

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-1062 **Date:** April 25, 2014
Prime Sponsor(s): Sen. Heath; Scheffel **Bill Status:** Senate Business, Labor, & Technology
 Rep. Tyler **Fiscal Analyst:** Bill Zepernick (303-866-4777)

SHORT TITLE: INSURER INVESTMENTS IN REAL PROPERTY NAIC MODEL

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	Minimal workload impact.	
FTE Position Change		
Appropriation Required: None.		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

This bill conforms statute to the recommendations of the National Association of Insurance Commissioners (NAIC) concerning investments by insurers in mortgage loans and similar instruments secured by interests in real estate. Current law limits such investments to real estate in the United States and limits the loan-to-value ratio to a maximum of 80 percent in most cases. The bill modifies these restrictions by allowing investments in loans secured by property in both the United states and Canada and modifying allowable loan-to-value ratios to be:

- 90 percent for purchase-money mortgages if the insurer holds the note;
- 80 percent for commercial property if the payment schedule meets certain requirements;
- 97 percent for mortgages on residential property if mortgage insurance applies; and
- 75 percent in all other cases.

Background

Insurance regulation is under the purview of each state. The NAIC is a advisory body and service provider for state insurance departments. The NAIC is comprised of the chief insurance regulatory officials of all 50 states. Committees of regulators develop model laws and regulations that states can adopt or modify based on the state's specific regulatory needs.

State Expenditures

The bill may increase workload in the Division of Insurance (DOI) in the Department of Regulatory Agencies (DORA) to update rules concerning allowable investments by insurers. This workload is expected to be minimal and can be accomplished as part of regular rulemaking by the DOI. The modified investment rules are not expected to affect workload or costs associated with oversight of insurers. No new appropriations are required.

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Regulatory Agencies