

CHAPTER 164

INSURANCE

SENATE BILL 93-164

BY SENATORS Feeley, Casey, and Schroeder;
also REPRESENTATIVE Schauer.

AN ACT

CONCERNING INVESTMENTS BY INSURANCE COMPANIES IN LIENS ON REAL PROPERTY.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. 10-3-230 (1), Colorado Revised Statutes, 1987 Repl. Vol., as amended, is amended BY THE ADDITION OF THE FOLLOWING NEW PARAGRAPHS to read:

10-3-230. Additional investments. (1) Domestic insurance companies may invest in any additional investments, except items specifically defined in this title (except part 7 of article 4 and article 15), article 7 of title 12, and article 14 of title 24, C.R.S., as nonadmitted assets and investments prohibited by section 10-3-241, without regard to any limitation, condition, restriction, or exclusion set forth in sections 10-3-215 to 10-3-229 and 10-3-242, and regardless of whether the same or a similar type of investment has been included in or omitted from any such section, subject to the following provisions:

(a.1) NOTWITHSTANDING THE PROVISIONS OF PARAGRAPH (a) OF THIS SUBSECTION (1), INDEBTEDNESS, SUBJECT TO THE PROVISIONS OF SECTION 10-3-216 (1) (h), IS AN ADMITTED ASSET ONLY TO THE EXTENT THAT SUCH INDEBTEDNESS DOES NOT EXCEED NINETY-FIVE PERCENT OF THE CURRENT VALUE OF THE REAL PROPERTY. THE AGGREGATE INVESTMENT BY A COMPANY WHICH MAY BE ADMITTED ASSETS UNDER THIS PARAGRAPH (a.1) SHALL NOT EXCEED TWENTY PERCENT OF THE LIMITS ALLOWABLE UNDER PARAGRAPH (c) OF THIS SUBSECTION (1).

(d) IN NO EVENT SHALL THE ADMITTED ASSET VALUE OF INVESTMENTS IN LOANS SECURED BY FIRST LIENS ON REAL PROPERTY EXCEED THE VALUE LIMITATIONS AS SET FORTH IN SECTION 10-3-216 (1) (i) AND (1) (j).

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

SECTION 2. 10-3-216 (1) (i) and (1) (j), Colorado Revised Statutes, 1987 Repl. Vol., are amended to read:

10-3-216. First liens on real property. (1) Domestic insurance companies may invest in loans secured by first liens on real property, subject to the following provisions:

(i) The maximum amount of a loan or loans made, directly or indirectly, to any one obligor which may be an admitted asset of a company under this section shall ~~be an amount equal to the greater of thirty thousand dollars or~~ NOT EXCEED two percent of such company's admitted assets. If, on April 5, 1973, a company has outstanding a loan to any one obligor which, except for the provisions of this paragraph (i) would be admitted assets under this section, or a binding commitment for any such loan, any such loan outstanding on such date shall continue to be admitted assets under this section, and any such loan made on or after April 5, 1973, pursuant to any such binding commitment shall be admitted assets under this section.

(j) The aggregate amount of investments of a company which may be admitted assets under this section shall not exceed ~~sixty~~ FIFTY percent of the company's ADMITTED assets. IF A COMPANY HAS OUTSTANDING INVESTMENTS WHICH, IN THE AGGREGATE, EXCEED FIFTY PERCENT OF THE COMPANY'S ADMITTED ASSETS ON JULY 1, 1993, THE COMPANY SHALL REDUCE THE EXCESS AMOUNT INVESTED IN FIRST LIENS ON REAL PROPERTY AT THE RATE OF AT LEAST TWENTY PERCENT OF THE JULY 1, 1993, EXCESS EACH YEAR FOR FIVE YEARS UNTIL THE FIRST LIENS ON THE REAL PROPERTY PORTFOLIO DO NOT EXCEED FIFTY PERCENT OF THE COMPANY'S ADMITTED ASSETS. If a fraternal benefit society has outstanding investments which, in the aggregate, exceed ~~seventy~~ SIXTY percent of the society's admitted assets on ~~December 31, 1984~~ JULY 1, 1993, the society shall reduce the excess amount invested in first liens on real property at the rate of at least twenty percent of the ~~December 31, 1984~~ JULY 1, 1993, excess each year for five years until the first liens on the real property portfolio do not exceed ~~seventy~~ SIXTY percent of the society's admitted assets. THEREAFTER, A FRATERNAL BENEFIT SOCIETY SHALL, OVER A FIVE-YEAR PERIOD, FURTHER REDUCE ITS OUTSTANDING AGGREGATE INVESTMENTS IN FIRST LIENS ON REAL PROPERTY TO FIFTY PERCENT OF ITS ADMITTED ASSETS BY TWENTY PERCENT PER YEAR, UNLESS AN EXEMPTION IS GRANTED BY THE COMMISSIONER. SUCH EXEMPTION SHALL BE BASED ON AN ANALYSIS OF THE FINANCIAL CONDITION OF THE FRATERNAL SOCIETY.

SECTION 3. Effective date. This act shall take effect July 1, 1993.

SECTION 4. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Approved: April 30, 1993