

**ARKANSAS SENATE**  
83rd General Assembly - Regular Session, 2001  
**Amendment Form**

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**Subtitle of Senate Bill No. 987**

"AN ACT TO AMEND VARIOUS SECTIONS OF THE ARKANSAS CODE RELATING TO  
INSURANCE."

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**Amendment No. 2 to Senate Bill No. 987.**

Amend Senate Bill No. 987 as engrossed, S3/27/01:

Add two additional sections immediately following Section 3 to read as follows:

"SECTION 4. Arkansas Code 23-63-805(1), concerning domestic insurer investments in any one person, is amended to read as follows:

(1) ~~One Person. An insurer shall not, except with the consent of the commissioner, have at any one time any combination of investments in or loans upon the security of the obligations, property, or securities of any one (1) person or issuer aggregating an amount exceeding ten percent (10%) of the insurer's assets, except that investments in certificates of deposit and savings and loan association deposits in any one (1) person may be the greater of ten percent (10%) of the insurer's assets or the maximum amount of federal insurance applicable to the deposit. This restriction shall not apply as to general obligations of the United States or of any state, or include policy loans made under § 23-63-821;~~

(A) Except with the consent of the commissioner and except as otherwise specified in this subchapter, an insurer shall not have, directly or indirectly through an investment subsidiary, an investment under this subchapter if, as a result of and after giving effect to the investment, the insurer would hold more than five percent (5%) of its admitted assets in investments of all kinds issued, assumed, accepted, insured or guaranteed by a single person, or five percent (5%) of its admitted assets in investments in the voting securities of a depository institution or any company that controls the institution. The five percent (5%) limitation shall not apply to the aggregate amounts insured by a single financial guaranty insurer with the highest generic rating issued by a nationally recognized statistical rating organization; and investments in certificates of deposit and savings and loan association deposits in any one (1) person may be the greater of ten percent (10%) of the insurer's assets or the maximum amount of federal insurance applicable to the deposit. This restriction shall not apply as to general obligations of the United States or of any state, or include policy loans made under § 23-63-821. Provided further, the applicable limitation shall be twenty percent (20%) rather than five percent (5%) as to direct

obligations of certain federal agencies identified in § 23-63-812 of this code.

(B) If upon enactment, the immediate application of this provision would have the effect of reducing the admitted asset value of assets held by a particular insurer, the insurer may continue to reflect as admitted those assets that would be admissible but for the enactment of this provision, until the annual statement filing for the year ended December 31, 2004.

SECTION 5. Arkansas Code 23-63-840(a) is amended to read as follows:

(a) ~~An insurer may invest in collateralized mortgage obligations without investment limitation~~ provided that the underlying mortgages pledged to the repayment of principal and interest of the collateralized mortgage obligation are in themselves unconditionally guaranteed as to timely repayment of principal and interest by the United States, or by any agency or instrumentality of the United States; and provided that the specific investment right within that collateralized mortgage obligation is not a zero coupon class, residual interest, or a class designated as principal or interest only-, provided that the aggregate amount of collateralized mortgage obligations secured by or evidencing an interest in a single asset or single pool of assets held by a trust or other business entity, then held by the insurer would not exceed five percent (5%) of the insurer's total admitted assets. For purposes of the "one person" diversification restriction found in § 23-63-805(1), collateral mortgage obligations issued by the United States or any agency or instrumentality of the United States shall not be considered investments in or loans upon the security of the obligations, property or securities of the United States or any such agency or instrumentality of the United States. If upon enactment, the immediate application of this provision would have the effect of reducing the admitted asset value of assets held by a particular insurer, the insurer may continue to reflect as admitted those assets that would be admissible but for the enactment of this provision, until the annual statement filing for the year ended December 31, 2004."

**The Amendment was read the first time, rules suspended and read the second time and \_\_\_\_\_**

**By: Senator T. Smith  
LH/MHF - 032820011701  
MHF967**

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**Secretary**