

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 112

BY BUSINESS COMMITTEE

AN ACT

1 RELATING TO INVESTMENTS BY AN INSURER; AMENDING SECTION 41-705, IDAHO CODE,
2 TO PROVIDE THAT A RECORD OF INVESTMENTS MADE BY INSURERS SHALL INCLUDE
3 CERTAIN INFORMATION, TO PROVIDE AN EXCEPTION, AND TO MAKE TECHNICAL
4 CORRECTIONS; AMENDING SECTION 41-728, IDAHO CODE, TO REVISE PROVISIONS
5 REGARDING REAL ESTATE; AND AMENDING SECTION 41-735, IDAHO CODE, TO RE-
6 VISE PROVISIONS REGARDING MISCELLANEOUS INVESTMENTS.
7

8 Be It Enacted by the Legislature of the State of Idaho:

9 SECTION 1. That Section 41-705, Idaho Code, be, and the same is hereby
10 amended to read as follows:

11 41-705. RECORD OF INVESTMENTS. (1) The insurer shall make a written
12 record in permanent form showing the authorization as to each investment or
13 loan of its funds, which record shall be signed by an officer of the insurer
14 or by the chairman of the committee authorizing or approving the investment
15 or loan.

16 (2) As to each such investment or loan, the insurer's record shall con-
17 tain:

18 (a) In the case of loans: The name of the borrower; the location of the
19 property; a physical description, and the appraised value of the secu-
20 rity; the amount of the loan, rate of interest and terms of repayment.

21 (b) In the case of securities: The name of the obligor; a description of
22 the security; the amount invested, the rate of interest or dividend, the
23 maturity and yield based upon the purchase price.

24 (c) In the case of real estate: The location and legal description of
25 the property; a physical description and the appraised value; the pur-
26 chase price and terms.

27 (d) In the case of all investments:

28 (i) The amount of expenses and commissions ~~if any~~ directly in-
29 curred on account of any investment or loan and by whom and to whom
30 payable if not covered by contracts with mortgage loan representa-
31 tives or correspondents which are part of the insurer's records.

32 (ii) The name of any officer or director of the insurer ~~having any~~
33 with an interest in the investment and the nature of the interest.

34 For purposes of this subparagraph, an officer or a director of an
35 insurer has an interest in an investment if:

36 1. The insurer acquires or sells the investment directly or
37 indirectly from or to the officer or director; or

38 2. The officer or director holds a direct, an indirect, or
39 a contingent interest in the securities or loan representing
40 the investment, or in the assets of the person in whose be-
41 half the investment or loan is made, and the nature of such
42 interest.

1 This paragraph shall not apply to an investment by an officer or a direc-
 2 tor in common stock, preferred stock, or bonds of a United States pub-
 3 licly traded corporation if the director or officer's interest in such
 4 publicly traded corporation constitutes less than one percent (1%) of
 5 the corporation's total outstanding stock or bonds, in exchange-traded
 6 common stock funds or bond funds if listed on a United States regulated
 7 exchange, or in mutual funds registered with the securities and ex-
 8 change commission.

9 SECTION 2. That Section 41-728, Idaho Code, be, and the same is hereby
 10 amended to read as follows:

11 41-728. REAL ESTATE. (1) An insurer may acquire, invest in, own, main-
 12 tain, alter, furnish, improve, manage, lease and convey the following real
 13 estate only:

14 (a) Land and buildings used for home office purposes, including con-
 15 tiguous parcels intended for future home office or corporate campus ex-
 16 pansion, together with such other real estate as is required for its ac-
 17 commodation in the convenient transaction of its business.

18 (b) Real estate acquired in satisfaction in full or in part of or
 19 through foreclosure of or judgment obtained upon, loans, mortgages,
 20 liens or other evidences of indebtedness previously owing to the in-
 21 surer in the regular course of its business.

22 (c) Real estate acquired in part payment of the consideration in the
 23 sale of other real estate owned by the insurer.

24 (d) Real estate acquired by gift or devise.

25 (e) Real estate acquired through a lawful merger or consolidation of
 26 another insurer and not required for its accommodation as provided in
 27 paragraph (a) of this subsection.

28 (f) Real estate for the production of income, under lease, or being con-
 29 structed under a definite agreement providing for lease, to solvent in-
 30 stitutions for commercial or industrial purposes, other than primarily
 31 for agricultural, horticultural, ranch, mining, mineral, oil, recre-
 32 ational, amusement, club, motel, or hotel purposes.

33 (g) Real estate subject to a plan of development other than primarily
 34 for agricultural, horticultural, ranch, mining, mineral, oil, recre-
 35 ational, amusement, club, motel, or hotel purposes as limited by sub-
 36 section (2) (c) of this section.

37 (2) The aggregate amount so invested by the insurer shall not exceed:

38 (a) If for home office and its other purposes pursuant to subsection
 39 (1) (a) of this section, ~~ten~~ fifteen percent (10~~5~~%) of the insurer's
 40 assets, subject to the right of the director to approve an additional
 41 amount after hearing and for good cause shown.

42 (b) If for income purposes pursuant to subsection (1) (f) of this sec-
 43 tion, ten percent (10%) of the insurer's admitted assets.

44 (c) If for properties subject to a plan of development pursuant to sub-
 45 section (1) (g) of this section, not more than five percent (5%) of its
 46 admitted assets of which not more than two percent (2%) of its admitted
 47 assets may be in any one (1) parcel or group of contiguous parcels. The
 48 director may disapprove the property as an admitted asset if the plan of
 49 development is not being pursued in good faith. Factors for review may

1 include, but are not limited to, progress with regard to zoning, roads,
2 utilities, plats and completed development by the insurer of proper-
3 ties.

4 (d) In all categories and for all purposes, not to exceed twenty percent
5 (20%) of the insurer's assets.

6 (3) An insurer may lease to others part of real property otherwise occu-
7 pied by it for home office and other purposes under subsection (1) (a) of this
8 section, but the value of the entire property must be included for the pur-
9 poses of the limitation upon aggregate real estate investments provided in
10 subsection (2) (a) of this section.

11 SECTION 3. That Section 41-735, Idaho Code, be, and the same is hereby
12 amended to read as follows:

13 41-735. MISCELLANEOUS INVESTMENTS. (1) An insurer may loan or invest
14 its funds in ~~an aggregate amount not exceeding the lesser of the following~~
15 ~~sums: five per cent (5%) of its assets, or fifty per cent (50%) of its surplus~~
16 ~~over its capital and other liabilities, or if a mutual or reciprocal insurer~~
17 ~~fifty per cent (50%) of its surplus over minimum required surplus, in kinds~~
18 of loans or investments not otherwise specifically made eligible for invest-
19 ment and not specifically prohibited or made ineligible by this or other pro-
20 visions of the Idaho Code in an aggregate amount not exceeding the lesser of
21 ten percent (10%) of an insurer's assets, or seventy-five percent (75%) of
22 an insurer's capital and surplus excluding surplus notes. Investments under
23 this subsection are limited to five percent (5%) of an insurer's assets in
24 a single investment or in a single entity, its affiliates, and subsidiaries
25 as defined by the first six (6) digits of the committee on uniform security
26 identification procedures (CUSIP) number.

27 (2) The insurer shall keep a separate record of all investments ac-
28 quired under this section.