



HOUSE BILL 01-1064

BY REPRESENTATIVE(S) Scott;  
also SENATOR(S) Phillips.

CONCERNING UNIFORM ACCOUNTING PRINCIPLES FOR INSURERS AUTHORIZED  
TO CONDUCT BUSINESS WITHIN COLORADO.

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

**SECTION 1.** 10-1-102 (1.5) and (9), Colorado Revised Statutes,  
are amended to read:

**10-1-102. Definitions.** As used in this title, unless the context  
otherwise requires:

(1.5) "Admitted assets" includes the investments ~~which~~ **THAT** are  
admitted assets of a domestic company under parts 1 and 2 of article 3 and  
part 4 of article 7 of this title and, in addition thereto, ~~only the following~~  
**INCLUDES:**

(a) **THOSE ASSETS DEFINED AS ADMITTED BY NATIONALLY  
RECOGNIZED INSURANCE STATUTORY ACCOUNTING PRINCIPLES; AND**

~~(a) Petty cash funds in the company's principal or any official~~

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

~~branch office, and under the control of the company;~~

~~(b) Demand deposits in solvent banks and trust companies;~~

~~(c) Gross premium or premium deposits in the course of collection, excluding group accident and health business, for in-force insurance coverages written by fire, casualty, and multiple line companies, not more than ninety days past due, less commissions due thereon to agents; not exceeding in the aggregate, the company's unearned premium reserve liability;~~

~~(d) Net amount of uncollected premiums on group life and group accident and health policies, not more than ninety days past due;~~

~~(e) Due and uncollected accident and health premiums on in-force individual policies on insurance written by life companies, less commissions due thereon to agents;~~

~~(f) The net amount of uncollected and deferred premiums on individual life insurance policies;~~

~~(g) Amounts due from solvent insurance companies and from associations or bureaus owned or controlled by five or more separate and nonaffiliated (by ownership or management) insurance companies;~~

~~(h) The full amount of reinsurance recoverable on paid losses by a ceding insurer from a solvent reinsurer and which reinsurance is authorized under section 10-3-118;~~

~~(i) The value of the company's ownership interest in the cash value of any life insurance policy;~~

~~(j) The fixed and required interest due and accrued on bonds, debentures, and other evidences of indebtedness qualified as admitted assets, and not in default;~~

~~(k) The interest accrued on loans secured by first liens on real estate, which loans are qualified as admitted assets, not exceeding an aggregate amount on an individual loan of one year's total due and accrued interest;~~

~~(l) The interest accrued on any other secured loan or obligation qualified as an admitted asset, and not in default, not exceeding the amount of one year's interest on any such obligation; except that, in case of a loan on or under the company's policies, annuity, and supplementary contracts, accrued interest may exceed the amount of one year's interest if the principal and all accrued interest do not exceed the cash value of the policy;~~

~~(m) The rents accrued and owing to the company on any real or personal property qualified as an admitted asset, not exceeding on each individual property the amount of one year's rent;~~

~~(n) The interest or dividends due and payable, but not credited, on deposits in banks and trust companies or on accounts with savings and loan associations, if a dividend is actually declared at statement date;~~

~~(o) Declared and unpaid dividends on stock and shares qualified as admitted assets, unless such amount has otherwise been allowed as an admitted asset;~~

~~(p) Electronic or mechanical equipment constituting a data processing or accounting system, including any additions purchased for use in connection with the business of the insurer, if the cost of such system is at least twenty-five thousand dollars, the amortized value of any such system or addition thereto at the end of any calendar year not to be greater than the original purchase price less ten percent for each completed year after the date of acquisition of such system or addition, as the case may be, and with the total admissible value at any statement date to be limited to an amount not exceeding five percent of the company's admitted assets at such statement date;~~

~~(q) (b) Other assets not inconsistent with the provisions of this subsection (1); deemed by the commissioner to be available for the payment of losses and claims, at values to be determined by the commissioner.~~

~~(r) Any investments made pursuant to section 10-3-802 (2);~~

~~(s) Any asset acquired pursuant to section 10-16-403 (2).~~

(9) "Nonadmitted assets" includes, but is not limited to, ~~the following assets of a domestic company, which~~ THOSE ASSETS DEFINED AS NONADMITTED BY NATIONALLY RECOGNIZED INSURANCE STATUTORY

ACCOUNTING PRINCIPLES. NONADMITTED assets shall not be taken into account in determining the financial condition of such company.

~~(a) Goodwill, trade names, and other like intangible assets;~~

~~(b) Repealed.~~

~~(c) Loans and advances to officers, employees, and agents of the company, other than loans on or under the company's policies, annuity contracts, and supplementary contracts, except such as are secured so as to qualify as admitted assets under section 10-3-216, 10-3-217, or 10-3-228;~~

~~(d) Stocks in the company, owned by it, or any equity therein or loans secured thereby;~~

~~(e) Furniture, fixtures, furnishings, safes, vehicles, libraries, stationery, literature, and supplies, other than data processing or accounting systems that are admitted assets under subsection (1.5) of this section, except such personal property as qualifies as an admitted asset under section 10-3-221 or 10-16-403 (2).~~

**SECTION 2.** Part 1 of article 1 of title 10, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SECTION to read:

**10-1-133. Oversight of the general assembly.** NOTHING IN THIS TITLE SHALL LIMIT THE ABILITY OF THE GENERAL ASSEMBLY TO DIRECT THE ACCOUNTING PRINCIPLES TO BE USED BY INSURERS AUTHORIZED IN THIS STATE IN ORDER TO CREATE UNIFORMITY.

**SECTION 3.** 10-3-218, Colorado Revised Statutes, is amended to read:

**10-3-218. Real estate for use in company's business.** Domestic insurance companies may invest in real estate for the accommodation of the company's business, but the aggregate investments by a company ~~which~~ THAT may be admitted assets under this section shall not exceed fifteen percent of the company's admitted assets unless the commissioner has given prior approval of a greater aggregate investment. Any space in the company's home office building ~~which~~ THAT is not required for its use may be rented to others. ~~and the company's partial occupancy will not affect the~~

~~qualifications of the entire property as an admitted asset. The commissioner may approve investments under this section which in the aggregate will not exceed twenty percent of the company's admitted assets, upon a finding that such investments do not render the company's operation hazardous, or its condition unsound, to the public or its policyholders.~~

**SECTION 4.** 10-3-220 (2), Colorado Revised Statutes, is amended to read:

**10-3-220. Real estate for production of income.** (2) "Real estate", as used in this section, means lands held in fee simple or under leasehold estates, and improvements thereon or to be placed thereon, consisting only of store or other business buildings, or of dwellings, apartment houses, tenements, or other housing accommodations. ~~exclusive of hotels, and farms.~~

**SECTION 5. Repeal.** 10-3-221 (1), Colorado Revised Statutes, is repealed as follows:

**10-3-221. Tangible personal property for production of income.** (1) ~~Domestic insurance companies may invest in tangible personal property for the production of income, subject to the following provisions:~~

~~(a) Such personal property shall, upon its acquisition by the investing company, be leased to a corporation not controlled directly or indirectly by the investing company or its stockholders and whose bonds would be eligible as an admitted asset under section 10-3-215, whether or not any such bonds are outstanding.~~

~~(b) The total net rental payable over the initial term of such lease shall be at least equal to the cost of the property.~~

~~(c) No single item of such personal property shall cost less than fifty thousand dollars, except in a case where the investing company acquires and leases to a single user under a single lease several items constituting a system and costing in the aggregate at least fifty thousand dollars.~~

~~(d) The aggregate investments by a company which may be admitted assets under this section shall not exceed ten percent of the company's admitted assets.~~

**SECTION 6. Repeal.** 10-3-222, Colorado Revised Statutes, is repealed as follows:

**10-3-222. Policy loans.** ~~Domestic life insurance companies may invest in loans on or under their policies or annuity or supplementary contracts in any sum not exceeding the reserve thereon.~~

**SECTION 7. Repeal.** 10-3-223, Colorado Revised Statutes, is repealed as follows:

**10-3-223. Accounts in building or savings and loan associations.** ~~Domestic insurance companies may invest in share, certificate, or savings accounts in any solvent state or federally chartered savings or building and loan association.~~

**SECTION 8. Repeal.** 10-3-224, Colorado Revised Statutes, is repealed as follows:

**10-3-224. Time deposits.** ~~Domestic insurance companies may invest in time deposits in any state or nationally chartered bank or trust company.~~

**SECTION 9.** Part 2 of article 3 of title 10, Colorado Revised Statutes, is amended BY THE ADDITION OF THE FOLLOWING NEW SECTIONS to read:

**10-3-228.5. Securities lending - repurchase - reverse repurchase - dollar roll transactions.** (1) FOR THE PURPOSES OF THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "DOLLAR ROLL TRANSACTION" MEANS TWO SIMULTANEOUS TRANSACTIONS WITH SETTLEMENT DATES NO MORE THAN NINETY-SIX DAYS APART SO THAT IN ONE TRANSACTION AN INSURER SELLS TO A BUSINESS ENTITY AND IN THE OTHER TRANSACTION THE INSURER IS OBLIGATED TO PURCHASE, FROM THE SAME BUSINESS ENTITY, SUBSTANTIALLY SIMILAR SECURITIES OF THE FOLLOWING TYPES:

(I) MORTGAGE-BACKED SECURITIES ISSUED, ASSUMED, OR GUARANTEED BY THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, THE FEDERAL NATIONAL MORTGAGE ASSOCIATION, THE FEDERAL HOME LOAN MORTGAGE CORPORATION, OR THEIR RESPECTIVE SUCCESSORS; AND

(II) OTHER MORTGAGE-BACKED SECURITIES REFERRED TO IN SECTION 106 OF TITLE I OF THE "SECONDARY MORTGAGE MARKET ENHANCEMENT ACT OF 1984", 15 U.S.C. SECTION 77r-1, AS AMENDED.

(b) "REPURCHASE TRANSACTION" MEANS A TRANSACTION IN WHICH AN INSURER PURCHASES SECURITIES FROM A BUSINESS ENTITY THAT IS OBLIGATED TO REPURCHASE THE PURCHASED SECURITIES OR EQUIVALENT SECURITIES FROM THE INSURER AT A SPECIFIED PRICE, EITHER WITHIN A SPECIFIED PERIOD OF TIME OR UPON DEMAND.

(c) "REVERSE REPURCHASE TRANSACTION" MEANS A TRANSACTION IN WHICH AN INSURER SELLS SECURITIES TO A BUSINESS ENTITY AND IS OBLIGATED TO REPURCHASE THE SOLD SECURITIES OR EQUIVALENT SECURITIES FROM THE BUSINESS ENTITY AT A SPECIFIED PRICE, EITHER WITHIN A SPECIFIED PERIOD OF TIME OR UPON DEMAND.

(d) "SECURITIES LENDING TRANSACTION" MEANS A TRANSACTION IN WHICH SECURITIES ARE LOANED BY AN INSURER TO A BUSINESS ENTITY THAT IS OBLIGATED TO RETURN THE LOANED SECURITIES OR EQUIVALENT SECURITIES TO THE INSURER, EITHER WITHIN A SPECIFIED PERIOD OF TIME OR UPON DEMAND.

(2) AN INSURER MAY ENGAGE IN SECURITIES LENDING, REPURCHASE, REVERSE REPURCHASE, AND DOLLAR ROLL TRANSACTIONS AS SET FORTH IN THIS SECTION. THE INSURER SHALL ENTER INTO A WRITTEN AGREEMENT FOR SECURITIES LENDING, REPURCHASE, REVERSE REPURCHASE, AND DOLLAR ROLL TRANSACTIONS. SUCH AGREEMENTS SHALL REQUIRE THAT EACH TRANSACTION TERMINATE NO MORE THAN ONE YEAR FROM ITS INCEPTION.

(3) CASH RECEIVED IN A TRANSACTION UNDER THIS SECTION SHALL BE INVESTED IN ACCORDANCE WITH THIS ARTICLE AND IN A MANNER THAT RECOGNIZES THE LIQUIDITY NEEDS OF THE TRANSACTION OR IS USED BY THE INSURER FOR ITS GENERAL CORPORATE PURPOSES.

(4) SO LONG AS THE TRANSACTION REMAINS OUTSTANDING, THE INSURER, OR ITS AGENT OR CUSTODIAN, SHALL MAINTAIN AS ACCEPTABLE COLLATERAL RECEIVED IN A TRANSACTION UNDER THIS SECTION, EITHER PHYSICALLY OR THROUGH THE BOOK ENTRY SYSTEMS OF THE FEDERAL RESERVE, DEPOSITORY TRUST COMPANY, PARTICIPANTS' TRUST COMPANY, OR OTHER SECURITIES DEPOSITORIES APPROVED BY THE COMMISSIONER, ANY OF THE FOLLOWING:

(a) POSSESSION OF THE ACCEPTABLE COLLATERAL;

(b) A PERFECTED SECURITY INTEREST IN THE ACCEPTABLE COLLATERAL; OR

(c) IN THE CASE OF A JURISDICTION OUTSIDE OF THE UNITED STATES, TITLE TO, OR RIGHTS OF A SECURED CREDITOR TO, THE ACCEPTABLE COLLATERAL.

(5) THE LIMITATIONS OF SECTION 10-3-215 (1) (e) AND SECTION 10-3-215.5 SHALL NOT APPLY TO THE BUSINESS ENTITY COUNTER-PARTY EXPOSURE CREATED BY TRANSACTIONS UNDER THIS SECTION. AN INSURER SHALL NOT ENTER INTO A TRANSACTION UNDER THIS SECTION, OTHER THAN A DOLLAR ROLL TRANSACTION, IF, AS A RESULT OF AND AFTER GIVING EFFECT TO THE TRANSACTION:

(a) THE AGGREGATE AMOUNT OF SECURITIES THEN LOANED, SOLD TO, OR PURCHASED FROM ANY ONE BUSINESS ENTITY COUNTER-PARTY UNDER THIS SECTION WOULD EXCEED FIVE PERCENT OF ITS ADMITTED ASSETS; AND IN CALCULATING THE AMOUNT SOLD TO OR PURCHASED FROM A BUSINESS ENTITY COUNTER-PARTY UNDER REPURCHASE OR REVERSE REPURCHASE TRANSACTIONS, EFFECT MAY BE GIVEN TO NETTING PROVISIONS UNDER A MASTER WRITTEN AGREEMENT; OR

(b) THE AGGREGATE AMOUNT OF ALL SECURITIES THEN LOANED, SOLD TO, OR PURCHASED FROM ALL BUSINESS ENTITIES UNDER THIS SECTION WOULD EXCEED FORTY PERCENT OF ITS ADMITTED ASSETS.

(6) THE AMOUNT OF COLLATERAL REQUIRED FOR SECURITIES LENDING, REPURCHASE, AND REVERSE REPURCHASE TRANSACTIONS IS THE AMOUNT REQUIRED PURSUANT TO THE PROVISIONS OF THE PURPOSES AND PROCEDURES MANUAL OF THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS' SECURITIES VALUATION OFFICE OR PURSUANT TO A SUCCESSOR TO SUCH PUBLICATION.

**10-3-243. Derivative transactions - definitions - restrictions - rules.** (1) FOR THE PURPOSES OF THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "COUNTER-PARTY EXPOSURE AMOUNT" MEANS:



(I) THE NET AMOUNT OF CREDIT RISK ATTRIBUTABLE TO A DERIVATIVE INSTRUMENT ENTERED INTO WITH A BUSINESS ENTITY OTHER THAN THROUGH A QUALIFIED EXCHANGE OR QUALIFIED FOREIGN EXCHANGE, OR CLEARED THROUGH A QUALIFIED CLEARINGHOUSE AS AN OVER-THE-COUNTER DERIVATIVE INSTRUMENT. THE NET AMOUNT OF CREDIT RISK SHALL EQUAL:

(A) THE MARKET VALUE OF THE OVER-THE-COUNTER DERIVATIVE INSTRUMENT IF THE LIQUIDATION OF THE DERIVATIVE INSTRUMENT WOULD RESULT IN A FINAL CASH PAYMENT TO THE INSURER; OR

(B) ZERO IF THE LIQUIDATION OF THE DERIVATIVE INSTRUMENT WOULD NOT RESULT IN A FINAL CASH PAYMENT TO THE INSURER.

(II) IF OVER-THE-COUNTER DERIVATIVE INSTRUMENTS ARE ENTERED INTO UNDER A WRITTEN MASTER AGREEMENT THAT PROVIDES FOR NETTING OF PAYMENTS OWED BY THE RESPECTIVE PARTIES, AND THE DOMICILIARY JURISDICTION OF THE COUNTER-PARTY IS EITHER WITHIN THE UNITED STATES OR WITHIN A FOREIGN JURISDICTION LISTED IN THE PURPOSES AND PROCEDURES MANUAL OF THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS' SECURITIES VALUATION OFFICE AS ELIGIBLE FOR NETTING, THE NET AMOUNT OF CREDIT RISK SHALL BE THE GREATER OF ZERO OR THE NET SUM OF:

(A) THE MARKET VALUE OF THE OVER-THE-COUNTER DERIVATIVE INSTRUMENTS ENTERED INTO UNDER THE AGREEMENT, THE LIQUIDATION OF WHICH WOULD RESULT IN A FINAL CASH PAYMENT TO THE INSURER; AND

(B) THE MARKET VALUE OF THE OVER-THE-COUNTER DERIVATIVE INSTRUMENTS ENTERED INTO UNDER THE AGREEMENT, THE LIQUIDATION OF WHICH WOULD RESULT IN A FINAL CASH PAYMENT BY THE INSURER TO THE BUSINESS ENTITY.

(III) FOR OPEN TRANSACTIONS, MARKET VALUE SHALL BE DETERMINED AT THE END OF THE MOST RECENT QUARTER OF THE INSURER'S FISCAL YEAR AND SHALL BE REDUCED BY THE MARKET VALUE OF ACCEPTABLE COLLATERAL HELD BY THE INSURER OR PLACED IN ESCROW BY ONE OR BOTH PARTIES.

(b) (I) "DERIVATIVE INSTRUMENT" MEANS AN AGREEMENT, OPTION, INSTRUMENT, OR A SERIES OR COMBINATION THEREOF:

(A) TO MAKE OR TAKE DELIVERY OF, OR ASSUME OR RELINQUISH, A SPECIFIED AMOUNT OF ONE OR MORE UNDERLYING INTERESTS OR TO MAKE A CASH SETTLEMENT IN LIEU THEREOF; OR

(B) THAT HAS A PRICE, PERFORMANCE, VALUE, OR CASH FLOW BASED PRIMARILY UPON THE ACTUAL OR EXPECTED PRICE, LEVEL, PERFORMANCE, VALUE, OR CASH FLOW OF ONE OR MORE UNDERLYING INTERESTS.

(II) (A) "DERIVATIVE INSTRUMENT" INCLUDES OPTIONS, WARRANTS USED IN A HEDGING TRANSACTION AND NOT ATTACHED TO ANOTHER FINANCIAL INSTRUMENT, CAPS, FLOORS, COLLARS, SWAPS, FORWARDS, AND FUTURES.

(B) "DERIVATIVE INSTRUMENT" DOES NOT INCLUDE INVESTMENTS THAT ARE OTHERWISE PERMITTED PURSUANT TO THIS ARTICLE, NOR DOES "DERIVATIVE INSTRUMENT" INCLUDE REPURCHASE, REVERSE REPURCHASE, DOLLAR ROLL, SECURITIES LENDING, OR SIMILAR TRANSACTIONS.

(c) "HEDGING TRANSACTION" MEANS A DERIVATIVE TRANSACTION THAT IS ENTERED INTO AND MAINTAINED TO REDUCE OR MANAGE:

(I) THE RISK OF A CHANGE IN VALUE, YIELD, PRICE, CASH FLOW, OR QUANTITY OF ASSETS OR LIABILITIES THAT AN INSURER HAS ACQUIRED OR INCURRED OR ANTICIPATES ACQUIRING OR INCURRING; OR

(II) THE CURRENCY EXCHANGE RATE RISK OR THE DEGREE OF EXPOSURE AS TO ASSETS OR LIABILITIES THAT AN INSURER HAS ACQUIRED OR INCURRED OR ANTICIPATES ACQUIRING OR INCURRING.

(d) "INCOME-GENERATION TRANSACTION" MEANS A DERIVATIVE TRANSACTION THAT IS INTENDED TO GENERATE INCOME OR ENHANCE RETURN.

(e) "REPLICATION TRANSACTION" MEANS A DERIVATIVE TRANSACTION OR COMBINATION OF DERIVATIVE TRANSACTIONS THAT IS INTENDED TO REPLICATE THE INVESTMENT IN ONE OR MORE ASSETS THAT AN INSURER IS AUTHORIZED TO ACQUIRE OR SELL UNDER THIS TITLE. A DERIVATIVE TRANSACTION THAT IS ENTERED INTO AS A HEDGING TRANSACTION SHALL NOT BE CONSIDERED A REPLICATION TRANSACTION.

(2) A DOMESTIC INSURER MAY, DIRECTLY OR INDIRECTLY THROUGH

AN INVESTMENT SUBSIDIARY, ENGAGE IN DERIVATIVE TRANSACTIONS UNDER THIS SECTION BY:

(a) USING DERIVATIVE INSTRUMENTS TO ENGAGE IN HEDGING TRANSACTIONS;

(b) ENTERING INTO THE FOLLOWING TYPES OF INCOME GENERATION TRANSACTIONS IF, AS A RESULT OF AND AFTER GIVING EFFECT TO THE TRANSACTIONS, THE AGGREGATE STATEMENT VALUE OF THE FIXED INCOME OR EQUITY ASSETS THAT ARE SUBJECT TO CALL OR THAT GENERATE THE CASH FLOWS FOR PAYMENTS UNDER THE CAPS OR FLOORS, PLUS THE FACE VALUE OF FIXED INCOME SECURITIES UNDERLYING DERIVATIVE INSTRUMENTS SUBJECT TO CALL, PLUS THE AMOUNT OF THE PURCHASE OBLIGATIONS UNDER THE PUTS, DOES NOT EXCEED TEN PERCENT OF ITS ADMITTED ASSETS:

(I) SALES OF COVERED CALL OPTIONS ON NONCALLABLE FIXED INCOME SECURITIES, CALLABLE FIXED INCOME SECURITIES IF THE OPTION EXPIRES BY ITS TERMS PRIOR TO THE END OF THE NONCALLABLE PERIOD, OR DERIVATIVE INSTRUMENTS BASED ON FIXED INCOME SECURITIES;

(II) SALES OF COVERED CALL OPTIONS ON EQUITY SECURITIES, IF THE INSURER HOLDS IN ITS PORTFOLIO, OR IS ABLE TO IMMEDIATELY ACQUIRE THROUGH THE EXERCISE OF OPTIONS, WARRANTS, OR CONVERSION RIGHTS ALREADY OWNED, THE EQUITY SECURITIES SUBJECT TO CALL DURING THE COMPLETE TERM OF THE CALL OPTION SOLD;

(III) SALES OF COVERED PUTS ON INVESTMENTS THAT THE INSURER IS PERMITTED TO ACQUIRE UNDER THIS SECTION, IF THE INSURER HAS PLACED INTO ESCROW, OR ENTERED INTO A CUSTODIAL AGREEMENT SEGREGATING, CASH OR CASH EQUIVALENTS WITH A MARKET VALUE EQUAL TO THE AMOUNT OF ITS PURCHASE OBLIGATIONS UNDER THE PUT DURING THE COMPLETE TERM OF THE PUT OPTION SOLD; OR

(IV) SALES OF COVERED CAPS OR FLOORS, IF THE INSURER HOLDS IN ITS PORTFOLIO THE INVESTMENTS GENERATING THE CASH FLOW TO MAKE THE REQUIRED PAYMENTS UNDER THE CAPS OR FLOORS DURING THE COMPLETE TERM THAT THE CAP OR FLOOR IS OUTSTANDING.

(c) AN INSURER MAY USE DERIVATIVE INSTRUMENTS FOR REPLICATION TRANSACTIONS IF ANY ASSET BEING REPLICATED IS SUBJECT TO ALL THE PROVISIONS AND LIMITATIONS ON THE MAKING THEREOF SPECIFIED

IN THIS TITLE WITH RESPECT TO INVESTMENTS BY THE INSURER AS IF THE TRANSACTION CONSTITUTED A DIRECT INVESTMENT BY THE INSURER IN THE REPLICATED ASSET.

(d) AN INSURER SHALL INCLUDE ALL COUNTER-PARTY EXPOSURE AMOUNTS IN DETERMINING COMPLIANCE WITH GENERAL DIVERSIFICATION REQUIREMENTS AND MEDIUM- AND LOW- GRADE INVESTMENT LIMITATIONS UNDER THIS SECTION.

(e) ANY INVESTMENTS IN DERIVATIVE INVESTMENTS SHALL BE MADE IN ACCORDANCE WITH A WRITTEN DERIVATIVE USE PLAN APPROVED BY THE COMPANY'S BOARD OF DIRECTORS. THE DERIVATIVE USE PLAN SHALL BE AVAILABLE FOR REVIEW BY THE COMMISSIONER UPON REQUEST.

(f) THE COMMISSIONER MAY APPROVE ADDITIONAL TRANSACTIONS INVOLVING THE USE OF DERIVATIVE INSTRUMENTS IN EXCESS OF THE LIMITS IN THIS SECTION.

(3) NOTWITHSTANDING ANY PROVISION OF THIS SECTION TO THE CONTRARY, DOMESTIC INSURERS ARE PROHIBITED FROM ESTABLISHING MARGIN ACCOUNTS WITHOUT THE PRIOR APPROVAL OF THE COMMISSIONER; EXCEPT THAT THE COMMISSIONER SHALL APPROVE REASONABLE PLANS FOR DOMESTIC INSURANCE COMPANIES TO USE FINANCIAL FUTURES OR SHORT SELLING TECHNIQUES FOR HEDGING PURPOSES.

**SECTION 10. Repeal.** 10-3-241, Colorado Revised Statutes, is repealed as follows:

~~**10-3-241. Prohibited investments.** Domestic insurance companies are specifically prohibited from acquiring investment assets on margin; however, the commissioner shall approve reasonable plans for domestic insurance companies using financial futures for hedging purposes.~~

**SECTION 11.** 10-11-110 (5) and (6), Colorado Revised Statutes, are amended to read:

**10-11-110. Amount of unearned premium reserve - release.**  
(5) ON AND BEFORE DECEMBER 31, 2000, the aggregate of the amounts set aside in unearned premium reserve in any calendar year pursuant to subsection (2) of this section shall be released from said reserve and

restored to income pursuant to the following formula: One-tenth of said aggregate sum on July 1 of each of the five years next succeeding the year of addition to the reserve and one-thirtieth of said aggregate sum on July 1 of each succeeding year thereafter until the entire sum has been so released and restored to income. ON AND AFTER JANUARY 1, 2001, THE AGGREGATE OF THE AMOUNTS SET ASIDE IN UNEARNED PREMIUM RESERVE IN ANY CALENDAR YEAR PURSUANT TO SUBSECTION (2) OF THIS SECTION SHALL BE RELEASED FROM SAID RESERVE AND RESTORED TO INCOME IN ACCORDANCE WITH THE FORMULA PRESCRIBED BY NATIONALLY RECOGNIZED INSURANCE STATUTORY ACCOUNTING PRINCIPLES.

~~(6) The entire amount of the unearned premium reserve held as of July 1, 1969, pursuant to law shall be presumed to have been added to the reserve in the calendar year next preceding July 1, 1969, and shall be released from said reserve and restored to income under the formula set forth in subsection (5) of this section.~~

**SECTION 12.** 10-11-114, Colorado Revised Statutes, is amended to read:

**10-11-114. Legal investments and admitted assets.** (1) Title insurance companies shall comply with the investment requirements for other insurance companies under the laws of this state but, in addition, may invest in a title plant. Such title plant shall be considered an ADMITTED asset at the fair value thereof. ~~In determining the fair value of a title plant, no value shall be attributed to furniture and fixtures.~~ AS PROVIDED BY NATIONALLY RECOGNIZED INSURANCE STATUTORY ACCOUNTING PRINCIPLES. The real estate in which the title plant is housed shall be considered an investment under section 10-3-218. ~~The value of title abstracts, title briefs, copies of conveyances or other documents, indices, and other records comprising the title plant shall be determined by considering the expenses incurred in obtaining them, the age thereof, the cost of replacements less depreciation, and all other relevant factors. Once the value of a title plant has been so determined, such value may be increased only by the acquisition of another title plant by purchase, consolidation, or merger. In no event shall the value of the title plant be increased by additions made thereto as part of the normal course of abstracting and insuring titles to real estate.~~ Subject to the limitations of this section and with the approval of the commissioner, a title insurance company may enter into agreements with one or more other title insurance companies authorized to do business in this state whereby such companies shall participate in the ownership,

management, and control of a title plant to serve the needs of all such companies, or such companies may hold stock of a corporation owning and operating a title plant for such purposes.

(2) A TITLE INSURANCE COMPANY SHALL INCLUDE AS AN ADMITTED ASSET ACCOUNTS RECEIVABLE RELATING TO GROSS PREMIUMS, LESS AGENT RETENTION, IN THE COURSE OF COLLECTION. ACCOUNTS RECEIVABLE THAT ARE MORE THAN NINETY DAYS PAST DUE FROM THE DATE OF NOTIFICATION OF THE ISSUANCE OF THE POLICY SHALL NOT BE INCLUDED AS AN ADMITTED ASSET.

**SECTION 13.** 10-16-421 (1), Colorado Revised Statutes, is amended to read:

**10-16-421. Statutory construction and relationship to other laws.**

(1) Except for sections 10-1-102, 10-1-121, 10-1-122, 10-3-118, 10-3-128, and 10-3-208 (~~7~~), and parts 4 to 8 of article 3 of this title, and as otherwise provided in this article, the provisions of the insurance law and provisions of nonprofit hospital, medical-surgical, and health service corporation laws shall not be applicable to any health maintenance organization granted a certificate of authority under this part 4.

**SECTION 14. Effective date - applicability.** This act shall take effect upon passage, and shall apply to valuation of all admitted and nonadmitted assets and accounting and reporting for securities lending, repurchases, reverse repurchases, dollar roll transactions, derivative transactions, and transactions related to derivative transactions entered into on or after said date.

**SECTION 15. 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.

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Doug Dean  
SPEAKER OF THE HOUSE  
OF REPRESENTATIVES

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Stan Matsunaka  
PRESIDENT OF  
THE SENATE

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Judith Rodrigue  
CHIEF CLERK OF THE HOUSE  
OF REPRESENTATIVES

---

Karen Goldman  
SECRETARY OF  
THE SENATE

APPROVED \_\_\_\_\_

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Bill Owens  
GOVERNOR OF THE STATE OF COLORADO