

No. 1986-67

AN ACT

SB 745

Amending the act of May 17, 1921 (P.L.789, No.285), entitled, as amended, "An act relating to insurance; establishing an insurance department; and amending, revising, and consolidating the law relating to the licensing, qualification, regulation, examination, suspension, and dissolution of insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and certain societies and orders, the examination and regulation of fire insurance rating bureaus, and the licensing and regulation of insurance agents and brokers; the service of legal process upon foreign insurance companies, associations or exchanges; providing penalties, and repealing existing laws," further providing for admitted assets.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Paragraph (3) of the definition of "insolvency" in section 503 of the act of May 17, 1921 (P.L.789, No.285), known as The Insurance Department Act of one thousand nine hundred and twenty-one, added December 14, 1977 (P.L.280, No.92), is amended to read:

Section 503. Definitions.—The following words and phrases when used in this act shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

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"Insolvency" means:

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(3) For the purposes of this paragraph in determining the financial condition of an insurer such assets shall be considered to be admitted as are owned by the insurer and which consist of: (i) 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; (ii) investments, securities, properties and loans acquired or held in accordance with this act, 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 on a basis including accrued interest, (B) declared and unpaid dividends on stock and shares, unless such amount has otherwise been allowed as an asset, (C) interest due or accrued upon a collateral loan in an amount not to exceed one year's interest thereon, (D) interest due or accrued on deposits in solvent banks and trust companies, and interest due or accrued on other assets, if such interest is in the judgment of the commissioner a collectible asset, (E) interest due or accrued on a mortgage loan, in an amount not exceeding in any event the amount, if any, of the excess of the value of the property less delinquent taxes thereon over the unpaid principal, but in no event shall interest accrued for a period in excess of twelve months be allowed as an asset, (F) rent due or accrued on real property if such rent is not in arrears for more than three months, and rent more than three 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; (iii) premium notes, policy loans, and other policy assets and liens on policies and certificates of life insurance and annuity contracts and accrued interest thereon, in an amount not exceeding the legal reserve and other policy liabilities carried on each individual policy; (iv) the net amount of uncollected and deferred premiums and annuity consideration in the case of a life insurer; (v) premiums in the course of collection, other than for life insurance, not more than three 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; (vi) installment premiums other than life insurance premiums to the extent of the unearned premium reserve carried on the policy to which such premiums apply; (vii) notes and like written obligations not past due, taken for premiums other than life insurance premiums, on policies permitted to be issued on such basis, to the extent of the unearned premium reserves carried thereon; (viii) the full amount of reinsurance recoverable by a ceding insurer from a solvent reinsurer and which reinsurance is authorized under section 319 of the act of May 17, 1921 (P.L.682, No.284), known as "The Insurance Company Law of 1921"; (ix) amounts receivable by an assuming insurer representing funds withheld by a solvent ceding insurer under a reinsurance treaty; (x) deposits or equities recoverable from underwriting associations, syndicates and reinsurance funds, or from a 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; (xi) electronic and mechanical machines constituting a data processing and accounting system if the cost of such system is at least **[one hundred thousand dollars (\$100,000)] ten thousand dollars (\$10,000)**, which cost shall be amortized in full over a period not to exceed ten calendar years; (xii) 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 use in this Commonwealth for the kinds of insurance to be reported upon therein; (xiii) 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 him.

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Section 2. This act shall take effect immediately.

APPROVED—The 17th day of June, A. D. 1986.

DICK THORNBURGH