carried in the ledger assets of the insurer exceeds the aggregate value thereof as determined under this code."

Section 3. Section 33-2-523, MCA, is amended to read:
"33-2-523. Contracts on or after the operative date of 33-20-213 -- valuation. (1) This section shall apply to only those policies and contracts issued on or after the operative date of $33-20-213$, except as otherwise provided in 33-2-524 for group annuity and pure endowment contracts issued prior to that date.
(2) Except as otherwise provided in 33-2-524, the minimum standard for the valuation of all such policies and contracts shall be the commissioner's reserve valuation
methods defined in 33-2-525 and 32-2-526\{3\}, 5\% interest for group annuity and pure endowaent contracts and $21 / 2 \%$ interest for all other such policies and contracts or in the case of policies ano contracts, other than annuity and pure endowment contracts, issued on or after March 17, 1973, 4\% interest for such policies issued prior to july 1,1979 , end 4 1/2\% interest for such policies issued on or after July 1 , 1979, and_5_1/2\%_interest_for single_prenium_life_fosurance policies_-issued_on_or_after_fuly_12_128le and the following tables:
(a) for all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies, the commissioner's 1941 standard ordinary mortality table for such policies issued prior to the operative date of 33-20-206, as emended, and the commissioner"s 1958 standard ordinary mortality table for such policies issued on or after that operative date, except that for any category of such policies issued on female risks, modified net premiums and present values, referred to in 33-2-525 and 33-2-526, may be calculated, at the option of the insurer with the approval of the commissioner, according to an age younger than the actual age of the insured;
(b) for all industrial life insurance policies issued on the standard basis, excluding any disability and
accidental death benefits in such policies, the 1941 standard industrial mortality table for such policies issued prior to the operative date of $33-20-207$, as amended, and the conmissioner*s 1961 standard industrial mortality tacle for such policies issued on or after that operative date;
(c) for individual annuity and pure endownent contracts, excluding any disabilfty and accidental death benefits in such policiesp the 1937 standard annuity mortality table or, at the option of the insurer, the annuity mortality table for 1949, ultimate, or any modification of either of these tables approved by the commissioner:
(d) For group annuity and pure endowment contracts, exclucing any disability and accidental death benefits if such policies, the group annuity mortality table for iosi, any nedification of such table approved by the commissioner, or, at the option of the insurer, any of the tatles or modifications of tables specified for individuel znnuity and pure endownent contracts;
(e) (i) for total and permanent disability benefits in or supplementary to ordinary policies or contracts:
(A) for policies or contracts issued on or after January 1, 1966, the tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the society of actuaries. with due
regard to the type of benefit;
(B) for policies or contracts issued on or after January 1, 1961, and prior to January 1. 1966, either such tables or, at the option of the insurer, the class 3 disability table (1926); and
(C) for policies issued prior to January 1, 1961. the class 3 disability table (1926);
(ii) any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for 1 fife insurance policies;
(f) (i) for accidental death benefits in or supplementary to policies:
(A) for policies issued on or after january 1, 1966, the 1959 accidental death benefits table;
(3) for policies issued on or after January 1, 1961, and prior to January 1, 1966, either such table or, at the option of the insurer, the intercompany double indemnity mortality table; and
(C) for policies issued prior to January 1 , 1961 , the intercompany couple indemnity mortality table;
(ii) either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies;
(9) for group life insurance, life insurance issued on the substandard basis and other special benefits such

## tables as may be approved by the commissioner."

Section 4. Section 33-2-531, MCA, is amended to read:
n33-2-531. Deposit of reserves -- domestic 1 life insurers. (1) Domestic life insurers shall deposit and maintain on deposits in securities and assets, with depositories and subject to conditions as provided for in part 6 of this chapter, an amount not less than the reserves on its outstanding life insurance policies and annuity contracts, as valued under 33-2-521 through 33-2-526.
(2) Annually on or before April 1 , the insurer shall so deposit any additional such securities required under subsection (1) and related to the increase of such reserves during the calendar year next preceding, as determined from the insurer*s annual statement as at December 31 of such preceding year.
(3) A domestic stock life insurer may credit toward such deposit the amount of any other deposit of the insurer held under part 6 of this chapter for the protection of its policyholders or of its policyholders and creditors.
(4) Deposits of the reserves of a domestic life insurer under this section shall consist of securities and assets acquired and_yalued in accordance with pert parts 5 and 9 of this chaptery-exeept-thet-seeurities-zequifed-under 33-z-6z9-are-not-etigibte-for-deposit.
(5) Real estate mortgage loans, chattel mortgage
loans, and policy 1 oans may be made a part of the deposit by filing a verified statement of the loans with the comissioner, which statement shall be subject to audit at all tines by the commissioner. Nonnegotiable securities where deposited with the commissioner shall be accompanied by transfer powers in due form. If the insurer uses real estate acquired under 33-2-832 as a deposit, then a deed of trust, mortgagep or other instrument sufficient to convey a security interest in such real estate, in a form acceptable to the commissioner, shall be completed in due form and recorded prior to being deposited with the commissioner.
(6) If default occurs in the payment of interest or principal of any deposited security and such default continues for a period of 120 days, the commissioner may declare such security no longer eligible for deposit under this section."

Section 5. Section $33-2-532$, MCA, is amended to read:
"33-2-532. valuation of bends dettasecuritifise (1) (2) All bonds or other evidences of debt having a fixed term and rate of interest held by an insurer may, if amply secured to the_extent_required_by_this_cede and not in default as to the payment_of principal or interest, be valued as follows:
(i) if purchased at par ar_at_an_amount_equal_to the cenaining_unpaic_principal_balanse, at the par value ar_tbe remainins unpaid_principal_balances_together_with_acsrued

## interest;

(ii) if purchased above or below par, on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield in the meantime the effective rate of interest at which the purchase was madey or in lieu of such method, according to such accepted methoc of valuation as is approved by the comnissioner.
(b) Purehase If purchaseds_the purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase, plus actual trokerage, transfer, postage, or express charges paid in the acquisition of such securities.
(c) Unless otherwise provided by valuation established or spproved by the commissioner, no such security shall be carried at above the call price for the antire issue during any period within which the securlty may be so called.
(d) _Ho_proxision_of_this__subsection_probibits__en insurer fron_yaluing_onods_or_otber_exisences_of_debi acquired_in a_bona_fide_exchange__or_pursuant_te_the pcovisions of 33=2-803(3)at the_values_established by tbe teras_of_tbe_transactione_Assets_acquired In_any_1_year_by excbance_and_yalued_in_accordance_with__the__orovisions_of this_subsection__111di__Day_not_exceed_2\%_of_the_iasureris total_admitted_assets_at_the_end_of_such_years_except_-with the_consent of_the_comissionera_Any yalue_so_established
for any_such_debt_security_being_acguired_by_the insurer_may not exceed the oreater of the macket_valuek_call_oricen_par yalue, or repaining_unpaid_principal_balancen_togetber_with Eccrued_intereste_In_addition, the value_of the_asset_of assets_meing_acquired_by_the_iasurer__in_an_excbance aciepant_wiz_not_exceed_the_cost_of_the_asset_or_assets gixen_by the iosurer_in the_exchangen adju'sted_appropriately fcr_accrual_of_discount or amortization_of_oremiunsin excess_of_Rar_regarding_honds_and_for_payments_received_la reduction_of_oprincipal_regarding_nartgage_loans_or_similar instellment obllgationss
(2) The commissioner shall have full discretion in determining the method of calculating values according to the rules set forth in this section."

Section 6. Section 33-2-611, $A C A$, is amended to read:
n33-2-611. Deficiency of deposit -- revocation of certificate. $\ddagger$ f-fer-eny-reasen Except_as_tombe_deposit of reseryes_of domestic_life_insurers_pursuant_to_33=2=5312_if the market value of assets and securities of an insurer held on deposit in this state or in another state under custodial arrangements authorized by 33-2-604(3) falls below the amount required under this code to be so held, the insurer shall promptly deposit other or additional assets or securities eligible for deposit under this part and in amount sufficient to cure such deficiency. If the insurer
has failed to cure the deficiency within $2 \theta 30$ days after receipt of notice thereof by registered or certified mall from the commissioner, the comissioner shelf maxe in his discretions forthwith revoke suspend the insurer"s certificate of authority until_the_deficiency_is_curede_and way rexoke_the_certificate_af_authorityo_after_-a_hearing thereon_pursuant_to_33=2-11211e_lf the deficiency is not cured_mithin_工eare"

Section 7. Section 33-2-821, MCA, is amended to read:
n33-2-821. Insurance stocks. (1) An insurer may invest in the stocks of other solvent insurers formed under the laws of this or another state, which stocks meet the applicable requirements of 33-2-819 and 33-2-820.
(2) With the commissioner"s consent, an insurar may acquire and hold the controlling interest in the outstanding voting stock of another stock insurer formed under the laws of this or another state. A7+-stoeks-under-this-subseetion sha77-be-subject-to-the-7imitation-as-to-amount-as-provided


Section B. Section 33-2-822, MCA, is amended to read:
n33-2-822. Stocks of subsidiaries. with the commissionerts consent, an insurer may invest in-the-stoek of-its-subsidiary-insurance-eerporztion-or in the stock of one_or_mare_of its subsidiary business eorporation-formed under-the-taws-of-this-state-and corporations necessary and
or incidental to the convenient operation of the insurer's insurance business or to the administration of any of its investments. All of the insurer"s investments under this section shall not at any time exceed $10 \%$ of the investing insurer's assets. For the purposes of this section, a "subsidiary" is a corporation of which the insurer owns a wajority of the outstanding shares of all voting stock." Section 9. Section 33-2-830, MCA, is amended to read: N33-2-830. Real estate mortgages. (1) An insurer may invest any of its funds in bonds, notes, or other evidences of indebtedness which are secured by first mortgages or deeds of trust upon improved real property located in the United States or Canada or which are secured by first mortuages or deeds of trust upon leasehold estates havino an unexpired term of not less than 21 years inclusive of the term or terms which may be provided by enforceable options of renewal, in improved real property located in the United States or Canada. In all cases the security for the loan must be a first lien upon such real property, and there must not be any condition or right of reentry or forfeiture not insured against, under which, in the case of real property other than leaseholds, such lien can be cut off or subordinated or otherwise disturbed or under which, in the case of leaseholds, the insurer is unable to continue the lease in force for the duration of the loan. Nothing herein
shall prohibit any investment by reason of the existence of any prior. lien for ground rents, taxes, assessmentsp or other similar charges not yet delinquent. This section shall not be deemed to prohibit investant in mortgages or sifilar obligations when made under 33-2-828.
(2) "Improved real estate" means all farr lands used for tillage, crope pasturep or timbertands and all real estate on which permanent improvements suitable for residential, institutional, commercial, or inoustrial use are situated.
(3) (a) No such mortgage loan or loans made or acquired by an insurer on any one property shall, at the time of investaent by the insurer, exceed the larger of the following amounts as applicable:
(i) 80\% of the value of the real property or leasehold securing the same, provided, however, if said reel property or leasehold consists of one- or two-family residential property, $90 \%$ of said value;
(ii) the amount of any insurance or guaranty of such loan by the united States of America or by any agency or instrumentality thersof; or
(iii) the amounts provided in subsection (i) nerein. plus the amount by which the excess of such loan over such amount is insured or guaranteed by the United States of America or by any agency or instrumentality thereof.
(b) In the case of a purchase money mortgage given to secure the purchase price of real estate scld by the insurer, the amount so loaned or invested shall not exceed the unpaid portion of the purchase price.
(4) No such mortgage loan or loans shall be made or acquired by an insurer except after an appraisal made by a qualified appraiser for the purpose of such investment.
(5)-No-sueh-mortgage--7oan--made--or--aequired--by--an insturer--whteh--is--z-pertieipetion-or-e-part-of-e-series-or fssue-seeured-by-the-seme-mertgege-or-deed-of-trust-shat+-be a-7awfut-investment-under-this--section-untess--the--entire series--or-issue--whieh--is-seeured-by-the-stme-mortgege-or deed-of-trust-is-hetd-by-sueh-insuref-of-untess-the--insurer hot ds--a--senior--pertitipation--in-such-moftgage-of-deed-of trusty--giving--it--substantinまれy-the--rights--of--a--first mortgageen
f6t(5) 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 arounts sufficient completely to amortize the loan within a period of four-fifths of the term of the leasenold, inclusive of the term which may be provided by an enforceable option of renewal, which is unexpired at the time the 1 oan is made, but in no event exceeding 35 years.

## (61_An insurer max_inyest_in_a_note_secured_by_a_nev

 first mortgagen deed_of_truste_or_trust_indenture_upon improyed_ceal_property_men_the_real_oroperty_secures_an existing first mortgagee deed of truste or trust indenture on which the remainingorincioal_balance_gue_anc oning_is less_than_40\% of the current anpraised_xaluee_Ineregular periedic payment_on_the_new_nete_shall_be_in_a_frequency_and of_a_sufficient_amount_that_mille_upon_payment_of_eacb installaente_pay the original_obligation pursuant to its terms_and_amortize_the_nem note_mith_its_tecmse"Section 10. Section 33-2-832, MCA, is amended to read:
"33-2-832. Reaf estate. An insurer may invest in real estate only if used for the purposes or acquirad in the manners and within the limits as follows:
(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.
(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;
(3) real estate acquired in part payment of the consideration on the sale of other real estate owned by it
$\cdots B 448$
if such transaction does not increase the insurer"s investment in real estate;
(4) real estate acquired by gift or devise or through merger, consolidations or bulk reinsurance of another insurer under this code;
(5) the seller's interest in real property subject to an agreement of purchase or sale. The suif invested in any such parcel of real estate shall not exceed $90 \%$ of the market value of such parcel provided the same consists of one- or twoffamily residential property and $30 \%$ of the market value of all other such parcels of real estate.
(6) real estate or any interest therein acquired or held by purchase, lease, or otherwise, other than real estate to be used primarily for agiculturel, ranch, miningy devetopment--of--oit--or--minefat--reseurcesy recreational. amusement, or club purposes, acquired as an investment for the production of income or acquired to be improved or developed for such investment purposes pursuant to ar. existing prograni therefor. The insurer may held. improve. develop, maintain, manage, lease, sell, and convey real estate acquired by it under this provision. An insurer shall not, except with the commissioner's consent, heve at any one time invested in real estate under this subsection an amount exceeding 5* 154 of its assets.
(7) additional real estate and equipment incident to
real estate if necessary or convenient for the purpose of enhancing the sale or other value of real estate previously acquired or held by the insurer under subsections (2). (3). (4) , or (6) of this section. Such real estate and equipment shall be included, together with the real estate for the enhancement of which it was acquired, for the purpose of applicable investment liofits and shall be subject to disposal at the same time and under the same conditions as applying to such enhanced real estate under 33-2-841.
(B) except with the commissioner's consent, all real estate owned by the insurer under this section, excecter for real estate_acquired_accordinc_to subsection_121_and except as to seller's interest specified in subsection (5), shall


Section 11. Section 33-3-431, MCA, is amended to read:
*33-3-431. Eorrowed surplus. (1) A domestic stock or mutual insurer may borrow money to defray the expenses of its organization, provide it with surplus funds, or for any purpose of its business, upon a written agreement that such money is required to be repaid only out of the insurer*s surplus in excess of that stipulated in such agreement. The agreement may provide for interest not exceeding 6e-per onnew the amount proyided_in_3l-1-101, which interest shalj or shall not constitute a liability of the insurer as to its funds other than such excess of surplus, as stipulated in

## the agreement. No commission or promotion expense shall be

 paid in connection with any such loan.(2) Money so borrowed, together with the interest thereon if so stipulated in the agreement, shall not form a part of the insurer's legal liabilities except as to its surplus in excess of the amount thereof stipulated in the agreement or be the basis of any setoff; but until repaid, financial statements filed or published by the insurer shall show as a footnote thereto the amount thereof then unpaid together with any interest thereon accrued but unpaid e
(3) Any such loan to a mutual insurer shall be subject to the commissioner's approval* The insurer shall, in advance of the loan, file with the commissioner a statement of the purpose of the loan and a copy of the proposed loan agreement. The loan and agreement shall be deemed approved unless within 15 days after date of such filing the insurer is notified of the commissioner's disapproval and the reasons therefor. The commissioner shall disapprove any proposed loan or agreement if he finds the loan is unnecessary or excessive for the purpose intended or that the terms of the loan agreement are not fair and equitable to the parties, and to other similar lenders, if any, to the Insurer, or that the information so filed by the insurer is inadequate.
(4) Any such loan to a mutual insurer or substantial
portion thereof shall be repaid by the insurer when no longer reasonably necessary for the purpose originally intended. No repayment of such loan shall be made by a mutual insurer unless in advance approved by the commissioner.
(5) This section shall not apply to 1 loans obtained by the insurer in ordinary course of business from banks and other financial institutions or to loans secured by pledge or mortgage of assets."

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

33-20-206. Mortality tables -- policies issued after operative date. (1) In the case of ordinary policies issued on or after the operative date of this section as defined herein, all adjusted premiums and present values referred to in this part shall be calculated on the basis of the commissioner's 1958 standard ordinary mortality table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits provided that:
(a) such rate of interest shall not exceed $31 / 2 \%$ per annump except that a rate of interest not exceeding $4 \%$ per annam may be used for policies issued on or after March 17 , 1973. and prior to July 1,1979 , and a rate of interest not exceeding 5 1/2\% a year may be used for policies issued on
or 3fter July 1, 1979s_and_encate_of interest_not excesiong 6_1人23_g year_may_be_ysed_for sincle_dramitu_life_nasurance colicies_issued_on_or_after_duly1. 1981;
(b) for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than 6 years ycunger than the actual age of the insured;
(c) in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the commissioner"s 1958 extended term insurance table;
(d) for insurance issued on a substandard basis. the calculation of any such adjusted premiums and presant values may be based on such other table of mortality as may be specified by the company and approved by the comissioner.
(2) After July le 1961, any insurer may file with the comaissioner a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date (which shall be the operative date of this section for such insurer), this section shall become operative with respect to the ordinary policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this section for such

## insurer shall be january 1, 1966."

Section 13. Effective dete. This act is effective on passage and approval.

HOUSE BILL NO． 448
INTRCJDUCED BY MORDTVEOT，VINCENT，WALLIN

be it enacteo by the legislature of the state of montana：
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 a＋Howed－as－assets－onty－such－－assets－－as－－ere－－owned－－by－－the insurer－and－whieh－eonsist－oft
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（43t－other－assetsy－not－inconsistent－with－the－provistons of－this－sectionv－deemed－by－the－commissioner－to－be－－avaifabte for－－the－－payment－－of－－Hosses－and－etaimst－－at－vatues－to－be determined－by－himm＊

Section 1．Section 33－2－502，MCA，is amended to read：
－33－2－502．Assets expressiy not allowed．In addition to assets impliedly excluded by the provisions of 33－2－501， the following expressily shall not be allowed as assets in any determination of the financial condition of an insurer：
（1）goodwill，trade names，and other like intangible assets of such insureri
（2）advances to officers（other than policy loans）． whether secured or not，and advances to employees，agents， and other persons on personal security only；
（3）stock of such insurer，owned by it or any equity therein or loans secured thereby or any proportionate interest in such stock acquired of held through the ownership by such insurer of an interest in another firm， corporation，or business unit；
（4）furniture，fixtures fother than electronic data processing machines authorized under 33－2－501（11））， furnishings，safes，vehicles，libraries，stationery， literature，and supplies tother－thon－os－outhorized－under 33－で5日も地さき，except：
（a）in the case of title insurers，such materials and plants as the insurer is expressly authorized to invest in under 33－2－851；and
（b）in the case of any insurer，such personal property as the insurer is permitted to hold pursuant to part 8 of this chapter or which is acquired through foreclosure of chatel martgages acquired pursuant to 33－2－831 or which is reasonably necessary for the maintenance and operation of real estate lawfilly acquired and held by the insurer other than real estate used by it for home office，branch officer and similar purposes；
（5）the amount，if any，by which the aggregate book value of investments as carried in the ledger assets of the insurer exceeds the aggregate value thereof as determined under this code．＂

Section 2．Section 33－2－523，MCA，is amended to read：
＂33－2－523．Contracts on or after the operative date of 33－20－213－－valuation．（1）This section shall apply to only those policies and contracts issued on or after the operative date of 33－20－213，except as otherwise provided in 33－2－524 for group annuity and pure endowment contracts issued prior to that date．
（2）Except as otherwise provided in 33－2－524，the minimum standard for the valuation of all such policies and contracts shall be the commissioner＇s reserve valuation
methods defined in 33-2-525 and 32-2-526(3). 5\% interest for group annuity and pure endowment contracts and $31 / 2 \%$ interest for all other 5 uch policies and contracts or in the case of policies and contracts, other than annuity and pure endownent contracts, issued on or after March 17, 1973, 4* interest for such palicies issued prior to July 1, 1979, and 4 1/2\% interest for such palicies issued on or after July 1 , 1979. and_s $1 / 2$ zinterest for single_premium_ife_insurance policies issueg_on or after July_19_1981: and the following tables:
(a) for afl ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies, the commissioner"s 1941 standard ordinary mortality table for such policies issued prior to the operative date of 33-20-206, as amended, and the comissioner"s 1958 standard ordinary mortality table for such policies issued on or after that operative date, except that for any category of such policies issued on female risks; modified net premiums and present values, referred to in 33-2-525 and 33-2-526, may be calculated, at the option of the insurer with the approval of the comerissioner. according to an age younger than the actual age of the insured;
(b) for all industrial life insurance policies issued on the standard basis, excluding any disability and
> accidental death benefits in such policies, the 1941 standard industrial mortality table for such policies issued prior to the operative date of 33-20-207, as amended, and the commissioner's 1951 standard industrial mortality table for such policies issued on or after that operative date;
> (c) for individual annuity and pure endowment contracts, exciuding any disability and accidental death benefits in such policies. the 1937 standard annuity mortality table or, at the option of the insurer, the annuity mortality table for 1949. ultimate, or any modification of either of these tables approved oy the commissioner:
> (d) for group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies, the group annuity mortality table for 1951, any modification of such table approved by the commissioner, or, at the option of the insurer, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts;
> (e) (i) for total and permanent disability benefits in or supplementary to ordinary policies or contracts:
> (A) for policies or contracts issued on or after January 1, 1966, the tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the society of actuaries, with due

## regard to the type of benefit;

(B) for policies or contracts issued on or after January 1, 1961, and prior to January 1, 1966, either such tables or, at the option of the insurer, the class 3 disability table (1926); and
(C) for policies issued prior to January 1, 1961, the class 3 disability table (1926);
(ii) any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies;
(f) (i) for accidental death benefits in or supplementary to policies:
(A) for policies issued on or after danuary 1. 1966 the 1959 accidental death benefits table;
(3) for policies issued on or after January 1,1961, and prior to January 1. 1966, either such table or at the option of the insurer, the intercompany double indemnity mortality table; and
(C) for policies issued prior to January 1 , 1961 , the intercompany double indemnity mortality table:
(ii) either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies;
(g) for group life insurance, life insurance issued on the substandard basis and other special benefits. such
tables as may be approved by the cominssioner.*
Section 3. Section 33-2-531, MCA, is amended to read:
n33-2-53I. Deposit of reserves -- domestic iffe insurers. (1) Domestic life insurers shall deposit and maintaif on deposit, in securities and assets, with depositaries and subject to conditions as provided for in part 6 of this chaptery an amount not less than the reserves on its outstanding life insurance policies and annuity contracts, as valued under 33-2-521 through 33-2-526.
(l) Annually on or before April l, the insurer shall so deposit any additional such securities required under subsection (1) and related to the increase of such reserves during the calendar year next preceding, as determined from the insurer's. annual statement as at becember 31 of such preceding year.
(3) A domestic stock life insurer may credit toward such deposit the amount of any other deposit of the insurer held under part 6 of this chapter for the protection of its policyholders or of its policyholders and creditors.
(4) Deposits of the reserves of a domestic life insurer under this section shall consist of securities and assets acquired and valued in accordance with part parts 5 and 8 of this chaptery-except-that-seeurities-atquired-under 33-z-8z9-ore-not-etigibte-for-depostt.
(5) Real estate flortgage loans, chattel mortgage
loans, and policy loans may be made a part of the derosit by filing a verified statement of the loans with the commissioner, which statement shall be subject to audit at all times by the commissioner. Nonnegotiable securities where deposited with the commissioner shall be accompanied by transfer powers in due forme If the insurer uses real estate acquired under 33-2-832 as a deposit. then a deed of trusty mortgage, or other instrument sufficient to convey a security interest in such real estate, in a form acceptabie to the commissioner, shall be completed in due form and recorded prior to being deposited with the commissioner.
(6) If default occurs in the payment of interest or principal of any deposited security and such default continues for $a$ period of 120 days, the commissioner may declare such security no longer eligible for deposit under this section.*

Section 4. Section 33-2-532, MCA, is amended to read:
m33-2-532. Valuation of bonds debt securities. (1) (a) All bonds or other evidences of debt having a fixed term and rate of interest held by an insurer may, if amply secured to the extent regyifed by this code and not in defaut as to the_paygent_of principal or interest. be valued as follows:
(i) if purchased at par or at an_amount equal to the remaining unpaid principal balance at the par value or the remaining ungaid principal balanceq together_with_accrued

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 excess-of-por-regording-bonds-and-for-parments-recetved--in reduction-of-prineipot-regording-mortgege-toans-or-sitmitar instat+ment-obtigations.
(2) The commissioner shall have full discretion in determining the method of calculating values according to the rules set forth in this section."

Section 5. Section $33-2-611$, MCA, is amended to read
m33-2-611. Deficiency of deposit -- revocation of certificate. ff-for-any-reason Exceptas_to the deposit of reserves_of donestic life_insurers pursuant to 33-2-5312 if the market value of assets and securities of an insurer neld on deposit in this state or in another state under custodial arrangements authorized by 33-2-604(3) falls below the amount required under this code to bre so held, the insurer shall promptly deposit other or additional assets or securities eligible for deposit under this part and in amount sufficient to cure such deficiency. If the insurer

or incidental to the convenient operation of the insurer"s insurance business or to the administration of any of its investments. All of the insurer's investments under this section shall not at any time exceed $10 \%$ of the investing insurer's assets. for the purposes of this sectiont d "subsidiary" is a corporation of which the insurer owns a majority of the ourstanding shares of all voting stock."

Section 8. Section 33-2-830. MCA is amended to read:
"33-2-830. Real estate mortgages. (1) An insurer may invest any of its funds in bonds, notes; or other evidences of indebtedness which are secured by first mortgages or deeds of trust upon improved real property located in the United States or Canada or wich are secured by first mortgages or deeds of trust upon leasehold estates having an unexpired term of not less than 21 years, inclusive of the term or terms which may be provided by enforceable options of renewal: in improved real property located in the United States or Canada. In all cases the security for the loan must be first lien upon such real propertyp and there must not be any condition or right of reentry or forfeiture not insured against, under which, in the case of real property other than leaseholds. such lien can be cut off or subordinated or otherwise disturbed or under which, in the case of leaseholds, the insurer is unable to continue the lease in force for the duration of the loan. Nothing herein
shall prohibit any investment by'reason of the existence of any prior lien for ground rents, taxes, assessments, or other similar charges not yet delinquent. This section shall not be deemed to prohibit investment in mortgages or similar obligations when made under 33-2-828.
(2) "Improved real estate" means all fafm lands used for tillage, crop, pasture, or timberlands and all real estate on which permanent improvements suitable for residential. institutional * commercial, or industrial use are situated.
(3) (a) No such mortgage loan or loans made or acquiren by an insurer on any one property shall, at the time of investment by the insurer, exceed the larger of the follawing amounts as applicable:
(i) 80\% of the value of the real property or leasehold securing the samer provided, however, if said real property or leasehold consists of one- or two-family residential property, 90\% of said value;
(ii) the amount of any insurance or guaranty of such loan by the United States of America or by any agency of instrumentality thereof; or
(iii) the amounts provided in subsection (i) herein. plus the amount by which the excess of such loan over such amount is insured or guaranteed by the United States of America or by any agency or instrumentality thereof.
(b) In the case of a purchase money mortgage given to secure the purchase price of real estate sold by the insurer, the amount so loaned or invested shall not exceed the unpaid portion of the purchase price.
(4) No such mortgage loan or loans shall be made or acquired by an insurer except after an appraisal made by a qualified appraiser for the purpose of such investment.
t5i--No-sulh-mortgege--Hoan-mate--or--aequired-by--an insurfer--which-is-m-participation-or-a-part-of-a-series-or issue-secured-by-the-same-mortgege-or-deed-of-trust-shat+-be a-Hanfut-investment-under-thts--section-untess--the--entire series--or-issue--whith--is-secured-by-the-same-mortgage-ar deed-of-trust-is-hełd-by-sueh-insurer-or-untess-the--insurer hot ds--a--senter--partifipation--in-sueh-mertgage-or-deed-of trusty--giving--it--substantiatty-the--ights--of-o--first mortyageet
tof(5) No mortgage loan upon a leasehold shall be made or acquired pursuant to this section unfess the terms thereaf 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 anortize 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.

161 An insurer may invest in a_note secured by a_new first mortgage, deed of truste_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. Ine_regular periodic_paynent on the new note_shall_be_in a_frequency and of a_sufficient_amount that_willy_upon_payment of each installment, _opay the original_obligation pursuant_to its terms and amortize the newnote with its tergse"

Section 9. Section 33-2-832. MCA, is amended to read:
m33-2-832. 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:
(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.
(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;
(3) real estate acquired in port payment of the consideration on the sale of other real estate owned by it
if such transaction does not increase the insurer's investment in real estate:
(4) real estate acquired by gift or devise or through merger, consolidation, or bulk reinsurance of another insurer under this code;
(5) the seller"s interest in real property subject to an agreement of purchase or sale. The sum invested in any such parcel of real estate shali not exceed 90\% of the market value of such parcel provided the same consists of one- or two-family residential property and $80 \%$ of the market value of all other such parcels of real estate.
(6) real estate or any interest therein acquired or held by purchase, lease, or otherwise, other than real estate to be used primarily for agricultural, ranch, miningr devetopment--of--oit--or-minerat-regeurcest recreational, amusement, or club purposes, acquired as an investment for the production of income or acquired to be improved or developed for such investment purposes pursuant to an existing program therefor. The insurer may hold, improve, develop, maintain, managep lease, selly and convey real estate acquired by it under this provision. An insurer shall not, except with the commissioner"s consent, have at any one time invested in real estate under this subsection an amount exceeding 5\% ts娄 $10 \%$ of its assets.
(7) additional real estate and equipment incident to
real estate if necessary or convenient for the purpose of enhancing the sale or other value of real estate previousiy acquired or held by the insurer under subsections (2), (3), (4) , or (6) of this section. Such real estate and equipment shall be included, together with the real estate for the enhancement of which it was acquired, for the purpose of applicable investment limits and shall be subject to disposal at the same time and under the same conditions as applying to such enhanced real estate under 33-2-841.
(8) except with the commissioner's consent, all real estate owned by the insurer under this section, except for real_estate_acguired_dccording to subsection_iz and except as to seller's interest specified in subsection (5). shall not at any one time exceed tox ESt $15 \%$ of the insurer's assets."

SECIION 10. SECTION 33-3-201, MCA, IS AMENDED TO_READ:
n33-3-201. Incorporation. (1) This section applies to stock and mutual insurers hereafter incorporated in this state.
(2) Five or more individuals, none of whom are less than 18 years of age, may incorporate a stock insurer. Ten or more of such individuals may incorporate a mutual insurer: At least a majority of the incorporators shall be citizens of the United States. At least a majority of the incorporators shall be residents of this state.
(3) The incorporators shall execute articles of
incorporation in quadruplicate and acknowledge their
execution thereof in the same manner as provided by law for
the acknowledgment of deeds. The articles of incorporation
shall state the purpose for which the corporation is formed
and shall show:
(a) the name of the corporation. If a mutual, the wora
"mutualn $n^{n}$ ( be a part of the name. An alternative name or
names may be specified for use in jurisdictions wherein
conflict of name with that of another insuref or
organization faight otherwise prevent the corporation from
being authorized to transact insurance therein.
(b) the duration of its existence, which may be
perpetual:
(c) the kinds of insurance, as defined in this code,
which the corporation is formed to transact;
(d) if a stock corporation, its authorized capital
stack and the number of shares of-common-stock into which
dividedv. Inese__shares_shall_be_issued_as_provided_in
35-1-601. except_that_the_par value_of any_class_sholl_not
be less than s1; the-par-vatue-of-eaeh-such-sharer-which-par
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> (e) if a stock corporation, the extent, if any, to which shares of its stock are subject to assessment;
> (f) if stock corporation, the number of shares subscribed, if any, by each incorporator;
> (9) if a mutual corporation the maximun contingent liability of its members, other than as to nonassessable policies, for payment of losses and expenses incurred. Such liability shall be stated in the articles of incorpordion but shall not be less than one or more than six times the premium for the member*s policy at the annual premium rate for a term of 1 year.
> (h) the minimum, not less than 5 , and the maximum, not more than 21 , number of directors who shall constitute the board of directors and condict the affairs of the corporation; also, the names. addresses, and terms of the nembers of the initial board of directors. The term of office of initial directors shall be for not more than 1 year after the date of incorporation.
(i) the name of the county, and the city, town or place within the county, in which its principal office or principal place of business is to be located in this state:
(j) such other provisions, not inconsistent with law, deemed appropriate by the incorporators;
(k) the name and residence address of each incorporator and the citizenship of each incorporator who is not a citizen of the fnited States."

Section ll. Section 33-3-431. MCA, is amended to read:
"33-3-431. Borrowed surplus. (1) $\dot{A}$ domestic stock or mutual insurer may borrow money to defray the expenses of its organizatione provide it with surplus funds, or for any purpose of its business. upon a written agreement that such money is requireci to be repaid only out of che insurer's surplus in excess of that stipulated in such agreement. The agreement may provide for interest not exceeding for-per onnum the amount provided in 31-1-107, which interest shall or shall not constitute a iiability of the insurer as to its funds other than such excess of surplusp as stipulated in the agreement. No commission or promotion expense shall be paist in connection with any such loan.
(2) Money so borrowed, together with the interest thereon if so stipulated in the agrement, shall not form a part of the insurer's legal liabilities except as to its surplus in excess of the amount thereof stipulated in the
agreement or be the basis of any setoff; but until repaid. financial statements filed or publisted by the insurer shall Show as a footnote thereto the amount thereof then unpaid together with any interest thereon accrued but unpaid.
(3) Any such loan to a mutual insurer shall be subject to the comaissioner's approval. The insurer shall, in advance of the loan, file with the comissioner a statement of the purpose of the loan and a copy of the proposed loan agreement. The loan and agreement shall be deemed approved unless within 15 days after date of such filing the insurer is notified of the commissioners disapproval and the reasons therefor. The commissioner shall disapprove any proposed loan or agreement if he finds the loan is unnecessary or excessive for the purpose intended or that the terms of the loan agreement are not fair and equitable to the parties, and to other similar lenders, if any, to the insurer, or that the information so filed by the insurer is inadequate.
(4) Any such loan to a mutual insurer or substantial portion thereof shall be repaid by the insurer when no longer feasonably necessary for the purpose orizinally intended. No repayment of such loan shall be made by a mutual insurer unless in advance approved by the comenissioner.
(5) This section shall not apply to Joans obtained by
> the insurer in ordinary course of business from banks and other financial institutions or to loans secured by pledge or mortgage of assets."

> Section 12. Section 33-20-206, MCA, is amended to read:
> "33-20-205. Mortality tables -- policies issued after operative date. (1) In the case of ordinary policies issued on or after the operative date of this section as defines herein, all adjusted premiums and present values referred to in this part shall be calculated on the basis of the commissioner"s $195 a$ standard ordinary mortality table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that $=$
> (a) such rate of interest shall not exceed 3 1/2才 per annum, except that a rate of interest not exceeding 4\% per annum may be used for policies issued on or after March 17, 1973, 3nd prior to July 1, 1979, and a rate of interest not exceeding $51 / 2 \%$ a year may be used for policies issued on or after July 1, 19791_and_a_rate_ofinterest_not exceeding 6_1/2\%_a_year_may be_used for single premium life insurance policies issued_on or after July ly_1981;
> (b) for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than 6 years younger

## than the actual age of the insured;

(c) in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the commissioner"s 1958 extended term insurance table;
(d) for insurance issued on a substandard basisp the calculation of any such adjusted premiums and present values may be based of such cther table of mortality as may be specified by the company and approved by the commissioner.
(2) After July 1 . 1961, any insurer may file with the commissioner a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1966. After the filing of such notice. then upon such specified date (which shall be the operative date of this section for such insurer), this section shall becone operative with respect to the ordinary policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this section for such insurer shall be January 1, 1966."

Section 13. Effective date. This act is effective on passage and approval.
-End-

## HUUSE BILL NO. 448

INTRUDUCED BY NORDTVEDT, VINCENT, WALLIN
a bill for an act entitled: man act to generally revise ASSET, LIABILITY, RESERVE, INTEREST, DEPOSIT, AND INVESTMENT redulpements relating to insurance companies; amending, SECTIONS 33-Z-59t. 33-2-502, 33-2-523, 33-2-531, 33-2-532. 33-2-611, 33-2-321, 33-2-822, 33-2-330, 33-2-332, 33-3-201, 33-3-431. ANO 33-20-206, MCA: AND PROVIDING AN TMHEDIATE effective ofte."
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Section 1. Section 33-2-502, MCA, is amended to read: "33-2-502. Assets expressly not allowed. In addition to assets impliediy excluded by the provisions of 33-2-501. the following expressiy shall not be allowed as assets in any determination of the financial condition of an insurer:
(1) goodwill. trade nafes, and other like intangible assets of such_insurer:
(2) advances to officers (other than policy loans). whether secured or not, and advances to employees, agents, and other persons on personal security only;
(3) stock of such insurer, owned by it. or any equity therein or loans secured thereby or any proportionate interest in such stock acquired or helj through the ownership by such insurer of an interest in another firm, corporation, or business unit:
(4) furniture fixtures (other than electronic data processing machines authorized under 33-2-501(11)). furnishingsp safes, vehicles, libraries, stationery, literature, and supplies fother-=then-as-authorized-under
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(a) in the case of title insurers, such materials and plants as the insurer is expressly authorized to invest in under 33-2-851; and
(b) in the case of any insurer, such personal property as the insurer is permitted to hold pursuant to part 8 of this chapter or wich is acquired through foreclosure of chattel mortgages acquired pursuant to 33-2-83l or which is reasonably necessary for the maintenance and operation of real estate lawfully acquired and held by the insurer other than real estate used by it for home office, branch office, and similar purposes:
(5) the amount, if any, by which the aggregate book value of investments as carried in the ledger assets of the insurer exceeds the aggregate value thereof as determined under this code."

Section 2. Section 33-2-523, MCA, is amended to read:
"33-2-523. Contracts on or after the operative date of 33-20-213 -- valuation. (1) This section shall apply to only those policies and contracts issued on or after the operative date of 33-20-213, except as otherwise provided in 33-2-524 for group annuity and pure endowment contracts issued prior to that date.
(2) Except as otherwise provided in 33-2-524. the minimum standard for the valuation of all such policies and contracts shall be the comissioner"s reserve valuation
methods defined in 33-2-525 and 32-2-526(3), 5\% interest far group annuity and pure endowment contracts and $31 / 2 \%$ interest for all other such policies and contracts or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after March 17, 1973, 4* interest for such policies issued prior to July 1, 1979, and $41 / 2 \%$ interest for such policies issued on or after July 1 , 1979, and 5 1/2 policies issued_on or after July li_198ly and the following tables:
(a) for all ordinary policies of life insurance issued on the standari basis. excluding any jisability and accidental death benefits in such policies, the commissioner"s 1941 standard ordinary mortality table for such policies issued prior to the operative date of 33-20-206, as amended, and the commissioner*s 1958 standard ordinary mortality table for such policies issued on or after that operative date, except that for any category of such policies issued on female risks; modified net premiums and present values, referred to in 33-2-525 and 33-2-526. may be calculated, at the option of the insurer with the approval of the commissioner, according to an age younger than the actual age of the insured;
(b) for all industrial life insurance policies issued on the standard basis, excluding any disability and
> accidental death benefits in such policies. the 1941 standard industrial mortality table for such pulicies issued prior to the operative date of 33-20-207, as amended, and the commissioner's 1951 standard industrial mortality table for such policies issued on or after that operative date;
> (c) for individual annuity and pure endowment. contracts, excluding any disability and accidental death benefits in such policiesp the 1937 standard mnuity mortality table or, at the option of the insurer, the annuity mortality table for 1949, ultimate, or any modification of either of these tables approvet oy the commissioner;
> (d) for group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies, the group annuity mortality table for 1951, any modification of such table approved by the commissioner, or, at the option of the insurer, any of the tables or modificetions of tables specified for individual annuity and pure endomment contracts;
> (e) (i) for total and permanent disability benefits in
> or supplementary to ordinary policies or contracts:
> (A) for policies or contracts issued on or after January 1, 1966, the tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the society of actuaries. with due

## regard to the type of benefiti

(B) for policies or contracts issued on or after January 1, 1961, and prior to January 1, 1963, either such tables or, at the option of the insurer, the class 3 disability table (1926); and
(C) for policies issued prior to January 1,1961 , the class 3 disability table (1926);
(ii) any such table shall, for active lives, be combinec with a mortality table permitted for calculating the reserves for life insurance policies;
(f) (i) for accidental death benefits in or supplementary to policies:
(A) for policies issued on or after Jansuary 1. 1966. the 1959 accidental death benefits table;
(き) for policies issued on or after Janusiry 1. 1961, and prior to January 1, 1966, either such table or, at the ontion of the insurer, the intercompany double indemnity mortality table; and
(C) for policies issued prior to January 1,1761 , the intercompany double indemnity mortality table:
(ii) either teble shall be combined with a mortality table perinitted for calculating the reserves for fife insurance policies;
(g) for froup life insurance, life insurance issued on the substandard basis and other special benefits, such
tables as may be approved by the commissionera"
Section 3. Section 33-2-531, MCA; is amended to read:
"33-2-531. Deposit of reserves -- domestic iffe insurers. (1) Domestic life insurers shall deposit and maintain on deposit, in securities and assets, with depositaries and subject to conditions as provided for in part 6 of this chapter, an amount not less than the reserves on its outstanding life insurance policies and annuity contracts, as valued under 33-2-521 through 33-2-526.
(2) Annually on or before April 1 , the insurer shall so deposit any additional such securities required under subsection (1) and related to the increase of such reserves Juring the calendar year next preceding, as determined from the insurer"s annual statement as at December 31 of such preceding year.
(3) A domestic stock life insurer may credit toward such deposit the emount of any otner deposit of the insurer held under part of this chapter for the protection of its policyfolders or of its policyholders and creditors.
(4) Deposits of the reserves of a domestic life insurer under this section shall consist of securities and assets acquired and valued in accordance with port gerts_s and 0 of this chapter rexeept-that-seeurities-acquired-under 33-z-8z9-are-not-etigibte-for-deposit.
(5) Real estate mortgage loans, chattel mortgage
$H^{2} 443$
loans, and palicy loans may be made a part of the deposit by filing a verified statement of the losins with the commissioner, which stātement shali be subject to audit jt all tines by the commissioner. fonnegotiable securities where deposited with the comaissioner shall be accompanied by transfer powers in due form. If the insurer uses real estate acquired under 33-2-832 as a deposit, then a deed of trust, mortyasio or other instrument sufficient to convey a security interest in such real estate, in a form acceptable to the commissioner, shall be completed in due form and recorded prior to being deposited with the comitissioner.
(6) If default occurs in the payment of interest or principal of any deposited security and such default continues for a period of 120 days. the comaissioner myy declare such security no longer eligible for deposit under this section."

Section 4. Section 33-2-532, MCA, is amended to read:
"33-2-532. Valuation of bends debt-securities. (1) (a) All bonds of other evidences of debt having a fixed ter and rate of interest held ay an insurer mar, if amply secured to the extent reguired_by this_code and not in default as to the_payment_of principal or interest, be valued as follows:
(i) if purchased at par or at an_amount_equal_tothe remaining ungaidngincipal balance, at the par value or the remaning ungaid princigal_balance together with accrued

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

Section 5．Section 33－2－611，MCA，is amended to read：
m33－2－611．Deficiency of deposit－－revocation of certificate． $\mathbf{4 F - f o r - a n y - r e a s e n ~ E x c e p t ~ a s ~ t o ~ t h e ~ d e p o s i t ~ o f ~}$ reserves of donestic life insurers pursuant to 33－2－531：if the market value of assets and securities of an insurer held on deposit in this state or in another state under custodial arrangements authorized by 33－2－604（3）falls below the amount required under this code to be so held，the insurer shall promptiy deposit other or additional assets or securities eligible for deposit under this part and in amount sufficient to cure such deficiency．If the insurer
has failed to cure the deficiency within $\mathbf{z} \theta \mathbf{3 0}$ days after receipt of notice thereof by registered or certified mail fram the commissioner，the commissioner shat＋may，in his discretiong forthwith revoke suspend the insurer＇s certificate of duthority until the deficiency is curedg and way revoke the certificate of authority，after＿a＿hearing thereon pursuant to 33－2－1911）if the deficiency is＿not cured within＿lyear＊＊

Section 6．Section 33－2－821，MCA．is amended to read：
w33－2－821．Insurance stocks．（1）An insurer may invest in the stocks of other solvent insurers formed under the laws of this or another state，which stocks meet the эpplicable requirements of 33－2－819 and 33－2－8＜0．
（2）With the commissioner＇s consent，an insurer may acquire and hold the controlling interest in the outstanding voting stock of another stock insurer formed under the laws of this or another state．Alt－stocks－under－this－stabsection shat＋－be－subject－to－the－timitation－as－to－amount－as－－provided


Section 7．Section $33-2-822, M C A$ ，is amended to read：
＂33－2－822．Stacks of subsidiaries．With the
commissioner＇s consent，an insurer may invest inthe－stoek of－its－subsidfery－insurance－eorporatron－or in the stock of one＿or more＿of its subsidiary business eorporation－formed under－the－taws－of－this－state－and corgorations necessary and

shall prohibit any investment by reason of the existence of any prior lien for jround rents, taxes, assessments, or other similar charges not yet delinquent. This section shalr not be deemed to prohibit investment in mertoges or similar obligations when made under 33-2-828.
(2) "Improved real estate" means all firm lands used for tillage, crop, pasture, or timberlands and all real estate on which permanent improvements suitable for residential, institutional. commercial, or industrial use are situated.
(3) (a) No such mortgage loan or loans made or acquired by an insurer on any one property shally at the time of investment by the insurer, exceed the larger of the following amounts as applicable:
(i) 30\% of the value of the real property of leasehold securing the same, provided, however, if said real property or leasehold consists of one- or two-fatily residential property, $90 \%$ of said value;
(ii) the amount of any insurance or guaranty of such loan by the United States of America or by any ayency or instrumentality thereof; or
(iii) the amounts provided in subsection (i) herein. plus the amount by which the excess of such loan over such amount is insured or guaranteed by the united states of America or by any agency or instrumentality thereof.
(0) In the case of a purchase money mortgage given to secure the purchase price of real estate sold by the insurer, the amount so loaned or invested shall not exceed the unpaid portion of the purchase price.
(4) No such mortgage loan or loans shall be made or acquired by an insurer except after an appraisal made by a qualified appraiser for the purpose of such investment.
(5t--No-sueh-mortgage--Hoan--made--or--acquired--by--an tnstrer--whten-is--a-partitioation-or-z-part-bf-a-serites-or issue-steuret-by-the-same-mbrtgege-ef-deed-ef-trast-shat子-be a-łanfuł-investment-ander-this--section--tntess--the--entife serites--or-issue--which--is-seeured-by-the-same-mortgrge-or deed-ef-trust-is-heta-by-sueh-insuret-or-untess-the--insurer hotis--a--senier--partietpation--in-sueh-mortgage-of-deed-of trusty--siving--it--substantiatfy-the--fights--of-a--first mortgageem
totis No mortgage foan upon a leasehold shall be made or acquired pursuant to this section unless the terms theref 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 tern 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.

161_An insurer may invest in a_note secured by a_new first mortgage 2 deed of trust\% or trust indenture_upon improved_real property when_the real property_secures_an existing_first_mortgages_deed of trustior_trust_indenture on_which the remaining_princigal balance due_ong_owing is less_than__40\%_of the_current_operaised_value. The_regular periodic_payment_on the_new note_shall be_in_a_freguency_and of a_sufficient_amount _that_will*__ugon_payment_of_each installment _opay_the original obligation_pursuant_toits terms and amortice the nem_note with its termse"

Section 9. Section 33-2-832, MCA, is amended to read:
n 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:
(1) the 1 and 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.
(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;
(3) real estate acquired in part payment of the consideration on the sale of other real estate owned by it
if such eransaction does not increase the insurer*s
investment in real estate;
(4) real estate acquired by gift or devise or through
merger, consolidation, or bulk reinsurance of another
insurer under this code;
(5) the seller"s interest in reai property subject to
an agreement of purchase or sale. The sum iovestes in any
such parcel of real estate shall not exceed $90 \%$ of the
market value of such parcel provided the same consists of
one- or two-family residential property and aoz of the market value of all other such parcels of real estate.
(6) real estate or any interest therein acquired or held by purchase, lease, or otherwise, other than real estate to be used primarily for agricultural, ranch, miningy development--of--ort--or--minerat-mpesoureest recreational. amusement, or club purposes, acquired as an investment for the production of income or acquired to be improved or developed for such investment purposes pursuant to an existing program therefor. The insurer may nold, improve, develop, maintain, manage, lease, selly and convey real estate acquired by it under this provision. An insurer shall not, except with the commissioner's consent, have at any one tine invested in real estate under this subsection

(7) additional real estate and equipment incident to
real estate if necessary or convenient for the purpose of enhancing the sale or other value of real estate previously acquired or hela by the insurer under subsections (2), (3), (4) - or (6) of this section. Such real estate and equipment shall be included. together with the real estate for the enhancement of which it was acquired, for the purpose of applicable investment limits and shall be subject to disposal at the same time and under the same conditions as applying to such enhanced real estate under 33-2-841.
(8) except with the commissioner's consent, all real estate owned by the insurer under this section, excegt for real estate acguired_according to subsection_12land except as to seller"s interest specified in subsection (5), shali
 assets."

SECIION 10. SECTION 33-3-201: MCA, IS AMENDED IO_READ:
-33-3-201. Incorporation. (1) This section applies to stock and mutual insurers hereafter incorporated in this state.
(2) Five or more individuals, none of whom are less than 18 years of age, may incorporate a stock insurer. Ten or more of such individuals may incorporate a mutual insurer. At least a majority of the incorporators shall be citizens of the United States. At least a majority of the incorporators shall be residents of this state.
(3) The incorporators shall execute articles of incorporation in quadruplicate and acknowledge their execution thereof in the same manner as provided by law for the acknowledgment of deeds. The articles of incorporation shall state the purpose for which the corporation is formed and shall show:
(a) the name of the corporation. If a mutual, the word "mutual" must be a part of the name. An alternative name or names may be specified for use in jurisdictions wherein conflict of name with that of another insurer or organization might otherwise prevent the corporation from being authorized to transact insurance therein.
(b) the duration of its existence, which may be perpetual;
(c) the kinds of insurance, as defined in this code. which the corporation is formed to transact;
(d) if a stock corporation, its authorized capital stuck and the number of shares of-common-stoek into which dividedva Ihese_shares_shall be_issued_as_orovided_-in 35-1-691, except_that_the_paf valye_of_any class shall not be less_than \$1i the-par-vatue-of-each-sueh-sharer-whith-par vatue-shat+-be-at-least-stw--Shares--without--par--vatae--or other--than--one--efass--of-voting-commen-sterk-shat+-not-be authorizeds-Fhe-artictes-of-incorporation-may-timit-of-deny present--or--future--stockhot ders-preemptive-or-preferentiat


#### Abstract

 debenturesp-or-other-ob+igations-convertibłe-tnto-stockp-of the-eor porationt-subject-to-the-taws-of-Montena--fixing-the required---representation---and--proportion--of--outstanding épitot-stoek-required-to--be--represented--and--votedr--for speeifiea---actiony--dt--any-mat-atl--eerporate--meetingst etectionst-votest-or-consent-preceedings: (e) if a stock corporation, the extent, if any, to which shares of its stock are subject to assessment: (f) if a stock corporation the number of shares subscribed, if any, by each incorporator; ( G$)$ if a mutual corporation, the maximm contingent liability of its members, other than as to nonassessable policies, for payment of losses and expenses incurred. Such liability shall be stated in the articles of incorporation but shall not be less than one or more than six times the premium for the member's policy at the annual premium rate for a term of 1 year. (h) the minimump not less than 5 , and the maximump not more than 21 , number of directors who shall constitute the board of directors and conduct the affairs of the corporation; also, the names, addresses, and terms of the members of the initial board of directors. The tern of office of initial directors shall be for not more than 1 year after the date of imorporation.


(i) the name of the county, and the city, town or place within the county, in which its principal office or principal place of business is to be located in this state;
(j) such other provisions, not inconsistent with law. deemed appropriate by the incorporators;
(k) the name and residence address of each incorporator and the citizenship of each incorporator who is not a citizen of the United States."

Section 11. Section 33-3-431. MCA, is amended to read:
"33-3-431. Borrowed surplus. (I) A domestic stock or mutual insurer may borrow money to defray the expenses of its organization, provide it with surplus funds, or for any purpose of its business. upon a writen agreement that such money is requires to be repaid only out of the insurer"s surplus in excess of that stipulated in such agreement. The agreement may provide for interest not exceeding fot-per annum the amount provided in_31-1-107, which interest shall or shall not constitute a liability of the insurer as to its funds other than such excess of surplus, as stipulated in the agreement. No commission or promotion expense shall be paid in connection with any such loan.
(2) Money so borrowed, together with the interest thereon if so stipulated in the agreement, shall not form a part of the insurer"s legal liabilities except as to its surplus in excess of the amount thereof stipulated in the
agreement of be the basis of any setoff; but until repaid, financial statements filed or published by the insurer shall show as a footnote thereto the amount thereof then unpaid toyether with any interest thereon accrued but unpaia.
(3) Any such loan to a mutual insurer shill be subject to the commissioner's approval. The insurer shall. in advance of the loan, file with the commissioner a staiement of the purpose of the loan and apy of the proposed loan agreement. The loan and agreement shall be deemed approved unless within 15 days after date of such filing the insurer is notified of the commissioner's disappruval and the reasons therefor. The commissioner shall disapprove any proposed toan or agreement if he finds the loan is unnecessary or excessive for the purpose intended or that the terms of the loan agreement are not fair and equitable to the parties, and to other similar lenders, if any, to the insurer. of that the information so filed by the insurar is inadequate.
(4) Any such loan to mutual insurer or substantial portion thereof shall be repaid by the insurer when no longer reasonably necessary for the purpose orifinally intended. No repayment of such loan shall be made by a mutual insurer unless in advance approved by the commissioner.
(5) Ihis section shall not apply to loans obtained by
the insurer in ordinary course of business from banks and other financial institutions or to loans secured by pledge or mortgage of assets."

Section 12. Section 33-20-206, MCA, is amended to read:
"33-20-205. Mortality tables -- policies issued after operative date. (1) In the case of ordinary policies issued on or after the operative date of this section as defined herein, all adjusted premiums and present values referred to in this part shall be calculated on the basis of the commissioner's 1953 standard ordinary mortality table and the rate of interest specified in the policy for calculating cash surfender values and paid-up nonforfeiture benefits, provided that:
(a) such rate of interest shall not exceed $31 / 2 \%$ per annum, except that a rate of interest not exceeding $4 \%$ per annum may be used for policies issued on or after March 17 , 1973. and prior to July l. 1979, and a rate of interest not exceeding 5 1/2\% a year may be used for policies issuer on or after July 1, 1979, and_a_rate of interest not exceeding 6_1/2\%_ayear may_be used_for single_premium life_insurance policies_issued_on_or ofter july_1, 1981;
(b) for any category of ordinary insurance issued on female risks, edjusted premiums and present values mar be calculated according to an age not more than 6 years younger
than the actual age of the insured;
(c) in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the commissioner's 1958 extended term insurance table;
(d) For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such cther table of mortality as may be specified by the company and approved by the commissioner.
(2) After July 1, 1961, any insurer may file with the comissioner a written notice of its election to comply with the provisions of this section after a specified date defore January 1. 1966. After the filing of such notice, then upon such specified date (which shall be the operative date of this section for such insurer), this section shall become operative with respect to the ordinary policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this section for such insurer shall be January 1, 1966."

Section 13. Effective date. This act is effective on passage and approval.
-End-

HOUSE BILL NO． 448
INTRODUCED BY NORDTVEDT，vINCENT．WALLIN
a BILL FOR AN ACT ENTITLEO：＂AN ACT to GENERALLY REVISE
 requirements relating to insurance companies；ahending
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regard-te-the-type-of-benefttt
tBt--for-policies--or--contracts--tssued--on--or-after

tabtes--ory--at--the--option--of--the--insurery--the-etass-3
trsobitittr-tab+e-t+9z6t+-and
 etass-3-disobstity-tabte-ti9ztit
titi-any-such--tabte--shatr--for--active--tivesw--be Combined-with-a-mortatity-tabte--permitted--for--eatentating the-reserves-for-tife-insurance-potietest
ffi-liti-for----bectdentot---death---benefites--in---or supptementary-te-potrerest
fAt--for-patifies-issued-on-or-after-danwary--ty- $\mathbf{1 9 6 6 7}$ the- $\mathbf{2 9 5 9 - a c e i d e n t a t - d e a t h - b e n e f i t s - t a b t e t ~}$
 and-prior-te-fonvery-ty- $\mathbf{4 9 6}$, option-of--the--insurery--the-intercompany-doubte-indemnity mortatrty-tabtet-and
t母f-For-poticies-issued-prior-to-tantary-tr-496ty--the Tnt ereompany-daubte-个ndemity-mertatity-tablet
tifiteither--table--shat+--be-combined-with-a-mortatity coble--permitted--for-catentoting-the--reserves--for--life insuranee-potietest
tgt--for-group-tife-insuraneer-tife-insuronee-tssuedion the--stabstandard--basts--and--other--speefat--benefitsp-sueh

## tabłes-as-may-be-approved-by-the-commissjoner * $_{\text {* }}$

Section l. Section 33-2-531, MCA, is amended to read:
"33-2-531. Deposit of reserves -- domestic ife insurers. (1) Domestic life insurers shall deposit and maintain on deposit, in securities and assets, with depositaries and subject to conditions as provided for in part 6 of this chapter, an amount not less than the reserves on its outstanding iffe insurance policies and annuity contracts, as valued under 33-2-521 through 33-2-526.
(2) Annually on or before April 1 , the insurer shall so deposit any additional such securities required under subsection (l) and related to the increase of such reserves during the calendar year next preceding, as determined from the insurer's annual statement as at December 31 of such preceding year.
(3) A domestic stock life insurer may credit toward such deposit the amount of any other deposit of the insurer held under part 6 of this chapter for the protection of its policyholders or of its policyholders and creditors.
(4) Deposits of the reserves of a domestic life insurer under this section shall consist of securities and assets acquired and_yalued in accordance with part parts 5 and 8 of this chaptert-except-that-securities-aequifed-under 3H-z-\&29-are-mot-etigible-for-deposit.
(5) Real estate mortgage $\ddagger$ oans; chattel mortgage
loans．and policy loans may be made a part of the deposit by filing a verified statement of the foans with the commissioner，which statement shall be subject to audit at all times by the commissioner．Nonnegotiable securities where deposited with the comissioner shall be accompanied by transfer powers in due forme If the insurer uses real estate acquired under 33－2－832 as a deposit，then a deed of trust．wortgage or other instrument sufficient to conver a security interest in such real estate，in a form acceptable to the commissioner．shall be completed in due form and recorded prior to being deposited with the commissioner．
（6）If defaglt occurs in the payment of interest or principal of any deposited security and such default continues for a period of 120 days，the commissioner may declare such security no longer eligible for deposit under this section．＂

Seetrom－4．－－Section－－37－Z－532，－MEAv－is－amended－to－peath
M33－2－53z＝－Vatuation－－－of－－－－bonds－－－debt－こ＝seeurities＊ fIf－fot－－4＋4－bonds－or－other－evidences－of－debt－having－fixed term－and－rate－of－interest－hetd－by－an－insurer－mayr－if－－ampty
 defotit－ds－to－the二＿Reymentz＿of－－prineipat－or－－interestv－－be vetured－as－fottowst
tit－if－－puretwacd－at－por－or－gt－on－omount－egual－to－the


## 

 interest＊titt－if－purehased－above－or－betow－pary－on－the－bests－of the－－purchase－priree－adjusted－so－as－to－bring－the－vatue－ze－par ot－mbturitr－and－so－as－te－yietd－in－the－meantime－the－effective rate－of－interest－bt－whi eh－the－purchase－was－matev－or－in－－tiet of－－sueh－－methodt－－aceording－－to－－sueh－－tie eepted－－method－－of vot uation－es－is－approved－by－the－cominissioner．
tbt－－Purehase－$\ddagger$ f－purehosedy－the－purehose－prite－shot＋－in no－ease－be－taken－at－a－htgher－figure－than－the－betuat－－market vatre－－at－the－ttme－－of－－purehasep－－ptus－－actuot－brokeragev transferf－－postageq－－0r－－express－－－Charges－－－paid－－－in－－the acquisition－of－such－sectritiesw
tet－－thates s－otherwise－provt ded－by－vatuation－estabtished or－－approved－－by－the－commisstonery－ne－such－secufity－shati－be earried－at－above－the－eat＋－priee－for－the－entire－issue－－during ony－period－within－whieh－the－sectirty－may－be－so－eattedr

士位二No二－


 terms－of－thetrenstetionv－Assets－teguired－in－ony－t－rear－by exehonge－end－vetued－in－tecorganee－with－the＝provistons－of this＝－subseetion－－ftitdi－－mar－not－exceed－2青－of－the－insurerss

 For－girlasuch－debt－security－being－gequired－by＝the＝insurer二moy not－exeest－the－greater－of－the－market－vatuey－coti－pricey－por Vatueg＝－or－remuiningzonpoid－principat－botancev－tpgether－with


 given－byニtne二insurerーin＝thezexthongex－aditstedzepgropritety
 exeess－of－por－regarding－bonds－ond－for－porments－ureceived－－in
 instotiment＝obtigationse
 determining－－the－－method－－of－eateutating－vatues－oecording－to the－rithes－set－f orth－in－this－section＝＂

Section－5\％－－Seetion－33－2－6t tr－MEAv－is－omended－to－－readt

 reserves＝－of－donestie二ife－insurers＝pursuant－to二33－2－53ty＝if the－morket－vetue－of－assets－and－seeurities－of－un－insorer－hetd on－deposit－in－this－state－or－in－onother－stete－under－custodidal arfangements－－abthorited－－by－－33－2－604f3t－fatls－－betaw－the amount－－requiped－－under－this－eode－te－be－so－hetdv－the－inyurer shot＋－－prompt＋y－－deposit－－other－－or－－additionat－－assets－－－or seeurities－－etryibte－－fer－－deposit－－under－－this－－port－nnt－in
omovnt－suffiefent－to－enfe－sueh－defitieney－－7f－the－－insurer hos－－faized－to－－eure－the－deficiency－within－z－3日－days－after feceipt－of－notice－thereof－by－regtstered－or－certified－－met + from－－the－－cominssioner p－－the－conmisstoner－shatl－mory－in－his diseretiony－－Torthwith－－－revoke sqigend－－－the－－－insurerks eertificate－of－authority－ngity－the－defietency－is－curedg－and

 Ewred－within－t－rear＊＊

Section－6＂－－5ection－33－z－82tv－MEAv－is－anended－to－read＊
－33－2－82tw－－Insurance－－－stoeksw－－－tty－－An－－insurer－－mey tnvest－in－the－stoeks－of－other－sotvent－insurers－formed－under the－－taws－of－－this－－or－another－steter－whieh－stoeks－meet－the apptreable－requirements－of－33－z－8t9－and－33－z－8ze．
fZi－With－the－comwissionerls－consentr－－on－insurer－－may acquire－and－hotd－the－controtting－interest－in－the－outs tanding voting－－stock－of－snother－stack－insurer－fofmed－under－the－taws of－this－or－another－stater－A＋t－stocks－ander－this－－subsection stol＋－－be－subjeet－t日－the－timitation－as－to－amount－os－provided fn－33－z－82Z．

Seetion－7：－－Section－33－Z－8ZZv－MEAv－is－amended－to－reodt
 eammistioner＾s－eansenty－an－insur er－may－invert－in－－the－－stent of－－tts－－sabsirdiary－insurance－corporation－or－in－the－stock－of one－or－more二of its－subsidiary－bust ness－－eorporation－－formed
under-the-taws-of-this-state-and-eorporations-neeessary-and of-inetidentat-to-the-convenient-operation-of--the-insurerns insuranee--business--or--to-the-administration-of-any-of-its investments=-4 $\boldsymbol{H}$--of-the--insurefes--invest ments--under--this section--shrit--not--ot-any-time-exceed- $I \theta$ t-of-the-investing imsurerks-assetsw--For--the--pur poses--of--this--seetiony--a "subsidieryn-its--e--corporation-of-whith-the-insurer-owns-s mojority-of-the-outstanding-shofes-of-att-voting-stoek":

Sectron- 0 - - Section-33-2-83 $\theta_{\sigma}$ - HEAv-is-amended-to--readt
 invest-any-of-its-funds-in-bonds y-notesv-or-other--evidences of--indebtedness--whreh--are--secured--by-first-mortgeges-or deeds-of-trust-upon-improved-reat-property--toeated-in--the binted--5totes--or--Eanado--or--which--are--secured-by-first mortgages-or-deeds-of-trust-upon-teasehold-estates-having-an unexpired-term-of-not-tess-than-zt-yearst-inctusive--of-the term--or--terms-whieh-may-be-provided-by-enforceabte-options of-renewety-in-improred-reat-property-toeated-in-the--tinted States--or--Eansdidu--tn--oth-eases-the-seetrity-for-the-toon must-be-a-first-tien-upon-suem-reat-propertyp-and-there-must not-be-any-condition-or-right-of-reentry-or--forfeiture--not insured--against--under-whiehv-in-the-case-of-reat-property other--than--teaseholdsp--sueh--tien--ean--be--etot--off---or subordinoted--or--otherwise-disturbed-or-under-whiehy-in-the ease-of-teasehofdsp-the-insurer-ts-onable--to-continue--the

Hease--in-force-for-the-dafation-of-the-toanw-Nothing-hertin shat+-prohibit-any-investment-by-reasen-of-the-existence--of any--prior--fien--for--ground--rentsv-tbxesp-assessmentsp-er other-stmitar-eharges-net-yet-detinquenta-Fhis-seetion-shat not-be-deened-to-pronibit-investment-in-mortgeges-or-simitar obligations-when-made-under-33-2-328.
 for--tittage,-eropy--pastorey-or-timbertands-and-at+-reat estate--on--which--permanent--improvements---suitabte---for Fesidentistr-institutionotv--commerctatv-or-industriat-ose are-stequtedi.
t $3 \boldsymbol{f}-\mathrm{f}$ at-No--sueh--mortgage--Hoan--or--7oans--made---or acquired--by-an-insurer--on-any-one-property-shatty-at-the time-of-inrestment-by-the-insuren-lexeeed-the-targer-of-the fottowing-amounts-as-appticabter
try--8日前-of-the-vatue-af-the-reat-property-armeasehofa seeuring--the-samep-providedv-howeverv-if-said-reat-property or-teasemotd-eonsists--of--one--or--two-famity--restrentiat

tift-the-amount--of--any-insur once-or-gomonty-of-such foan-by-the-binited-5tates-of-Amerifa-or--by--any-ageney-or instrumentetity-thereoft-or
titit-the--amounts--prorided-in-subsection-tit-heretnt phos-the-amount-by-which-the-excest-of-stuch-toon-over--such anount--is--insured--or--guaranteed-by-the-bnited-stotes-of

Ame fiea－or－by－any－abency－or－inst rumentatity－thereofo
fbt－In－the－ease－of－t－purehase－money－mortgage－given－－to seetre－－the－－purehase－－price－－of－reat－estete－sotd－－by－the Tnsurert－the－amount－90－7paned－or－invested－shatt－－not－－exeeed the－unpait portion－of－the－purehese－pricen
t4t－－No－－sueh－－mor tgage－－＋aon－or－Hans－shatt－be－made－of aequired－by－an－insurep－except－after－an－appraisat－made－－by－a quatified－approister－for－the－purpose－of－sueh－investanty
t $5 \boldsymbol{j}$－－Mo－－sueh－－martigege－－toon－－made－－or－－bequired－by－an insurer－which－rs－a－participation－or－a－port－of－e－－serites－－or isste－secured－by－the－same－mortgage－or－deed－of－trust－shat＋－be －－Fawfot－investment－－under－－this－section－untess－the－entire series－or－issure－which－ss－seeured－by－－the－－same－－martgage－－or deed－－of－trust－is－heta－by－3uch－insurer－or－untess－the－insuper hotds－a－sení or－porticipation－in－such－－mortgege－or－－deed－－of trostr－－giving－－it－－substontiotif－the－rtghts－－of－a－first mortgageev
t6t15t－－No－mortgage－7ar－upon－a－teasehotd－shat＋－be－made or－aequiret－pursuant－－to－this－－section－－untess－－the－－terns thereaf－－shat＋－－provide－for－amortization－payments－to－be－made by－the－borromer－on－the－principat－thereef－at－－teast－－onee－－in each－－year－－in－amounts－suffierent－comptetety－to－amortize－the Hoan－within－a－perifod－of－－four－fifths－－of－－the－terw－－of－－the teasehofdr－thetustre－of－the－term－whith－mar－be－prowided－by－an enforeeabte－－option－－of－－renewoty－whieh－is－unexpired－at－the
time－the－toan－is－解何－but－in－no－event－exceeding－－35－－yearss


 existing－first－mortgogev－deed－of－trysty－or－－trust－indenture

 eeriodic－poyment－on－the－new－note－3hett－bein－a－frequency－snd

 terna－and－onortize＝thenem－note＝with＝its＝ternsw

Section－9：－－fection－－33－z－83z，－MEAT－is－amended－to－readt
－33－z－63z＊－－Reat－estotev－An－insturer－mar－invest－in－reet estate－anty－if－used－for－the－－purposes－or－－oequifed－－in－－the mbnners－and－within－the－timits－as－fottowst
t＋t－－the－tand－and－the－buitdings－thereon－in－whieh－ite－has its－－prineipat－offite－and－sueh－other－reat－estate－as－shati－be requisite－－for－－－its－－－eonvenient－－－acemodation－－－in－－－the transbetion－－of－tts－business．Ex cept－with－the－consent－of－the Commissionerv－zt＋－sulf－investments－shott－not－bsgregate－－more than－5第－of－the－insurerss－assetsw
tzt－－reat－－estate－－acquired－－in－－satisfaction－of－toansy mortgagest－itiensp－judgmentsp－dec reest－－or－debts－－previeusty owing－to－the－insurer－in－the－course－of－its－businesst
t3f－－reat－－estate－－bequired－－in－－part－－porment－－of－the


#### Abstract

consideration－on－the－sote－of－other－rest－estate－owned－－by－－rt if－－－sueh－－－tpansaetion－－does－－not－inerease－the－－insuferss investment－in－reat－estetet tht－－reaz－estate－aequired－by－gift－or－devise－or－through mergerp－－－consotidotionv－－or－－buth－－reinsuranee－－of－－another insurer－under－this－eodet t5t－－the－set＋erns－interest－in－reat－property－subject－－to on－－agr eement－－of－－purchase－or－3atew－Fhe－sum－invested－in－any sueh－percet－of－reat－estate－－shatt－not－－exeeet－403－－ef－－the market－－vatue－of－－sueh－pareet－provided－the－same－eonsint g－of one－－op－two－famity－restdentiat－property－－and－8日z－－of－－the morket－value－of－at7－other－such－parcets－of－reat－estater t6f－－reat－－estate－－or－－any－interest－therein－acquired－or hetd－by－purchasev－－teasev－－or－－otherwisey－other－－then－－feat estate－to－be－used－primarity－for－agrieuteuraty－ranehy－miningy devetopment－of－－oit－－or－－nintrer－－resourcest－－recreationaty nasementr－ar－etub－purposesy－gequired－os－tn－－investment－－for the－－production－－of－－income－－or－－acquired－to－be－improved－or developed－－for－－stich－－imvestment－porposes－－pur sutnt－－to－an extyting－－pir agram－－therefory－－Fhe－insurer－may－hotdy－improvey devetepr－moinkaing－manageq－－teasey－－set＋y－ond－eonver－－reat estete－－aequired－－by－－it－－under－－this－provistionv－－An－insurer shatl－notr－exeept－with－the－cominisionerss－eonsentr－－have－－at any－－one－time－invested－in－reat－estate－under－this－subsection 


－19－
t7f－－additiomat－reet－estote－tind－equipment－－ineident－－to
Feot－－estate－if－－neeessary－or－eonventent－for－the－purpese－of
enhaneing－the－sate－or－other－vatue－of－rest－estate－－previeusty
dequited－－or－hetd－by－the－insarer－under－subseetrons－ftyr－t3ty
t4ty－or－16t－of－this－sectionv－Sueh－reat－estate－and－－equipment
shatt－－be－inctudedv－－tegether－with－the－reat－estete－for－the
enhaneement－of－which－it－was－acquiredv－for－－the－－purpese－－of
app＋icabte－－－investment－－＋imits－－and－－shat＋－－be－－stbject－－to
disposot－ot－the－seme－time－and－under－the－some－－conditions－as
opplying－to－surh－enhanced－reat－estate－under－3y－z－84：
t－t－－exeept－－with－the－comatssioner＊s－consenty－att－reat
estote－owned－by－the－insurer－onder－this－sectionv－－exeept－二血
reat＝二estote－begutres－occorgtng－to subsection－tzt－ond－exeept
as－to－setteras－interest－specifited－in－subseetion－－45ty－－shoty
assets＝․
stock－and－matury－insurers－～hereafter－－incorpornted－－in－－this
stoter
HZt－Fire－－or－more－indivituatsv－none－of－whom－are－tess
than－tA－Years－of－ager－may－ineorporate－a－stock－－insurery－－Fen
or－－more－－of－－such－－individuats－－mey－－ineor porote－－b－－mutuat
insurer＊－At－least－a－majority－of－the－ineorporators－－9hatt－－be
eitizens－－of－the－－bntted－statesf－At－teast－tmojority－of－the
col－－estate－44－－neessary－of－conventent－fof－the－purpose－of
$-t o$
－as
incorpsraters-shatt-be-resitunts-of-this-stater
 incorporation---in---quadruplicate---and--acknowtedge--their execution-thereof-in-the-same-manner-as-provided-by-taw-for the--aeknowtedgment--of-deeds*-Fhe-artietes-of-ineorporation shat+-state-the-purpose-for-whith-the-corporation-ts--formed and-shatt-show:
tot--the-name-of-t he-eorpor ations- $\ddagger$ f-a-mutuaty-the-word amatuat*--must-be-e-part-of-the-namer-An-etternative-name-or nomes-may-be-specified-for--use-in--jupiadictions--wherein conftict---of--name--with---that--of--znother--insurer-or organizetion-might-otherwise-prevent--the--corporation--from berng-ath horized-to-transact-insuranee-thereinu
fbt--the--duration--of--its--existencer--whteh--may-be perpetuat:
tet--the-kinds-of-insurancev-as-defined-in--this--eoder whith-the-eorporation-is-formed-to-transatt
fdt--qf-a--stock-cor porationt--its-authorized-capital stoek ond the-number-of-shares-of-commen-steek--into-whieh Civided.
 be-tess_than-stt-the-par-vatue-of-each-sueh-shorev-whith-par vatue--shatt--be--at--teast--stw-5hares-without-par-vatae-or other-thon-one-elass-of-voting-common--stock--shatl--not--be authortzedv--Fhe-artretes-of-ine orporation-mar-timit-or-deny
present-or-future-stockhotders--preemptive--or--preferentid rights--to-aequife-additionot-is sues-of-the-stoekr-or-bendsw debentaresp-or-other-obtigations-convertibte-into-stockp--of the--corporationv--subject-to-the-Haws-of-Montana-fixing-the required--representation--and--proportion---of---outstanding eapitat--stock--required--to--be--represented-and-votedp-for speetfied--actions--at--any--and--att--eor porate---meeting eteetionsy-votesp-or-eonsent-proceedings:
tet--if--a--stock--eor porationv--the-extenty-if-anyv-to which-shares-of-tes-stock-ore-subject-to-assessment
ffi-ntif--stoek--eorporationv--the--number--of--shares subsertbedy-if-anyp-by-each-incorporatoft
tgł--tf--a--nutuot--eor porationv-the-maximum-contingent trabytity-of-its-membersw-other--than--as--to-nonassessabte potietest--for-payment-of-tosses -and-expenses-ineurredw-sueh titbitity-shatl-be-stated-in-the-artietes-of--incorporation but--shat+--not--be-tess-then-ane-or-more-than-six-times-the premium-for-the-memberas-pofity-at-the-annuat--premium- mate for-z-term-of-t-year:
thy--the-mintmant-not-tess-than-5v-and-the-maximump-not more--than-Zzt-namber-of-direetors-who-shati-constitute-the beard--of--dtrectorg--and--eonduct--the---affairs---of---the corporationt--atsor--the--namesy-addressesp-and-terms-of-the members-of-the-initiaf--board--of--directersw--fhe--term--of offite--of--inttiat--directors--shatt-be-for-not-more-thon-t
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tif－－the－mame－of－the－countyp－and－the－－ettyp－－townv－or place－－within－－the－－eountrw－in－which－its－prineipat－office－or prineipat－ptace－of－business－is－to－be－toceted－in－this－－statef
tjt－－sueh－－other－provistonsv－not－inconststent－with－ław see肖ed－appropriate－by－the－ineorporatorst
th t－－the－－name－－－and－－－res idence－－－address－－－of－－－each incorporator－and－the－eitizenship－of－each－ineorporator－whe－is not－a－citizen－of－the－binited－5tetes．＊

Seetion－tily－－5ection－33－3－43t\％－MEAV－is－3mended－te－reode
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 ar－shot＋－not－eonstitute－a－tiabitity－of－the－insurer－as－to－its funds－－other－than－such－exeess－of－surptusp－as－stiputated－in the－agreementr－No－commission－or－promotion－expense－－shat＋－－be perd－in－conneetion－wthh－ony－sueh－tonnt
trit－Money－－so－－borfowedy－－together－－wth－the－interest thereon－if－so－stiputated－in－the－agreestent－shatl－not－form－－a part－－of－－the一Tnsureriss－－tegat－＋iabititites－except－as－to－its
surpłus－in－excess－of－the－amount－thereof－－stiputated－in－－the agreement－or－be－the－besis－of－eny－setefft－but－untit－repaidy finaneiat－statements－fited－or－pubtished－by－the－insurer－shott show－as－a－footnote－thereto－the－amount－－thereof－－then－－anpato together－witin－uny－interest－there on－acerued－but－unperdu
（3）－－Any－sureh－7oon－to－a－mut uet－insurer－shat＋－be－subjeet to－－the－－cowisisioners－－approvatw－－Fme－－insurer－－shatty－－in advonce－of－the－toanv－fithe－with－the－compissioner－a－－statement of－the－－purpose－of－the－toan－and－t－eopy－of－the－proposed－toan agreementr－fhe－toan－and－agreement－shatt－be－deemed－approved untess－－within－t5－days－after－date－of－sueh－fiting－the－insurer is－－notified－－of－－the－－commissioner＊s－－disopprovet－－one－the Peasons－－theref orf－－Fhe－－eommiss foner－－shat＋－－disapprove－any proposed－－toan－or－－agreement－－if－－he－－finds－－the－－toan－－－is unneeessery－－or－－exeessive－－for－the－purpose－intended－or－that the－terms－of－the－toon－agreement－are－not－fair－－and－－equitabte te－the－portiesp－and－te－other－simitar－tendersy－if－anyr－to－the insuferv－or－thet－the－information－30－fited－by－the－insurer－ts inadequatev
t－4－－Any－stelm－toan－to－a－mutuat－insurer－－or－－substantiat portion－－thereof－－shatz－－be－－repsid－－by－－the－tnsurer－when－no Honger－－reasonobl$\gamma$－－necessary－for－－the－－purpose－－originoty tintendedu－No－repayment－－of－－sueh－Hoan－－shat＋－be－made－by mutuat－insurer－－untess－－－in－－－advance－－－appraved－－by－－－int commitsitonery
fit－－Fhis－－section－shat＋－not－appty－te－teans－obtained－by the－insurer－in－ordinary－course－of－business－－from－banks－－and other－－finaneiat－－institutions－or－to－toans－secured－by－ptedge or－mortgage－of assets＂
 rendt
 operative－dater－－tit－In－the－ease－of－ordinary－potietes－issued on－or－after－the－operative－date－of－this－－section－－as－－defined hereinf－ati－adjusted－premians－and－present－vatues－referred－to in－this－－part－－shatt－－be－－edtedfated－on－－the－basis－of－the commissioner＇s－495b－standard－ordinary－－mortatity－－table－－and the－rate－of－interest－speeifited－in－the－potier－for－eateutoting eash－－surfender－－votues－－and－pard－up－nonforferture－benefttsy provided－that
 ambum－－exeept－－that－a－rate－of－interest－not－exeeeding－4＊－per annum－mor－be－vsed－for－poticies－issued－on－or－after－Mereh－－tF7 1973v－－and－prior－to－futy－tv－ $\mathbf{4 9 7 9 7 - a n d - a - f a t e - o f - i n t e r e s t - n e t ~}$ exceeding－5－iftin－a－year－may－be－used－for－poticies－－issued－－on



fbt－for－－any－－eategor $y$－of－ordinar $y$－instrance－issued－on femate－risksp－adjusted－premiums－and－present－－vatues－－may－be
eateatated－aceording－to－an－age－not－more－than－6－years－younger than－the－aetuot－age－of－the－insured＊
tet－－in－－eateutating－the－－present－vatue－of－any－pardtup term－insurance－with－aceompanying－pure－－endowmenty－－if－－anyy offered－as－－a－nomforfeiture－beneffty－the－rates－of－mortatity assumed－may－－be－－not－－more－－than－－those－－－shown－－in－－－the commissionerts－t95s－extended－term－inguramee－tabtet
fth－for－insurance－issued－on－a－substandard－bastsp－the cateutation－of－any－such－adjusted－premiums－and－present－vetues may－be－based－on－such－other－tabte－－of－－mortatity－－es－－may－－be spectfied－by－the－eompany－ond－opproved－by－the－commissioner：
fZサ－－Afもer－Jロ＊ commissioner－a－written－notiee－of－its－eteetion－to－comply－with the－provisions－of－this－section－after－b－speeffied－date－before Jan bary－tv－1966：－－After－the－fiting－of－such－notieev－then－upon sueh－－speeifted－－date－－twhieh－shot＋－be－the－operattve－date－of this－section－for－sueh－rnsurertr－thrs－－seetion－－shati－－beeome operative－－with－respeet－to－the－ordinary－potieres－tmertedfer issued－－by－－such－－insurer＝－iff－－an－－insurer－－makes－no－sueh eteetronv－－the－－operative－－date－－of－－this－－section－－for－sulh


Section 2．Effective date．This act is effective on passage and approval．
－End－

## 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-z-5日立 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 thraugh 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


[^0]:    introduced by unuthet 1 Hily no. 448

    A BILL FOR AN ACT ENTITLED: MAN 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, 33-2-531, 33-2-532, 33-2-611, 33-2-821, 33-2-822, 33-2-830, 33-2-832, 33-3-431, AND 33-20-206, MCA; ANO 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:
    w33-2-501. Assets allowed. In any deteraination 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

[^1]:    interest;
    (ii) if purchased above or below part on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield in the meantime the effective rate of interest at which the purchase was made, or in lieu of such method, according to such accepted method of valuation as is approved by the commissioner.
    (b) Purehase If purchased, the_purchase price shall in no case be taken at a higher figure than the octual market value at the time of purchase, plus actual orokerage, transfer, postage, or express charges poid in the acquisition of such securities.
    (c) Unless otherwise provided by valuation established or approved by the commissioner, no such security shill be carried at above the call price for the entire issue furing any period within which the security may be so called.
    
    
    
    
     exehonge-and-rafuedzin-gecordanee-with--the=-provisions=-of
     totat-admitted-assets-ot-the-end-of=such-yeary-uexeept-aith the二-consent--of--the-commissionerォ-Any-zotue-so-estabtished

[^2]:    interest;
    (ii) if purchased above or below par, on the bissis of the purchase price adjusted so as to bring the value ro pur at maturity and so as to yield in the meantime the effectiv. rate of interest at which the purchase was mare, or in iieu of such method, according to such accepted method of valuation as is approved by the commissioner.
    ( 0 ) Purchase If purchasede the purchase price shall in no case be taken at a higher figure than the octual inerket value at the tima of purchase, pius actual irokeraģe transfer, postage, or express charges ouid in the acquisition of such securities.
    (c) Unless otherwise provided by valuation established or approved by the commissioner, no such security shall ve carried at above the call price for the entire issue during any period within which the security may be so called.
    
    
     provisions-of-33-2-terms=-of=-the-trensactiong-Assets-acoutred-in-onyit-rearーey
    
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